

The Audit of Best Value and
Community Planning

Midlothian Council



Prepared for the Accounts Commission
June 2012

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests 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 45 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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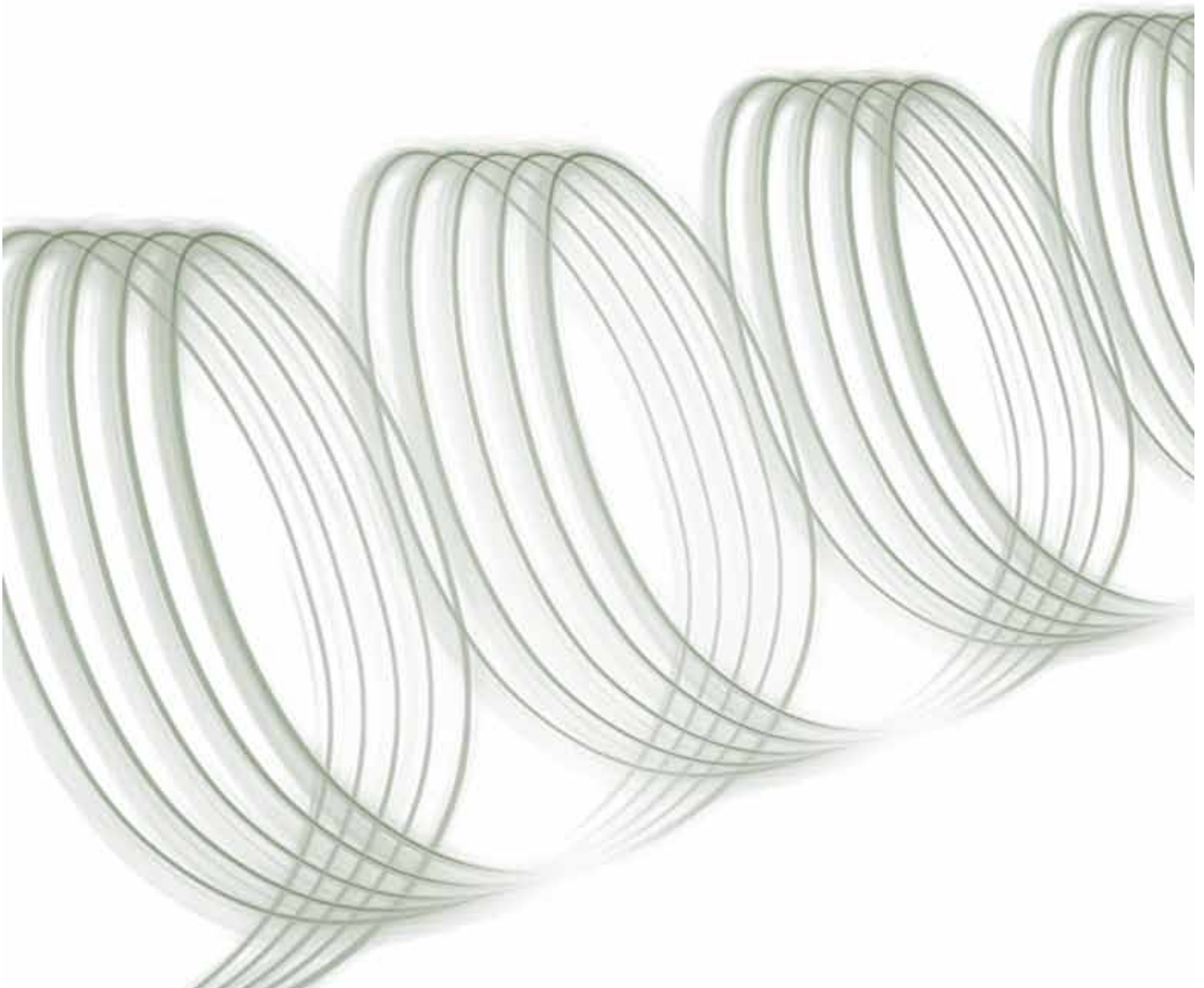
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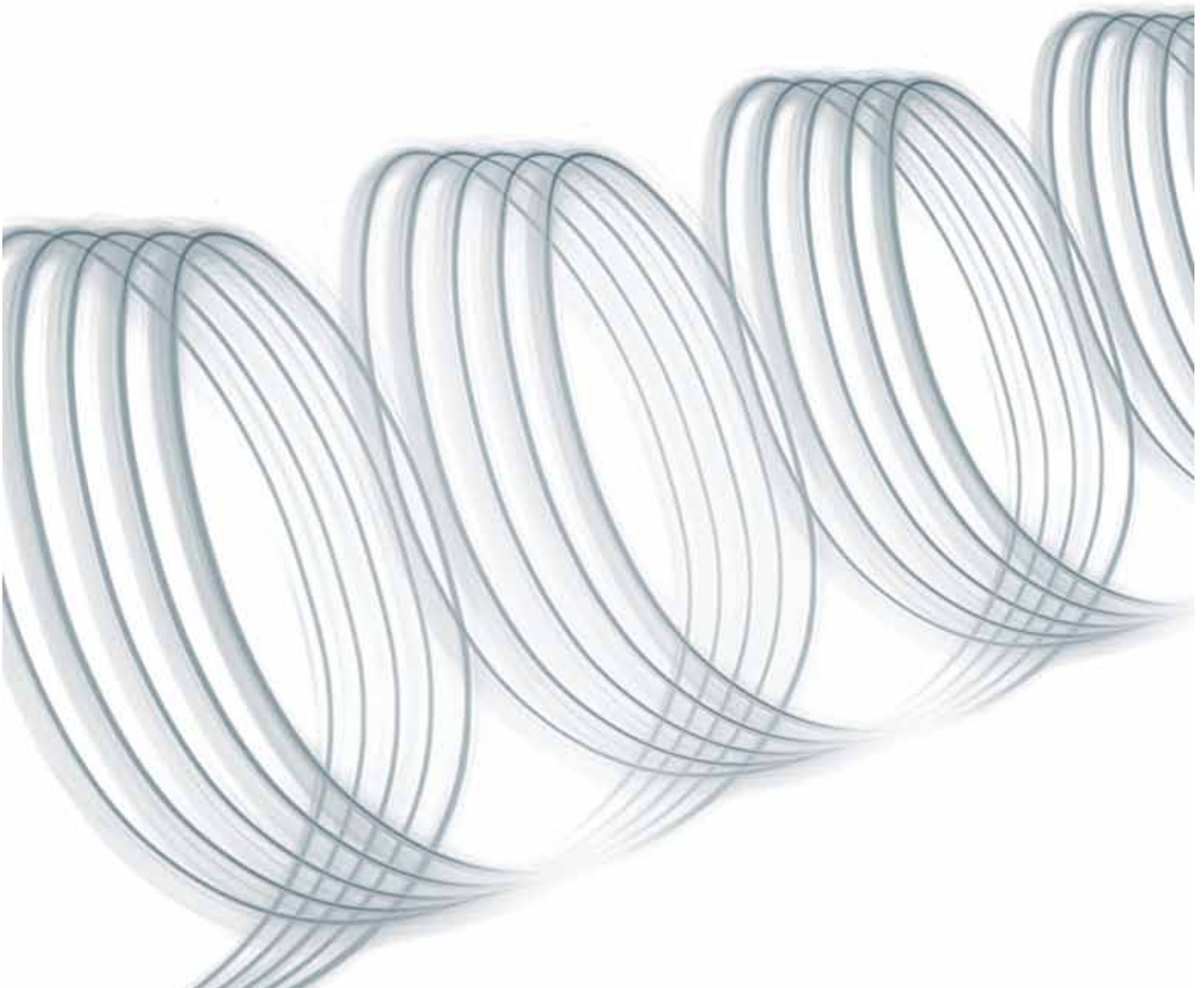
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Commission findings



- 1.** The Commission welcomes progress made in a short period of time by Midlothian Council towards putting in place many of the essential elements of Best Value. Elected members and officers have worked well together and demonstrated shared leadership to increase the pace of change and improvement in the council.
- 2.** This progress is shown by improvements in a number of key areas including how the council works with its partners and engages with its communities; in how it evaluates its performance; and in how it manages its employees.
- 3.** The Commission is also encouraged that the council shows good awareness of where and how it needs to improve. This has been helped by its Business Transformation Strategy. The Commission emphasises the need for the council to ensure that this programme continues to be delivered as planned and the Commission has asked the local auditor to continue to closely monitor progress.
- 4.** The Commission notes in particular the early progress made on shared services. This is a significant area, but the council needs to be clearer about its long-term strategy in relation to shared services.
- 5.** The council's awareness would be helped further by better use of information such as customer views and comparative information with other councils' performance.
- 6.** Improvements in performance have been seen in a number of council services but this is not yet consistent across all service areas and too many still perform below the Scottish average. The Commission notes, for example, the need for improvement to planning, housing and aspects of education services, most notably secondary education.
- 7.** Because many of the elements of Best Value have only relatively recently been put in place, the council needs both to consolidate and accelerate its pace of improvement to help deliver improved services and, through it working with its partners, better outcomes for the people of Midlothian.

Part 1. The Audit of Best Value



Best Value

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 first round of Best Value audit reports have been published on all 32 councils in Scotland.

2. This next phase of the Best Value audit is carried out and reported under the same legislative framework, but the approach has moved on significantly from the 32 baseline audits. In particular, the audits are:

- more proportionate and risk-based, reflecting more closely the particular issues faced by individual councils and their partners
- founded on a shared risk assessment process, conducted with colleagues from other local government inspectorates, particularly Education Scotland, the Care Inspectorate and the Scottish Housing Regulator (SHR) that form a Local Area Network (LAN)
- more focused on impact and outcomes, and the difference the council and its partners are making for local communities
- designed to provide a more rounded view of partnership working in a local area, and the difference it is making.

3. The Scottish Government's Best Value guidance provides details of the characteristics that councils are expected to demonstrate in fulfilling their statutory Best Value duties. The characteristics apply to elected members and officers reflecting the joint responsibility for Best Value.

Midlothian Council Best Value audit scope

4. Best Value is an important part of the wider scrutiny arrangements in councils in Scotland. Audit Scotland works closely with other local government inspectorates in a LAN of local audit and inspection representatives. The LANs undertake a shared risk assessment process for all 32 local authorities, to identify targeted, risk-based scrutiny. This process results in each council receiving an Assurance and Improvement Plan (AIP) each year which sets out the scrutiny activity that the council can expect to take place over a rolling three-year period. The first AIPs, which were published in July 2010, covered the period from April 2010 to March 2013; the most current AIPs were published in May 2011 and cover the period April 2011 to March 2014. The next AIP covering April 2012 to March 2015 was published in May 2012.

5. The 2010–13 AIP identified the need for a Best Value audit in 2011/12 to assess the impact of significant changes to Midlothian Council, including the appointment of a new chief executive in September 2009; the introduction of a Business Transformation Programme (BTP) in February 2010; and an organisational restructure that saw a reduction in management posts.

6. The LAN met in January 2011 to update the AIP, revise its assessment and reconsider the level of scrutiny required for Midlothian Council. The LAN prepared an updated AIP for 2011–14 in April 2011. The risk assessment for education and community services, now part of education and children's services increased from 'no significant concerns' to 'uncertainty'. This was due, primarily, to the council's plans to develop shared education services with East Lothian Council.

7. The LAN confirmed that scrutiny activity for 2011/12 should include a Best Value audit and, since it had been some time since the last inspection of education, that the audit should include an HMIE (now Education Scotland) component. The approach to scrutiny saw a Best Value joint scrutiny team involving both Audit Scotland staff and a District Inspector of Education Scotland.

8. The audit focused on the progress made by the council in taking forward its improvement programme since the first Best Value audit in 2008 and in particular the progress it was making in implementing key plans and strategies. It considered how Midlothian Council, along with its community planning partners, were responding to the challenges in the area and delivering positive outcomes for the people of Midlothian. The focus of this work was on the Midlothian Community Planning Partnership's performance management arrangements, particularly in demonstrating the delivery of outcomes.

9. The audit also focused on the council's BTP which when it was revised in August 2011 became the Business Transformation Strategy (BTS). In addition, we looked at the council's arrangements for the leadership, management and prioritisation of its improvement activity.

10. The audit also focused on education with a particular emphasis on the shared services agenda.

About this audit report

11. The first Best Value audit of Midlothian was undertaken in 2007 and the report published in June 2008. The audit concluded that Midlothian Council had some way to go before it was in a position to fully demonstrate Best Value and continuous improvement. It identified that there was a need for more effective implementation of processes and clearer priorities. It found that

there was a need to take corporate action to:

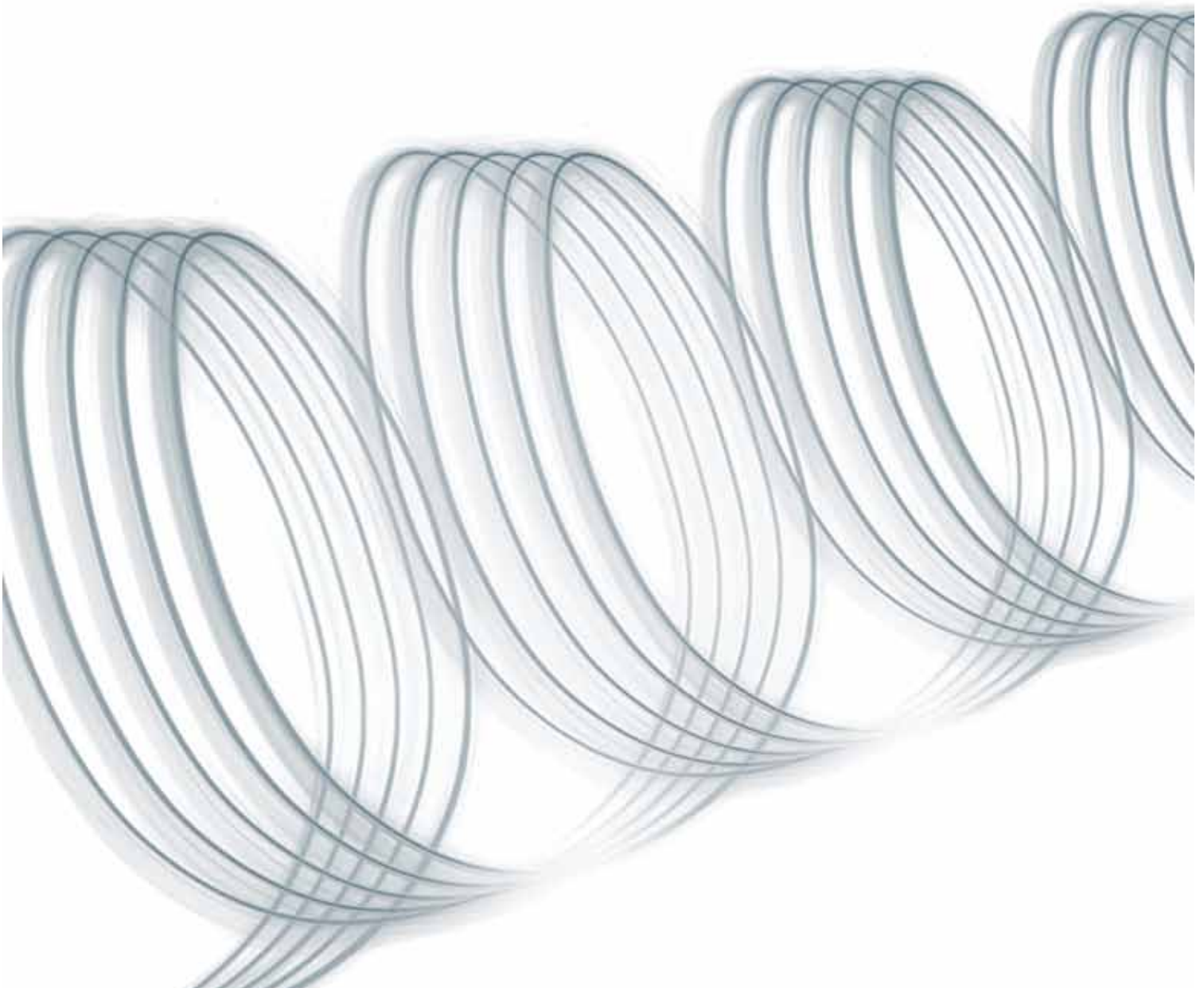
- drive initiatives through to completion
- deal with the areas where there are significant service deficiencies
- improve standards of customer care
- take forward the important people management issues which had not yet been fully delivered
- put in place and use effective processes to support continuous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

12. The report also highlighted the need for elected members and senior officers to provide a clearer focus on Best Value and support for continuous improvement, for scrutiny arrangements to be strengthened by more consistently providing members with timely information about service performance, ensuring the competitiveness of its services, and consider how best to build managerial and professional capacity within the council.

13. We carried out the Best Value audit of Midlothian Council between September 2011 and March 2012. The scoping work started in September 2011 and the team undertook onsite activity at the council in November 2011.

14. We gratefully acknowledge the co-operation and assistance provided to the audit team by the chief executive Kenneth Lawrie, the leader of the council, Councillor Derek Milligan, the council's partners that were interviewed as part of the audit, and all other elected members and staff involved.

Part 2. Overall conclusions



15. The first Best Value audit report on Midlothian Council was published in 2008. The report highlighted a number of key areas for improvement. In 2009, the council appointed a new chief executive and since that time the council has done much to improve its approach to Best Value. There has been significant improvement in corporate management, officer and elected member leadership and leadership development. There remain a number of challenges to take forward its improvement agenda but the council shows good awareness of what these are and has plans in place to address them. The council now needs to ensure that these plans are implemented.

16. Since 2010, the council has developed a prioritised BTS to address key improvement areas. Good progress has been made through this strategy in a short period of time, in particular through the People Strategy workstream which has put in place the building blocks of good people management. The council is now reflecting on the changing external context of local government and increasing financial pressures. In doing so, it is undertaking a piece of work to identify alternative service delivery models for the future, such as shared services with other local authorities or with other public sector organisations. The findings of this work will inform any revisions to the BTS.

17. There is evidence of improved elected member leadership with clearer focus on Best Value, better support for continuous improvement and improved scrutiny of decisions and performance. Elected members can build on this by engaging actively in the council's Continuous Professional Development programme.

18. Partnership working is strong in Midlothian and the council and its partners are making progress in delivering their local outcomes. Council services are generally

improving, although approximately half the service areas covered by Statutory Performance Indicators (SPIs) still perform below the Scottish average. There have been some improvements in how the council provides its education service, particularly in pre-school and primary provision. However, there is room to increase the pace of improvement in some aspects of secondary education provision.

19. The council manages its budget well. The council's BTS provides a clear focus and direction for efficiency and improvement and the council is making good progress with its implementation. The council needs to maintain the pace and delivery to planned timescales and targets as there is a financial risk if its planned savings are not achieved.

20. The council has improved its approach to how it manages its workforce. The council has also made good progress in improving its physical assets including its schools estate, council houses and roads, and has developed a strategic vision through its Corporate Asset Management Plan. The council is making progress in rationalising its offices. Although it is at an early stage, the council is progressing its proposals for a shared education and children's service with East Lothian Council and is improving its approach to procurement. It has a robust approach to reviewing services and this is delivering savings for the council.

21. The council has been slow in developing its approach to responding to customer requests and enquiries, but in the last year has put in place the building blocks to allow it to improve the way it delivers customer services. It now needs to increase the pace of change in this area.

22. The council has improved its performance management arrangements and scrutiny since the change in its committee structures

in June 2010. It is in the process of implementing a self-evaluation approach to improve services further. However, the council could be more systematic in the use of customer satisfaction information and in comparing its performance with other councils.

Performance assessment

23. The performance assessment provides two judgements on council performance. One assesses how well the council is performing and the other covers the council's prospects for improvement. Descriptions for each category can be found in [Appendix 1](#).

24. The council's overall performance is **satisfactory**:

- The council and its partners can demonstrate:
 - good performance in supporting healthy, caring and diverse communities. The council and its partners show awareness of where the challenges are and have plans in place to improve their performance further
 - good performance in ensuring that Midlothian is a safe place to live, work and visit
 - mixed performance in maximising business opportunities including good progress in the numbers of businesses receiving support, including loans, but less success in relation to increasing take-up of economic land. The number of non-householder applications dealt with within two months is improving but remains below Scottish average levels

- mixed performance in delivering their priorities and making a positive impact in conserving and improving Midlothian’s environment. Progress in improving biodiversity is good but there has been less success in respect of sustainable modes of transport and in safeguarding and enhancing the amenity of Midlothian. Waste management and recycling performance has improved; however, the net cost of refuse collection remains well above Scottish average
 - mixed performance in improving opportunities for people in Midlothian. Pre-school and primary education has improved but the partnership has made less progress in reducing health inequalities and demonstrating the impact from activities to support lifelong learning.
 - Council services are improving. There have been improvements in services to protect children and vulnerable young people, adult community care, protective services, benefits, roads, waste management and in the education service. However, despite this improving picture, some service areas still perform below the Scottish average including aspects of planning and development services, housing management and homelessness services. The council knows which services need to get better and can demonstrate improvement.
- improvement that is focused on what matters to local people.
- Partnership working in Midlothian is strong, with good leadership, representation and commitment across the partner organisations and this is improving the delivery of outcomes for local communities. There are effective governance structures in place to support partnership working.
 - The council and its partners are good at consulting and involving local communities and can demonstrate how this has contributed to service delivery. The partnership is committed to further increasing community involvement through its development of neighbourhood planning.
 - The council shows a good awareness of where it needs to make improvements and its BTS provides it with an effective approach for achieving efficiency and improvement. This provides the council with a systematic process for directing resources to key priority areas. It has a robust approach to the review of services. The council has improved its performance management arrangements and how well it scrutinises and challenges performance.

Areas for improvement

25. The council has good prospects for future improvement:

- The council has effective political and managerial leadership, supported by good governance arrangements. It has demonstrated its commitment and ability to deliver continuous

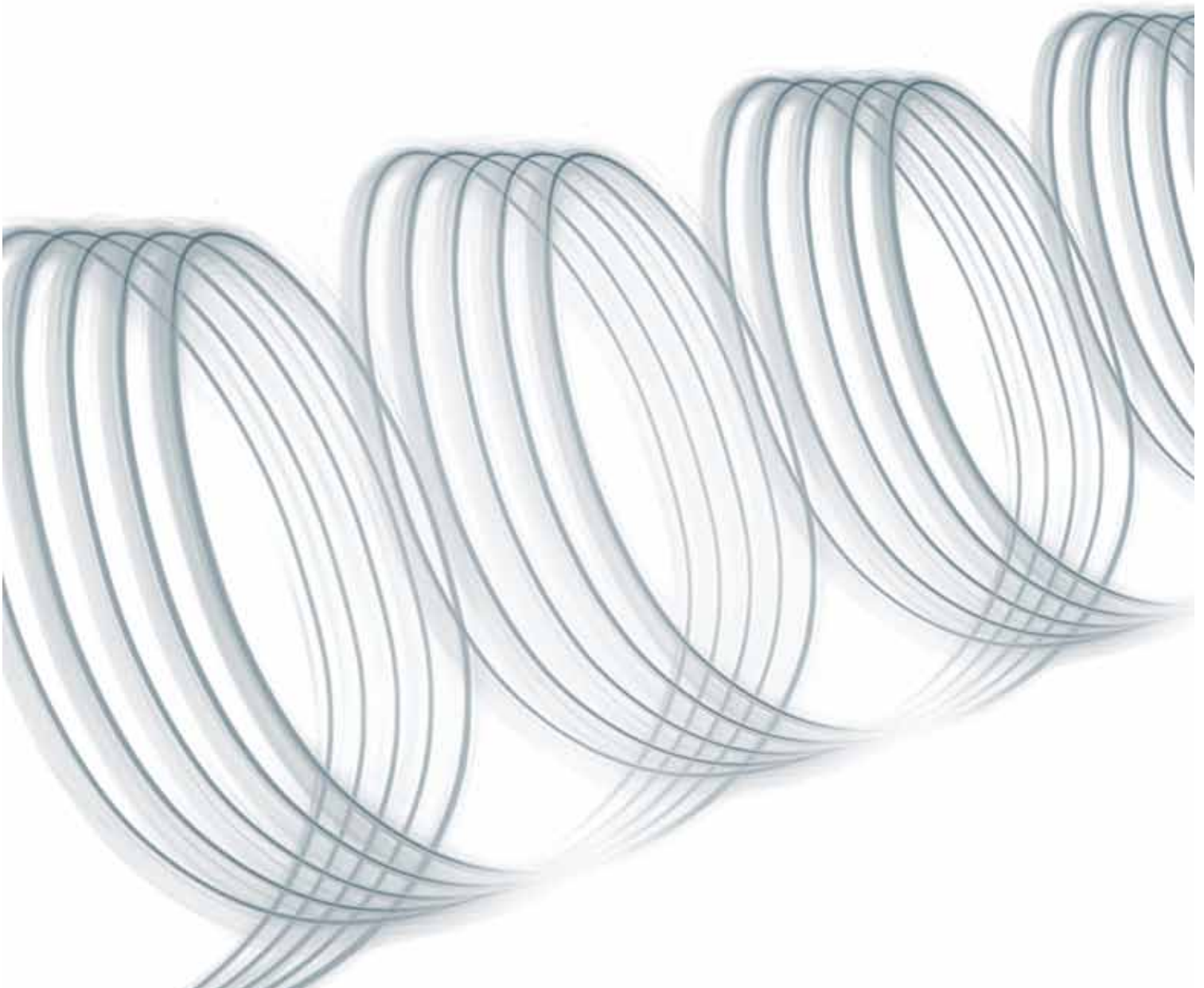
28. The council needs to maintain delivery of its BTS and Future Model of Service Delivery (FMSD) review, to planned timescales and targets to ensure the projects deliver the anticipated benefits and savings.

29. The council needs to be more systematic in the collection, reporting and use of customer satisfaction information. It can also make more use of value-for-money assessments and benchmarking information to see how it compares with others and identify where it can do better.

26. The council needs to continue to improve its services for the people of Midlothian. While performance levels are getting better, some services perform below average levels.

27. The council needs to pick up the pace of improvement in secondary education and in some areas of education psychological services and community learning and development. The council needs to improve its scrutiny of the education function and develop a shared vision to drive further improvement in attainment and achievement.

Part 3. Local context



Midlothian

30. Midlothian is located in east/central Scotland and is the second smallest council by area (354 sq km). The population of Midlothian resides predominantly within eight main towns to the north of the council area. The main population centres are the six towns of Penicuik, Bonnyrigg, Mayfield, Dalkeith, Loanhead and Gorebridge (Exhibit 1). There are rural areas to the south with low population. Midlothian shares its borders with three other local authorities: East Lothian, City of Edinburgh and Scottish Borders. It is in close proximity to Edinburgh City and its transport links including airport and rail links.

31. The population of Midlothian was estimated at 81,840 in 2010 by the General Register Officer for Scotland. In the area profile of the Single Outcome Agreement (SOA), the Midlothian Community Planning Partnership estimates that the area's population will increase to 89,500 by 2020 as a result of planned new housing developments.

32. Employment was once dominated by the mining industry and Midlothian was home to industries such as paper and carpet-making; however, these industries have largely disappeared. The area is now becoming important for biotechnology and life science industries which are concentrated at the Bush Estate/Easter Bush/Roslin Biocentre in Roslin. The largest employment sector in Midlothian is public services and Midlothian Council is the largest employer in the area, along with the NHS and further education sector. Approximately 61.4 per cent of Midlothian's population is of working age and of this 83.8 per cent are economically active. There is a mixed picture in the unemployment statistics with the claimant unemployment rate in Midlothian (4.9 per cent) below the national average (5.1 per cent), but the long-term unemployed (14.8 per cent) above the national average

Exhibit 1

The Midlothian Council area



Source: Audit Scotland

(14 per cent). Median earnings in April 2010 were one per cent lower than the Scottish average.

The council

33. The council has 18 councillors and comprises six multi-member wards – the political make-up being ten Labour Party councillors, six Scottish National Party and two Liberal Democrat Party. At the time of our audit, the council was led by a Labour administration.

34. In addition to the council, there are the following committee structures:

- The cabinet is made up of seven elected members from the administration who hold portfolios; as the main Education Committee it also includes three religious representatives as non-voting observers. It is the principal decision-making committee of the council; however, decisions of the cabinet can be called in by the Performance Review and Scrutiny Committee (PRSC).
- The PRSC is responsible for reviewing performance against policy objectives and commenting on decision and policies and their impact. It is chaired by a member who is leader of the opposition and as outlined above has the power of 'call-in' of cabinet decisions.
- The Audit Committee, which has six council members and an independent non-voting member, is chaired by an opposition party member. The Audit Committee is responsible for the promotion of best practice in the areas of risk management, financial procedures, and internal controls, development of continuous improvement and review of external audit issues.
- The General Purposes Committee and a Planning Committee both of which involve all 18 members of the council. There is also a Local Review Body and a Standards Committee.

Exhibit 2

Timeline of key events

Month/Year	Key event
June 2008	Accounts Commission findings and Best Value audit report published
June 2009	Implementation of Modernising Midlothian saw the introduction of a new pay and grading system
September 2009	New chief executive appointed
February 2010	Business Transformation Programme agreed by council
April 2010	Management Review approved – divisional restructuring
May 2010	Leadership Forum introduced
June 2010	Council agreed creation of a separate Audit Committee and amended arrangements for the Performance Review and Scrutiny Committee
July 2010	Management Review implemented
September 2010	Midlothian Excellence Framework introduced
October 2010	Shared Services Memorandum of Understanding signed by leaders and chief executives of both East Lothian and Midlothian Councils
January 2011	Council recommended review of Future Model of Service Delivery
June 2011	People Strategy approved by council
August 2011	Revised Business Transformation Strategy agreed by council
February 2012	Future Model of Service Delivery project definition agreed by council

Source: Audit Scotland

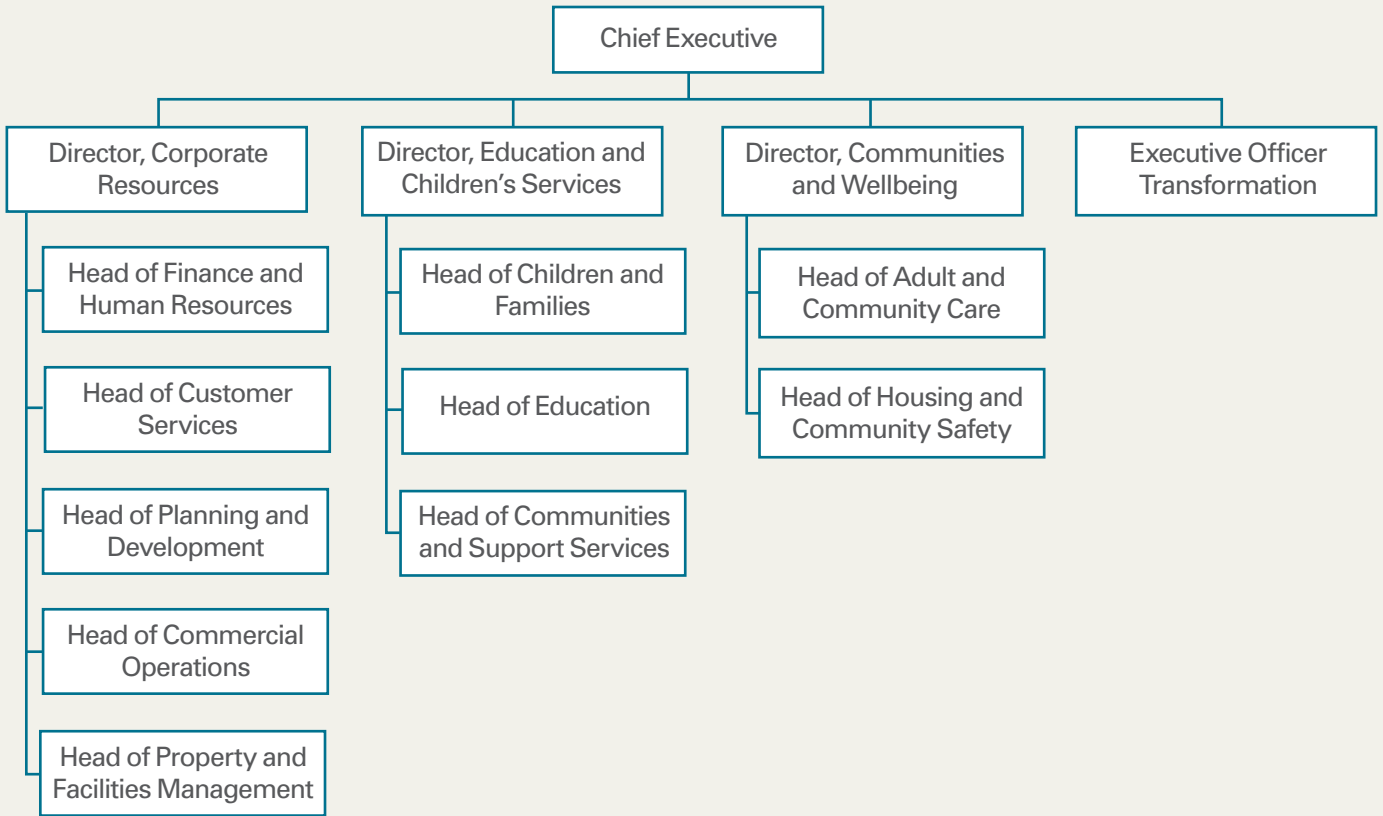
35. A new chief executive was appointed in September 2009 and since his appointment the council has reviewed its management structures, commenced a major change programme with its BTS and introduced a self-evaluation model, the Midlothian Excellence Framework (MEF), which it is now rolling out across the council. [Exhibit 2](#) details key events in the council's recent history. The key projects listed in the exhibit are explored further throughout this report.

36. In April 2010, the council approved the findings of a management review and agreed a reduction from a model of five divisions plus the chief executive with executive services and 12 heads of service posts, to a structure that now comprises the chief executive and three directorates: Corporate Resources, Education and Children's Services, and Communities and Wellbeing. There are ten heads of service ([Exhibit 3](#)).

37. The council employs approximately 4,000 employees. The estimated net expenditure of the council for 2010/11 is £206.4 million, equating to £2,326 expenditure per head of population, slightly below the average for Scotland of £2,403. The average level of council tax is slightly above the Scottish average, with band D for 2012/13 at £1,210 compared to a national average of £1,149.

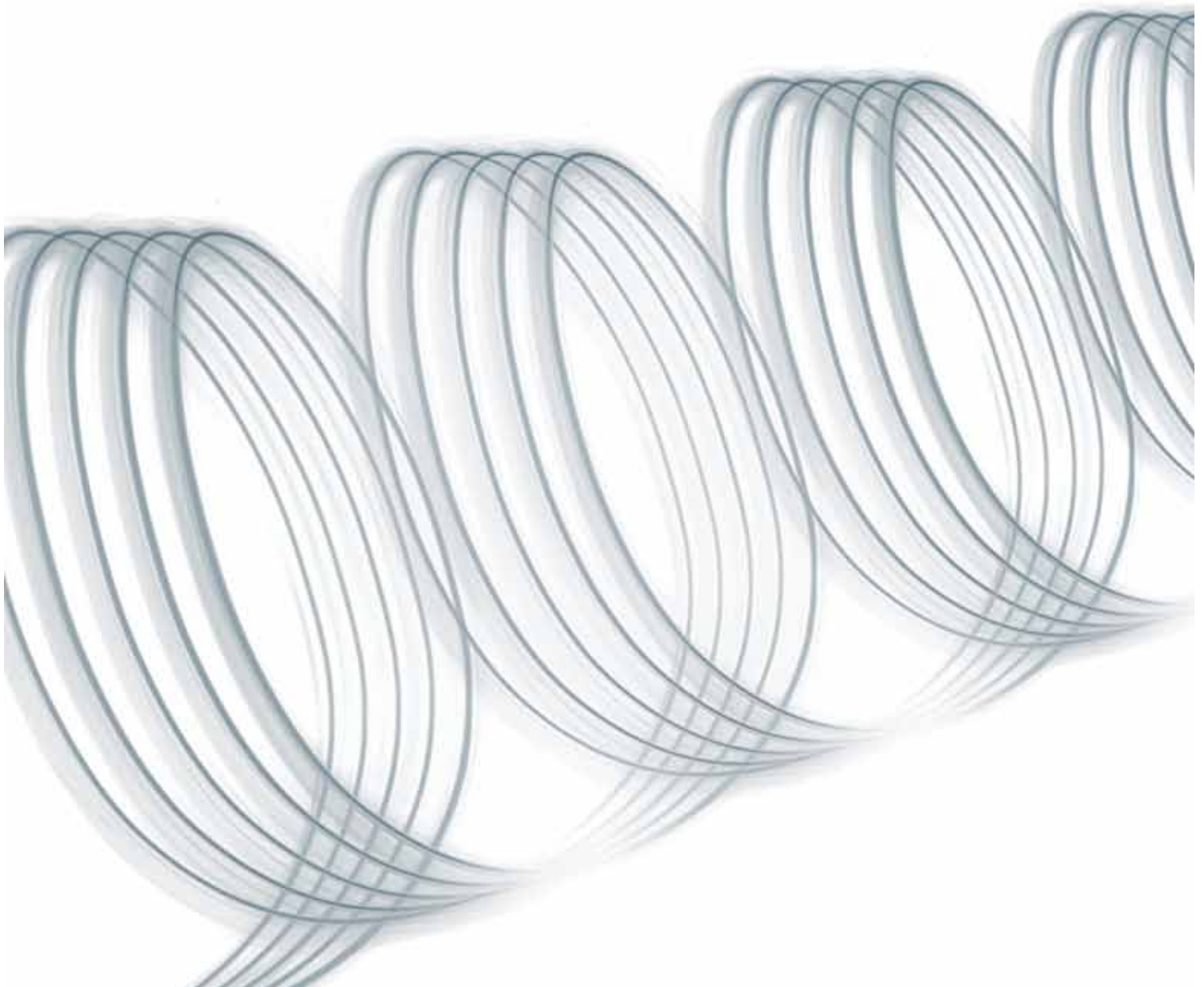
Exhibit 3

The council's management structure as at February 2012



Source: Audit Scotland

Part 4. Is the council working effectively with its partners to improve Midlothian?



Partnership working in Midlothian is strong, with good leadership, representation and commitment across the partner organisations. There are effective governance structures in place to support partnership working. The partnership is aware of its strengths and weaknesses and has plans in place to improve partnership working. The council and its partners are good at consulting and involving local communities and can demonstrate how this has contributed to improved service delivery. Performance reporting is balanced and includes details of planned action to address those poorer performing areas. The council and its partners can better use this information to increase elected member scrutiny and to hold each other to account through constructive challenge.

Are they focused on the challenges for Midlothian?

38. The council and its partners have a clear understanding of the context within which they operate and the challenges that they face. They share a clear vision of what the partnership wants to achieve and this is supported by clear strategic objectives that all partners have agreed (Exhibit 4).

39. Our first Best Value report in 2008 identified that the council should strengthen its strategic approach to community planning. The 2011/12 AIP noted that partnership working and community leadership had developed well in Midlothian. However, there was some uncertainty over the impact of significant organisational restructuring in the council, the reduction of posts, and the proposals for ambitious shared services.

40. The community plan forms the basis of the council's strategic planning framework and the SOA is supported by all partners. The SOA is aligned with the community plan and sets out how the partners aim to deliver their priorities.

Exhibit 4

Midlothian Council's Strategic Objectives and Partnership Outcomes

Midlothian SOA Partnership Themes	Midlothian Council's Strategic Objectives – 2011/12
Themes 1a and 1b Supporting healthy, caring, diverse communities where local needs are met 1a for adults, 1b for children	Objective 1: Supporting healthy, caring and diverse communities where local needs are met. <ul style="list-style-type: none"> Provide quality, affordable housing including increasing homelessness accommodation. Maximise opportunities for people to stay in their own communities. Strengthen services for children and young people. Provide suitable infrastructure for the efficient and effective delivery of service to meet the full range of community needs.
Theme 2 Maximising business opportunities	Objective 2: Maximising business opportunities. <ul style="list-style-type: none"> Promote inward investment and create quality and sustainable business locations.
Theme 3 Ensuring Midlothian is a safe place to live, work and visit	Objective 3: Maintaining Midlothian as a safe place to live, work and visit. <ul style="list-style-type: none"> Reduce levels of drug and alcohol misuse. Work with communities to reduce antisocial behaviour and offending and promote positive social development. Work with partners to protect vulnerable people. Improve road safety.
Theme 4 Conserving and improving Midlothian's environment	Objective 4: Conserving and improving Midlothian's natural environment. <ul style="list-style-type: none"> Reduce the environmental impact of waste. Promote sustainable development, including through Best Value and Climate Change duties.
Theme 5 Improving opportunities for people in Midlothian	Objective 5: Improving opportunities for people in Midlothian. <ul style="list-style-type: none"> Improve the level of achievement/attainment for children and adults in lifelong learning. Promote social and financial inclusion in Midlothian. Regenerate and improve Midlothian's town and village centres.
All themes Our public services are high-quality, continually improving, efficient and responsive to local people's needs	Objective 6: Delivering responsive, efficient and effective service to the people of Midlothian. <ul style="list-style-type: none"> Ensure a sustainable strategy for the delivery of council services. Put our customers first. Ensure equality of opportunity as an employer and service provider. Support the council in its corporate improvement agenda and to ensure Best Value.

Source: Audit Scotland

41. The council and its partners continue to explore ways in which they can improve partnership working and this includes working with the Scottish Government to undertake a strategic assessment of partnership priorities. This has led to the identification of three overarching priorities: (1) early years, early intervention and addressing child poverty; (2) positive destinations; and (3) maximising business opportunities. These priorities are being taken forward by the thematic groups.

42. The council and its partners are aware of the partnership's strengths and weaknesses. They have demonstrated a willingness to address areas for improvement and, following a review in 2008/09, established a clearer governance structure ([Exhibit 5](#)). The partnership identified that it lacked strategic financial management and has set up a Senior Financial Officers Working Group (SFOWG) within the partnership to address this.

43. The SFOWG group comprises senior financial officers from the main partner organisations, and reports to the Community Planning Steering Committee (CSPC). The group has a clear objective to deliver the priorities set out in the SOA by improving how resources are directed to priorities. The group is looking at how it can more effectively align the budgets of the public bodies involved in the partnership and exploring how they can share resources. The work looking at shared resources should also include consideration of property assets and the potential to share accommodation.

44. In January 2011, Midlothian Council, East Lothian Council and their partners established the East and Midlothian Community Planning Equalities Forum. This group set the priorities for joint equalities work between the two councils, developed a joint equalities action plan and performance report, and joint mechanisms for engaging communities.

45. The sustainability agenda is clear throughout the partner's arrangements and work. The green agenda is particularly evident in the key theme and associated outcomes of conserving and improving Midlothian's environment. The wider social and economic sustainability agenda is a particular focus for the council and its partners throughout the articulation of partnership priorities, their work and the delivery of positive outcomes for the communities of Midlothian.

Community engagement

46. In the Best Value report of 2008, the Accounts Commission welcomed the council's engagement with its communities. The report noted that the council had engaged well with a significant proportion of the population in Midlothian.

47. The council and its partners continue to have a good approach to consulting and involving local communities and can demonstrate that they use the results of this engagement to inform how they develop and deliver public services ([Exhibit 6, page 18](#)). They have a community engagement strategy covering the period 2010–13. The partnership regularly seeks the views of the community using the Citizens' Panel, which is shared and financed between key partners. In 2010, the partnership used the panel in a 'difficult choices for difficult times' survey to consider the financial challenges being faced. As part of a related exercise, the council also carried out four community engagement events which were attended by the council leader, the chief executive and other officers of the council about the council's budget.

48. The partnership is making good progress rolling out neighbourhood planning, this involves producing locality and neighbourhood plans in each of Midlothian's Community Council areas. In April 2010, the Gorebridge Neighbourhood Plan was finalised and in November 2010 the Dalkeith Neighbourhood Plan

was finalised. Both plans are being implemented. Loanhead and Penicuik have draft action plans in place. The Mayfield/Easthouses Neighbourhood Plan group has secured £30,000 local investment funded by The Coalfield Regeneration Trust. There is a timetable in place for the roll out of neighbourhood planning across all 16 community council areas over a five-year period to 2015.

49. The council and its partners report good progress in increasing community capacity. In the CPP performance report for 2010/11, five of the seven indicators were reported as having met target and showing improved performance. This included an increase in the number of community organisations and in the membership of community development trusts. There has also been an increase in the number of social enterprises provided with support and assistance, as well as an increase in the number of people accessing financial education, quality advice and financial services. The partners report that the level of representation of community groups across the CPP has not yet reached the target of 68 groups, although it has improved, increasing from 49 groups to 55 between 2009 and 2011.

50. The council is proactive in consulting its communities on how it should be delivering services in the future. The objectives of the council's review of Future Models of Service Delivery (FMSD) include consideration of how public services should be accessed locally and opportunities for preventative spend which are two of the four pillars of the Scottish Government's public sector reform agenda. The council intends to carry out consultation with Midlothian communities on their preferred potential models of service delivery between May and August 2012. The FMSD is covered in more detail in [Part 7](#) of this report.

Exhibit 5

Structure of Midlothian Community Planning Partnership

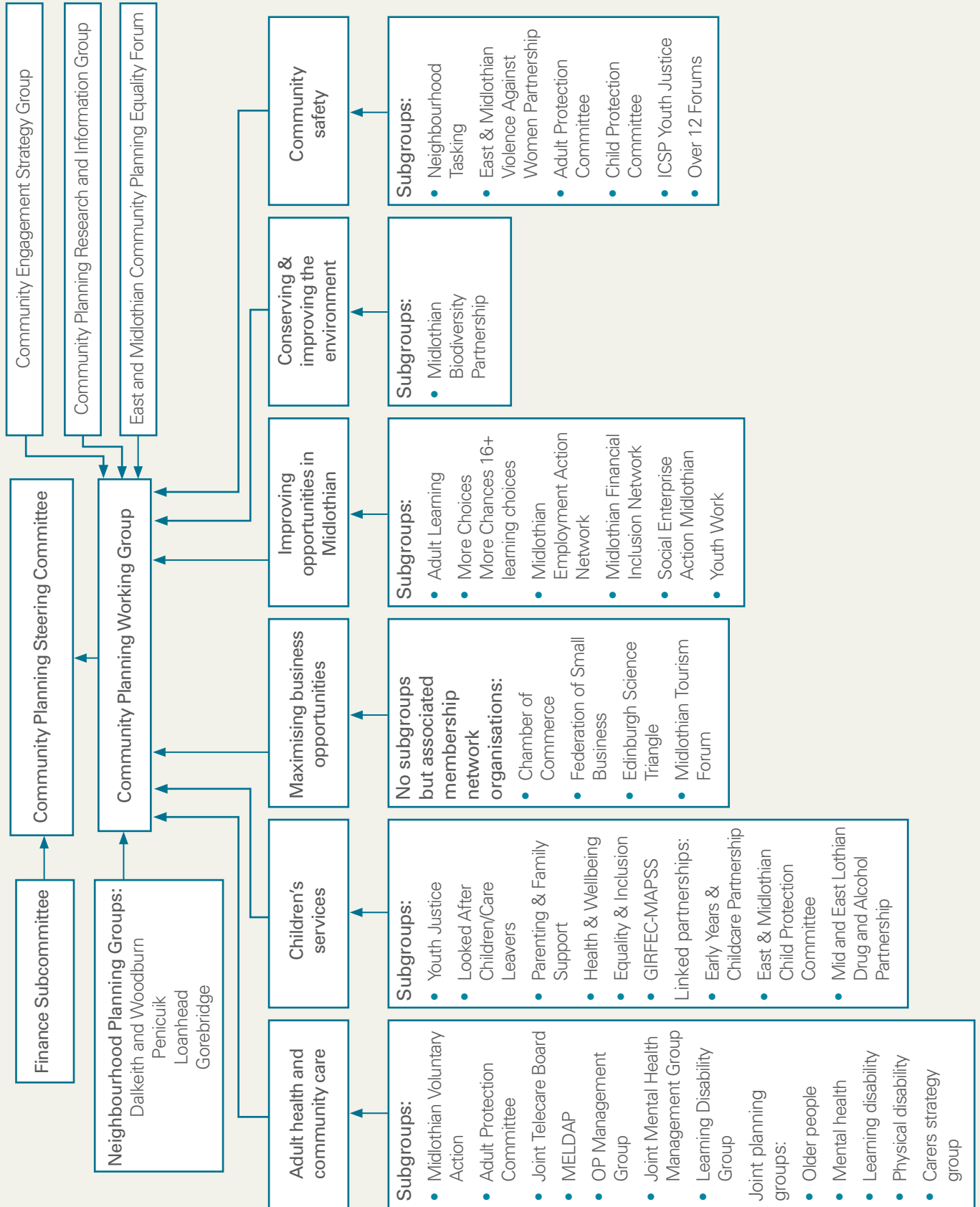


Exhibit 6

Involving service users

In 2011, Consumer Focus Scotland carried out a project to support staff across public services in improving how they involve service users. Midlothian Council was identified as a best practice council in its approach to engaging with vulnerable groups.

The council's re-tendering of its Learning Disability Residential Service was considered to be a creative approach to communication to ensure user involvement in the commissioning of services. Midlothian Council planned their engagement project around the needs of their consumer group, who had profound learning disabilities, providing information and gathering views in a way that was accessible and in a supportive environment. This involved person-centred planning with 70 users and also engaged with their carers and family members.

The approach included a 'market place' event to meet potential service providers, along with an interview panel built around service-user representation. As a result of this approach, feedback from users was used in deciding the five providers shortlisted for interview. Scores for the interviews were carried out against guidance developed by user groups.

The successful providers now offer more individualised support and involvement in decision-making and service development than would otherwise have been expected. The report highlighted a further good practice example of Midlothian Council's experience of engaging users in a tendering exercise. This approach is now being used to shape its commissioning of services for children. It aims to use a similar approach to help to develop new services for people with behaviours that challenge, people with Autism Spectrum Disorder and people with profound physical disabilities.

Source: *Consumer Engagement in Decision-Making: Best Practice from Scottish Public Services*, Consumer Focus Scotland, January 2011

How effective is partnership working?

51. Partnership working in Midlothian is strong. The council and its partners share a clear vision of what the partnership wants to achieve and this is supported by clear strategic objectives that all partners agree. The council and its partners have undertaken a strategic assessment of partnership priorities. This continues to be refined and has led to the identification of three overarching priorities: prevention of child poverty, positive destinations and maximising business opportunities. The chief executive and leader of the council show a strong commitment and provide visible leadership for

partnership working. There is also good cross-party support within the council for partnership working and the benefits it provides.

52. There is good representation across all partners at the CPSC. This includes an elected member as chair and the chief executive of Midlothian Council. There is regular attendance by representatives of Scottish Government along with senior representation from statutory agencies such as NHS Lothian, Lothian and Borders Police, Lothian and Borders Fire and Rescue, Scottish Enterprise as well as representatives of local voluntary and community groups. The CPSC is supported in its role by the Community Planning

Working Group (CPWG) that includes officers from the council and its partner agencies.

53. Community planning structures in Midlothian are well developed and include councillors, officers and community representatives. The Strategic Interface Partnership (SIP) brings together the voluntary sector and community groups in Midlothian including Midlothian Voluntary Action, Volunteer Centre Midlothian and the Social Enterprise Alliance Midlothian. The SIP reports progress on its business plan to the CSPC and the Improving Opportunities Midlothian working group.

54. In February 2011, the council and its partners carried out a self-evaluation exercise which found that the partnership had clear and effective leadership, clear decision-making structures that facilitate delivery of partnership plans, good relationships built on trust, and a willingness to work together and compromise. Our audit confirms these findings. The impact of the good partnership arrangements can be seen in multi-agency responses particularly in community safety. The structure and plans for health and community care are closely aligned and have resulted in joint strategies such as the mental health strategy, and resources being realigned through the re-provision of mental health services.

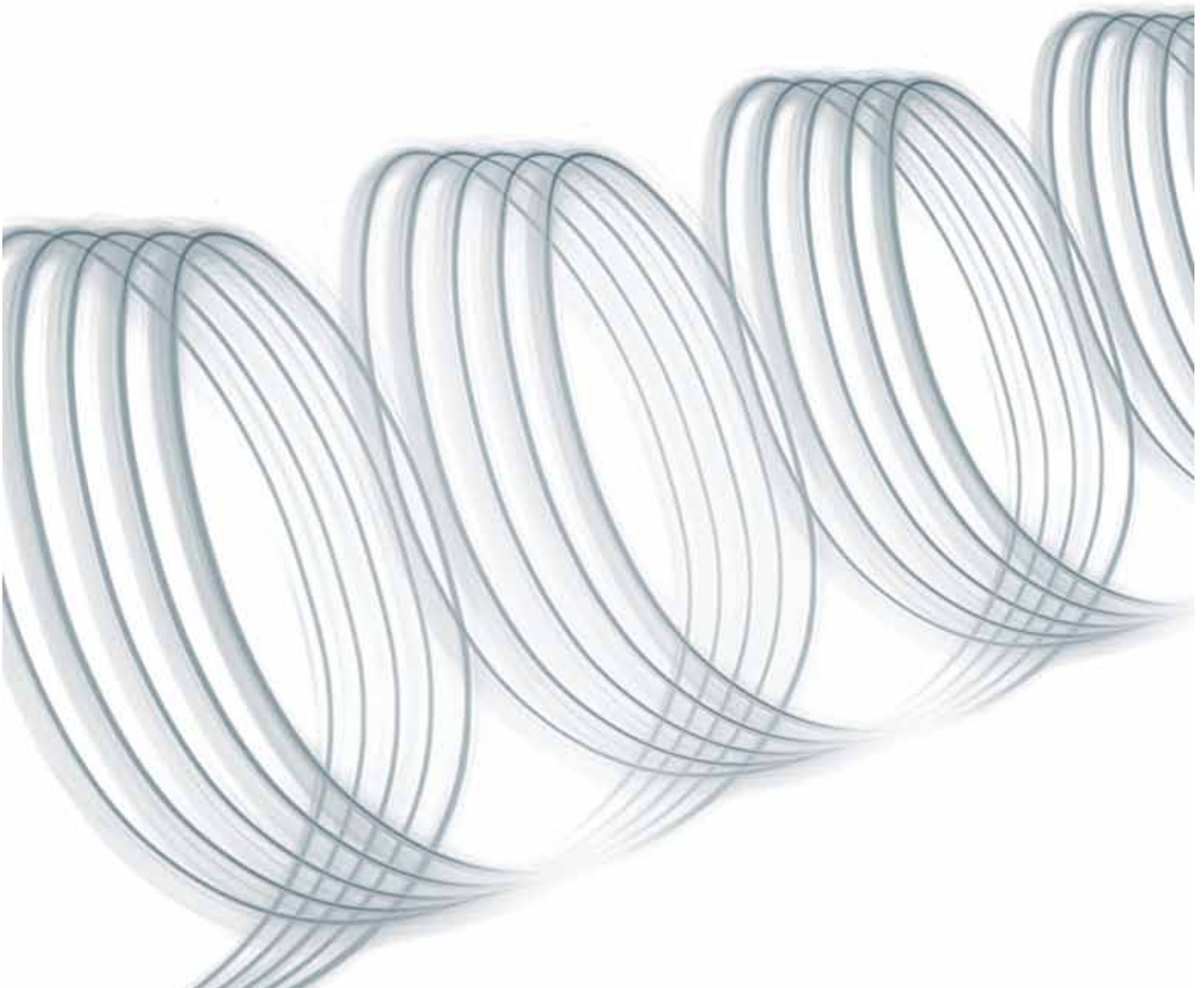
55. The Best Value audit report of 2008 identified the need for the council to improve performance management systems and roll them out to all levels of the council and community planning partners.

56. Since 2008, the council and its partners have improved their performance management arrangements for community planning. The partnership uses the council's performance management system and produces regular performance reports on both the SOA and the Community Plan. Where data is unavailable for

individual performance indicators, the partnership provides a commentary on what action is being taken to address this. This has led to improvements in the quality of partnership performance reports and helped to support more effective scrutiny of partnership performance.

57. The council and its partners recognise that they can continue to improve their performance management through increased elected member scrutiny and by using performance information to hold each other to account through constructive challenge and scrutiny in partnership meetings.

Part 5. What have the council and its partners achieved?



The council and its partners are making good progress in supporting healthy, caring and diverse communities and in ensuring that Midlothian is a safe place to live, work and visit. There have been significant improvements in services to protect children. The council and its partners have made less consistent progress in reducing health inequalities, demonstrating the impact from their activities on supporting lifelong learning, maximising business opportunities and conserving and improving Midlothian's environment.

Council services are improving; however, some services such as aspects of planning and development services, financial services, housing management and homelessness services, perform below the national average. There have been improvements in how the council provides its education service, particularly in pre-school and primary provision; however, there is room to increase the pace of improvement in some aspects of its secondary education.

58. The following section summarises the progress the council and its partners have made in delivering their outcomes. Our audit focused on three of these outcomes which had been identified as either an area of concern or uncertainty in the 2011–14 AIP: 'supporting, healthy, caring, diverse communities', 'maximising business opportunities' and 'improving opportunities for people in Midlothian'. In these outcome areas, we looked at the arrangements that the council and its partners have in place to manage performance, assess the effectiveness of partnership working, and consider the contribution made by the council's services to the delivery of these outcomes. A summary of the findings from other scrutiny activity of child protection and housing are also included in this section, as well as the performance of other council services which contribute to the delivery of outcomes.

Supporting healthy, caring, diverse communities where local needs are met

59. There is strong partnership working in this area which has led to good progress in meeting targets, the development of joint strategies and a shift in the balance of care and an increase in the number of older people supported at home. There has also been improvement in the services for children, young people and their families, particularly child protection.

60. The 2011–14 AIP identified that although progress had been made in meeting recommendations on services for people with learning disabilities, there was mixed performance in addressing drug and alcohol misuse, homelessness management and access to affordable housing. There remained insufficient information to assess progress in other areas and the AIP therefore identified this objective as an area of uncertainty.

61. The key objective in this area is focused on supporting healthy, caring and diverse communities where local needs are met for adults and for children, young people and their families.

Adult and Community Care Services

62. The partnership reports mixed performance in delivering services for adults and community care services. However, there is strong partnership working in delivering mental health services and the provision of services to address the misuse of drugs and alcohol. There are also increasing numbers of older people who are supported at home with 39.3 per cent of older people with intensive needs receiving services at home and no people experiencing a delay in their discharge from hospital into a more appropriate setting.

63. In the Community Planning Partnership (CPP) performance report 2010/11, published June 2011, the council and its partners reported that 15 of its 20 indicators were on

target, three were off target and data was not available for the remaining two. The report identified that each year there had been an increase in the number of older people who are supported at home rather than in hospital or in care homes, through the introduction of a wide range of new health and social care services. The council has been recognised nationally by the Scottish Social Services Council in 2011 through a Care Accolade award, for innovation and excellence for its transformation of older people's services.

64. The council's approach to rebalancing care has been highlighted in a national *Strategy for Housing for Scotland's Older People* published by the Scottish Government in December 2011. As part of its second phase of new council house building, Midlothian Council is building a new extra-care housing development with 32 flats in Penicuik. The development will help to address the increased demand for affordable housing suitable for older people, who want to retain their independence, but need care and support. Part of the funding has been provided by the Scottish Government's Innovation and Investment Fund for Council Housing.

65. The CPP performance report highlights that through partnership work involving NHS Lothian, Health in Mind, the council and service users, there has been an effective redesign of mental health services leading to more people being supported at home and less reliance on hospital treatment. The report also highlights the implementation of a new joint strategy to address the needs of people with physical disabilities. A multi-agency partnership to address the misuse of drugs and alcohol have published a joint strategy and launched a public website.

66. The areas that are not meeting target include the proportion of people aged 65 and over admitted as an emergency inpatient two or more times in a single year, and the number of people/families in receipt of direct

payments. Where indicators are not on target the council and its partners have proposed actions to address them.

Children and Families Services

67. The council has made good progress in improving services to protect children, placing greater emphasis and resources and working in partnership in this area.

68. In 2007, a joint inspection of services to protect children and in 2008 an inspection of social work services highlighted significant concerns about services provided to vulnerable children and adults. Joint follow-through inspections of services to protect children undertaken in 2008 and 2009 found that significant improvements had been made in some key processes and in leadership and direction, and that management responsibilities and arrangements for child protection had been clarified and strengthened.

69. In 2010, a follow-up inspection by the Social Work Inspection Agency (now the Care Inspectorate) identified significant progress in key processes, permanency planning and the provision of community care services to vulnerable adults.

70. The Care Inspectorate published a joint inspection report of services to protect children and young people in Midlothian in August 2011. It evaluated its performance as follows:

- Children are listened to and respected – satisfactory.
- Children are helped to keep safe – good.
- Response to immediate concerns – satisfactory.
- Meeting needs and reducing long-term harm – satisfactory.

71. The Care Inspectorate also assessed self-evaluation as good. The report identified particular strengths including chief officers' commitment to improving services to protect

children, partnership working and collective responsibility at a senior management level, and the range and availability of a flexible multi-agency training programme. The council and its partners' innovative multi-agency approach to reviewing the effectiveness of practice was identified as an example of good practice.

72. In 2010/11, the Community Planning Children's Services Partnership reported that nine of their 15 indicators were on target, five were not on target and that no data was available for the remaining indicator. It reports a reduction in the number of children in Midlothian who are in care, improving educational attainment of looked after children and care leavers and providing families with a range of support mechanisms.

73. The number of repeat child protection registrations increased from 15 in 2009/10 to 29 in 2010/11. The partnership attributes this to the number of repeat child protection registrations being increased by a few families with large numbers of children. The objective of increasing the number of young people receiving counselling sessions for substance misuse is off target, and the figures show that it remained static at 36 in 2010/11 against a target of 40. It comments that the numbers of young people supported have stabilised at 36. Multi-agency proposals are in place to increase referral rates among partner agencies.

74. Increasing the proportion of newborn children exclusively breastfed at 6-8 weeks is also below target. Short-term trends show an increase to 28.63 per cent in comparison with the 2009/10 rate of 28.2 per cent; however the long-term rate has decreased from 30.09 per cent in 2006/07.

Maximising business opportunities

75. The council and its partners are focused on addressing the economic issues for the area. Maximising

business opportunities has become an overarching priority for the partnership. New arrangements for partnership working and the council's planning and development service provide more effective structures to help deliver outcomes in this area.

76. The 2011–14 AIP identified concerns over the lack of information to assess progress that the council and its partners were making in delivering this objective. The council and its partners report mixed performance across the indicators in the 2010/11 CPP performance report. Of the six indicators used to measure delivery of this objective, three indicators are reported as being on target, one not on target and two where no data was available.

77. The CPP performance report highlights that the partners, including the council, Scottish Enterprise, Midlothian and East Lothian Chamber of Commerce, completed a review of the economic sector plans that underpin the Midlothian Economic Development Framework in 2009 to respond to the economic downturn. The partnership's key successes include the number of enterprises supported increased from 63 in 2009/10 to 251 in 2010/11. The report also highlights a number of other areas of support given to businesses such as access to organisations providing advice, support and training to manufacturing businesses, access to loan funds as well as HR advice and guidance.

78. The partnership has set a target of increasing the take-up of economic land by five hectares each year. The take-up in 2009/10 totalled 32 hectares, but was zero in 2010/11.

79. Having an economic development framework in place along with the seven sector plans helps provide a coherent structure and focus for activity. The partnership can demonstrate strong partnership working and some evidence of impact. For example the East of Scotland Investment Fund (ESIF) was

set up and this has resulted in local businesses benefiting from loans totalling approximately £150,000 and the creation of jobs as a result. The ESIF levers in finance from other sources to assist company growth and expansion. The council is contributing £100,000 to the ESIF to set up a micro business loan scheme to support local businesses.

80. There is ongoing work to strengthen the impact of partnership working and provide a greater focus on maximising business opportunities. In March 2012, the partnership agreed to the merger of the maximising business opportunities theme group with the Conserving and Improving Midlothian's environment group. This should provide a more holistic way of looking at both development and the environment. This has the potential to strengthen the links between the council's planning and economic development services and improve the links between development planning, neighbourhood planning and associated strategies such as regional and local transport strategies and the Midlothian Housing Strategy.

81. The council works in partnership with nine other councils and Scottish Enterprise in the South East Scotland Economic Community (SESEC) and chaired the board and operational group in 2011. The council is also part of the Supplier Development Programme which helps local businesses tender for local authority contracts. It has 78 local businesses signed up and has carried out training events.

Planning and Development Services

82. In July 2010, the council restructured its development management service and has improved performance in the handling of planning applications. The percentage of householder planning applications dealt with within two months improved from 72.2 per cent in 2009/10 to 80.6 per cent. However, this is still below the Scottish average of 82.7 per cent. There have also been improvements

in the percentage of non-householder planning applications dealt with within two months which increased from 35.5 per cent to 47.3 per cent. Again, however, the council's performance is still below the Scottish average of 54.5 per cent.

Ensuring Midlothian is a safe place to live, work and visit

83. The council and its partners are making good progress in delivering its priorities and making a positive impact in this outcome area.

84. The 2011–14 AIP identified an improving position in maintaining Midlothian as a safe place to live, work and visit and noted that there were no significant concerns in how the council and its partners performed against this theme.

85. The 2010/11 CPP performance report identifies 15 indicators to support this theme and reports that ten are on target and five are not meeting target. The report highlights that positive partnership activity with Lothian and Borders Fire and Rescue has led to a reduction in the number of fires resulting in death and injury, from seven in 2009/10 to four in 2010/11. It also outlines a positive approach being taken by the Community Safety Team and Midlothian Community Action Team officers in tackling antisocial behaviour and incidences of vandalism. Since 2008, vandalism in the area has been reduced by approximately 40 per cent, accompanied by a decrease in calls to the council's antisocial behaviour helpline.

86. In December 2011, the Lothian and Borders Police and Police Board Best Value audit and inspection report, highlighted the Midlothian Community Safety Team as an example of good practice. The team includes seconded police officers, local authority liaison officers and funded community action team officers who won a 'highly commended' award at last year's Scottish Policing Awards.

Conserving and improving Midlothian's environment

87. The council and its partners show mixed progress in delivering their priorities in this outcome area.

88. The 2011–14 AIP update identified good progress in conserving and improving Midlothian's natural environment. There has been good progress in a range of measures, including waste management, recycling and the introduction of a greenhouse gas mitigation plan.

89. The 2010/11 CPP performance report indicates mixed performance in this area. Performance is slightly off target in reducing greenhouse gas emissions and the update of the community plan 2010–13 notes that a Greenhouse Gas Mitigation Delivery Plan is pending. There is poor performance against improving accessibility by sustainable modes of travel, with the two indicators showing performance which is slightly declining and not meeting targets.

90. The partnership's progress in improving biodiversity in Midlothian is good and on target. Performance in safeguarding and enhancing the amenity of Midlothian, such as air quality management, street cleanliness and levels of satisfaction with aspects of Midlothian's amenity, is mixed. Of the four indicators, two have no supporting data, one is on target and one is off target and showing declining performance. Performance in adapting Midlothian to the impact of climate change and reducing the environmental impact of waste is on target and shows an improving trend.

91. For 2010/11, the council's commercial operation service reported improving performance in all four of the indicators for waste management. The net cost of refuse collection per premise has reduced from £94.90 in 2009/10 to £84.95 in 2010/11 but it is still well above the Scottish average of £66.22. The net cost of refuse disposal per premise reduced from £68.44 in 2009/10 to £64.15 in

2010/11 and is below the Scottish average of £95.61. The council is also performing well in increasing the percentage of municipal waste recycled at 44.1 per cent, which is above the Scottish average of 38.2 per cent. The performance for overall cleanliness index has also improved to 73 from 72. Following a review of its waste services, the council approved a number of recommendations in December 2011 that should further drive improvement in this area.

Improving opportunities for people in Midlothian

92. The council and its partners have made some progress in improving opportunities for people in Midlothian. There have been improvements in how the council provides its education service, particularly in pre-school and primary provision, although there has been some slippage in the pace of improvement of its secondary provision. Many challenges remain, in particular around reducing health inequalities and demonstrating the impact of the work to support lifelong learning.

93. The 2011–14 AIP noted that although there had been progress in improving opportunities for people in Midlothian, there was still some uncertainty around the council and its partner's performance in delivering this outcome.

94. The 2010/11 CPP performance report identifies 29 local indicators to support this strategic objective. Of these, 14 are reported as having met the target, six are not meeting the target and nine can not be measured due to a lack of data. The partnership has made good progress in reducing relative poverty levels in Midlothian and three of the four indicators are on target and show improving performance. They have also made progress in increasing community capacity, with five out of seven indicators meeting the targets and showing improvement. There is still uncertainty over what progress is being made in reducing

inequality in health outcomes. One indicator has achieved the target but lacks trend information, three are not meeting target and show deteriorating performance, and another cannot be measured as there is no data available.

95. Performance on increasing access to participation in, and outcomes from, lifelong learning remains uncertain, with two of the ten indicators having met target and showing improving performance, two showing off target and the remainder not supported by performance data.

96. The partnership is making some progress in improving outcomes for young people. The percentage of school leavers progressing to employment, training, further or higher education has increased to 83.1 per cent although it did not meet the 2010/11 target which was 84.3 per cent and is below the national average of 86.8 per cent. There has been an increase of 4.7 per cent in positive destinations in Midlothian with all schools showing an increase in positive destinations. There has also been an increase in the number of young people achieving personal development goals through accredited awards in informal settings, and in the number of adults seeking and receiving career and educational information and guidance.

Education and Children's Services

97. The council has improved its education services, particularly in pre-school and primary provision. There has been some slippage in the pace of improvement of its secondary provision. The council should apply what has worked in the primary sector to the secondary sector to facilitate improvement. The council needs to improve its approach to scrutiny of the education function by making more use of benchmarking and by sharing good practice more effectively. Elected members' understanding of Curriculum for Excellence (CFE) and their scrutiny of corporate education performance should be further strengthened.

98. Both Midlothian and East Lothian Councils have continued to explore and develop the use of shared services in education. In June 2011, elected members from both councils approved plans to develop shared services. In November 2011, both councils agreed to employ a joint head of education and to report on their shared services agenda in summer 2012. This is covered further in [Part 6](#) of this report.

99. Midlothian's pre-school provision is good. Almost all inspections of pre-school education establishments have been positive. The council has worked effectively to develop its early years and parent/family support work and is developing new approaches to leadership. The challenge now is to sustain the effectiveness of early years and nursery provision into the early and later stages of primary school.

100. The majority of primary provision is good and there have been notable improvements in reading, in early primary. Attainment and achievement is good and improving in primary schools. The council recognises the need to improve numeracy, which is below national averages, and is delivering new programmes that specifically address numeracy and mathematics. Performance management by managers in the pre-school and primary sector is increasingly effective and there have been positive developments in self-evaluation that lead to improvements in the learning experiences of children at primary school.

101. The council has continued to invest in the primary school estate and ten new schools have been opened since the last Best Value report in 2008. In pre-school and primary schools, almost all children experience a positive transition process between nursery and P1 and between P7 and secondary school.

102. In the secondary schools, the council recognises the need to continue to improve its schools estate. The council has sought

new sources of funding for the development of its new secondary estate. In partnership with East Renfrewshire Council and Scottish Futures Trust, the council has secured Scottish Government funding for new secondary provision in Lasswade. There remain a number of challenges in agreeing the preferred options with regard to the school estate in the community of Penicuik.

103. The council recognises the need to continue to improve attainment in secondary schools, which is generally below both national and comparator averages. While there have been some improvements in attainment over the last three years, pupils' performance needs to be strengthened in a number of areas across all secondary schools. Performance management is increasingly focusing upon developing new, collegiate approaches to improve attainment. The council has formed an attainment group to develop this work and there is now stronger analysis of the data. This work now needs to continue and engage partners from early years, primary and Community Learning and Development (CLD).

104. The council has robust procedures in place for monitoring attainment and achievement at senior officer level, but scrutiny by elected members should be strengthened. While individual councillor involvement with local schools in their wards is high, there is a need for increased member scrutiny of corporate education performance. A shared vision of high performance in terms of attainment and achievement needs to be developed between officers and elected members. There is a need to focus on moving beyond reaching national averages in attainment terms and a need to increase members' understanding of CFE.

105. The leadership forum, which comprises corporate management team, heads of service and third tier managers, now includes senior staff from schools to support a more

corporate, cross-divisional approach to education and lifelong learning. While this is positive, much of this work is at an early stage of development. Proportionately fewer pupils go on to higher and further education from Midlothian schools than occurs nationally. However, while the figures for young people going into positive destinations post-school are slightly increasing, they are still below national averages.

106. Educational Psychological Services were inspected by HMIE in June 2010. This inspection highlighted that improvements were needed and a follow-up inspection was carried out in September 2011. This follow-up found that progress with planning for improvement has been limited since the original inspection report. Changes which have been achieved have been slower than expected. Although the pace of change has increased since the beginning of 2011, it is not yet possible for the service to evidence the difference that the changes are making to service users. Education Scotland will therefore make a return visit in 2012.

107. CLD managers and staff are focused on improvement. The majority of CLD activity in Midlothian effectively supports council priorities. However, the follow-up report on CLD around Beeslack High School was not positive and a further visit by Education Scotland is scheduled for 2012. There is room to extend the consistency of provision to all CLD teams, particularly within the community of Penicuik. There is room for further improvement by CLD in supporting the development of CFE in Midlothian.

108. In CFE, the council is making progress across a number of areas and is assigning considerable resources in continuous professional development (for example through cooperative learning approaches), Quality Improvement Team support and support from external agencies to develop CFE. There are a number of good examples and case studies

emerging from schools. There is, however, a need for members to increase their understanding of CFE as part of this development.

109. Individual schools across the authority work effectively with parents and increasingly see them as partners in delivering education. Midlothian has a very effective Youth Platform to feedback the views of young people and the learners within schools, these are having a greater say in learning across the school sector. The development of the Parent Liaison Group is also a positive start, but there is room for further improvement to develop this group and the Youth Platform to play a more strategic role in designing and developing educational services.

Our public services are high quality, continually improving, efficient and responsive to local people's needs

110. The performance of council services is generally improving as described above. The majority of SPIs also show improvement, however, performance in some areas remain below Scottish average levels. The council needs to do more systematic benchmarking, so that it knows how it compares with others and can identify performance levels to strive for. It also needs to be more systematic in its collection and use of customer satisfaction information to drive improvement.

111. The Accounts Commission, in its Local Government direction for 2010, specifies and reports on 25 SPIs. These 25 indicators are broken down into 53 measures. All councils in Scotland must measure and report their performance against these specified indicators to allow the comparison of performance between Scottish councils. Audit Scotland collects and reports this information nationally.

112. Midlothian Council reports performance against 51 of the 53 measures included in the specified 25 SPIs. The council does not provide services in relation to the remaining

two measures. The council's performance from 2009/10 to 2010/11 shows that 71 per cent (36 measures) have improved, 29 per cent (15 measures) have improved but remain below Scottish average levels. In total, 23 per cent (12 measures) have declined (however, three of these 12 remain above the Scottish average performance levels), and six per cent (three measures) are unchanged (of which two are below average). In total, 51 per cent (26 measures) are below the Scottish average.

113. The council reported improved and above average performance in areas including sickness absence, council house condition, recycling, roads condition, and protective services. The council reported improved but below the Scottish average performance in areas including financial services, eg council tax collection, payment of invoices; planning applications; and personal care and weekend homecare. The council reports declining performance in areas including attendances at pools and indoor sports and leisure facilities; council housing repairs, arrears and letting low-demand houses.

114. The council reports on its performance using 64 performance measures including the 51 current SPI measures and former SPIs (no longer reported nationally by Audit Scotland). The council reports that 77 per cent (49 measures) had shown improvement, 19 per cent (12 measures) had declined, and four per cent (three measures) were unchanged.

115. The council and its partners are responsive to the needs of local communities, citizens, customers, employees and other stakeholders. The council and its partners undertake surveys of the Citizens' Panel three times a year on broad, cross-cutting partnership issues. The most recent survey was conducted in December 2011. The council also has a range

of other consultation arrangements in place including a consultation page on the council's website, which lists previous consultation and results and any planned consultation.

Housing Services

116. The council has improved its housing management and homelessness service but the pace has been slow and some weaknesses remain.

117. The Best Value report of 2008 reported that the council needed to tackle significant weaknesses in delivering its housing management and homelessness services and included these areas as part of the council's improvement agenda. The 2011–14 AIP also identified concerns with the council's housing management services.

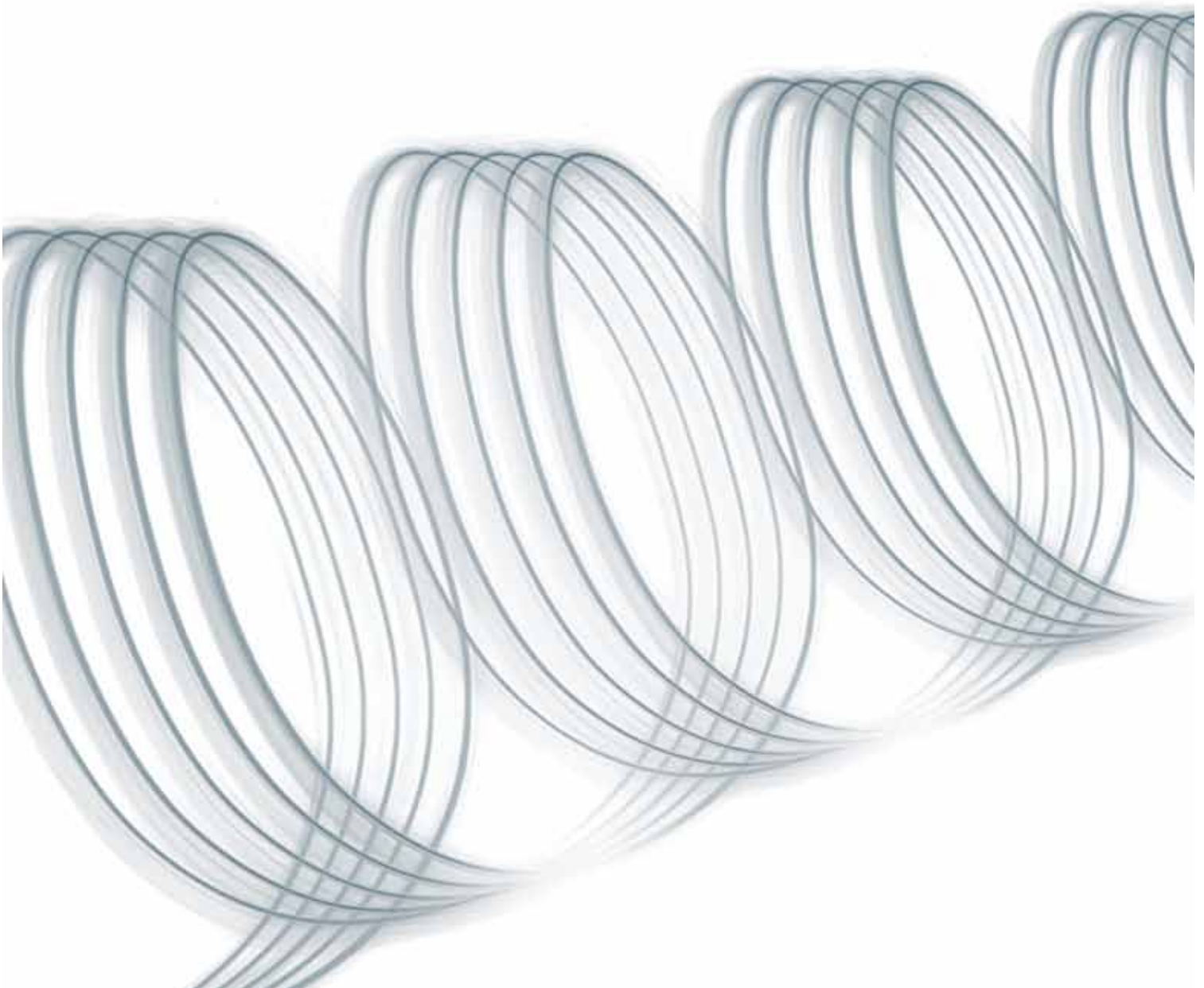
118. In 2008, the Scottish Housing Regulator (SHR) carried out an inspection of the council's housing and homelessness service. It awarded a 'B' (good) grade for the council's asset management and repairs service and a 'D' (poor) grade for both its housing management and services to homeless people.

119. In September 2011, SHR published a report on the council's progress on its improvement plan. It concluded that the council had made some improvements to its housing and homelessness service but had not responded effectively to several other key recommendations and areas for improvement identified in the 2008 report. SHR have indicated that they expect to undertake some targeted scrutiny activity of the council's housing and homeless service in 2012/13.

120. A report containing the council's improvement plan was submitted to the cabinet on 4 October 2011 advising that a Service Improvement Team (SIT) has been formed within housing to develop and monitor an improvement plan.

121. SPI performance is improving year on year in the majority of housing indicators and the council has made significant improvements in the number of dwellings meeting the Scottish Housing Quality Standard (SHQS) over the past three years. However, only one of the housing indicators performs in the top quartile of councils.

Part 6. Is the council managing its resources effectively?



The council manages its resources efficiently and effectively and manages its budgets well. The council's Business Transformation Strategy (BTS) provides a clear focus for efficiency and improvement. The council is making good progress with its implementation. It has improved the way it is managing its workforce, is making progress in rationalising its offices, and improving its procurement function. Since its management review in April 2010, the council is providing greater focus on customer services. It is progressing its proposal for a shared education and children's service with East Lothian Council. The council needs to ensure it maintains the pace and delivery of its workstreams to planned timescales.

Managing finances

122. The council manages its budgets well. Performance against budget is reported to the council throughout the year and includes a detailed material variance analysis including descriptions of, and reasons for, variances, their value and the action taken as a result. The council's financial position has improved, though this is in part due to one-off factors. The council needs to ensure that it delivers its planned efficiencies to reduce the impact on its reserves.

123. There has been a notable improvement in the council's financial position since 2008/09. In 2010/11, there was a further improvement, with a net underspend of £3.6 million reported against the revised budget and the general fund reserve increased to £12.2 million from the previous year's balance of £9.1 million. Of the £12.2 million, £6.4 million was earmarked for specific purposes (£4.7 million in respect of various budget carry-forwards and £1.7 million was earmarked to pay costs arising from the BTS), leaving an uncommitted reserve of £5.8 million.

124. The council faces increasing service pressures during a period of flat cash grant settlements from the government for the foreseeable future. In January 2012, the council reported a projected net underspend of £0.4 million on the 2011/12 general fund revenue budget and a general fund balance of £6.8 million as at 31 March 2012. A further revenue budget report in January 2012 forecast a budget gap of £3.1 million for 2012/13, £7.7 million for 2013/14, rising to £11 million for 2014/15. The ability to bridge these gaps is dependent on the successful delivery of the council's BTS.

The council's change programme – The Business Transformation Strategy

125. The council's *Corporate Strategy 2010–12* sets out how the council's strategic objectives will help to deliver the commitments in the SOA. In order to deliver the strategy, the council has developed a BTS.

126. In February 2010, the council agreed the five-year BTS and revised it in August 2011. The vision of the strategy is 'An excellent and ambitious council, working with you to improve quality of life and provide first class, sustainable services'. It has six clearly articulated workstreams ([Exhibit 7](#)):

- People Strategy
- Effective working in Midlothian
- Procurement
- Service Reviews
- Shared Services
- Customer Services.

127. There are clear links between the six workstreams and each has financial targets ([Exhibit 8](#)). There are clear governance arrangements in place, with each workstream having a project board to maintain

an overview of progress. Each project board reports to the Business Transformation Board which comprises the Corporate Management Team (CMT). The board provides corporate leadership and overall programme management of the BTS. The board in turn reports to the Business Transformation Steering Group which comprises the chief executive and a group of elected members drawn from the three political parties. Progress is then reported to the council, which provides overall governance. Members are actively engaged and provide constructive challenge.

128. Some workstreams have progressed more quickly than others, partly because work in some areas is dependent on the progress in other workstreams. The council needs to maintain the pace of implementation to ensure the projects deliver the anticipated savings to planned timescales.

129. The successful delivery of the BTS is vital for Midlothian Council to achieve the expenditure reductions necessary to live within forecast funding levels. If the BTS does not deliver the anticipated savings, the council may have to consider alternative measures to enable it to deliver services with reduced resources.

130. In response to this, a potential budget gap over the next three years, and the findings of the Christie Commission report, the council is undertaking a further strategic review exercise to consider FMDS; this is discussed further in [Part 7](#) of this report. The findings of this review will help inform the council's next corporate strategy. In addition, the service review and shared services workstreams of the BTS will be reviewed in the light of the FMDS findings.

Exhibit 7**Business Transformation Strategy workstreams**

Service transformation				Enabling transformation
Service reviews	Shared services			
Review and transform Midlothian Council services to ensure they are effective, efficient and economically viable and achieve the best outcomes for the people of Midlothian.	Deliver and commission shared and collaborative services and products to facilitate cash savings, improvement, efficiency and innovation.	To provide a modern, consistent, reliable and efficient service to customers, including maximising self-service and interactive service delivery through all available channels.	Customer Services	
		To develop a supported, engaged and high-performing workforce.	People Strategy	
		To provide, by 2014, a modern, flexible, efficient and cost-effective workplace for employees that will facilitate effective and efficient working practices, improve service delivery and act as a catalyst for culture change.	Effective Working in Midlothian	
		Minimise the total cost of ownership of goods and services that meet the appropriate quality standards.	Procurement	

Source: *Business Transformation Strategy 2011–17*, Midlothian Council

People Strategy workstream – Managing people

131. The council has made good progress, from a low baseline, in developing the building blocks of good people management including a management review, divisional restructuring and the introduction of a People Strategy.

132. In its findings on the 2008 Best Value report, the Accounts Commission found that the council needed to take action to progress the important people management issues which had not yet been fully delivered. The report found that the council's approach to people management was underdeveloped and that it needed to increase the pace of change. The council lacked effective workforce planning processes which should have been a priority given its difficulty in recruiting and retaining staff. Reducing sickness absence and full roll-out of personal development planning continued to be challenging and single status and

Exhibit 8**Business Transformation Programme savings targets 2012/13 – 2016/17**

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Service Reviews	2.335	3.681	6.008	7.649	8.295
Shared Services	–	0.935	1.275	1.473	2.067
Effective Working in Midlothian	–	0.120	0.120	0.120	0.120
Business Services Review	0.372	0.496	0.744	1.487	1.487
Procurement	0.400	0.800	0.800	0.800	0.800
Indicative Savings	3.107	6.032	8.947	11.529	12.769

Source: Midlothian Council, January 2012

equal pay issues posed significant risks to the council and had yet to be resolved.

133. The 2011–14 AIP update noted that the council’s people management was an area of uncertainty as significant organisational restructuring has taken place within the council. The People Strategy was, at the time, under development and included key activities such as reviewing the management structure which had led to a reduction of 62 posts and a voluntary release scheme for staff.

134. The council has also carried out a self-evaluation of people management, using the MEF which it introduced in September 2010. This evaluation identified a number of strengths, including the introduction of a more streamlined pay structure through Modernising Midlothian, the development of a large number of human resource policies, and improvements in the way the council communicates and engages with staff and trade unions (TUs). It also identified areas requiring improvement including developing a People Strategy, putting in place a competency framework, recognising good performance and developing core values.

135. The council used the MEF findings, the results of the staff survey carried out in November 2011 and an Investors in People assessment of February 2011 to develop a People Strategy to take forward all its improvement priorities. The strategy has been developed in consultation with staff and TUs. Its initial focus has been on getting the basic systems and processes in place, engaging with staff, planning the work in a phased and realistic way, and taking time to make sure it adapts approaches that are suitable for the council. The council has made good progress with its implementation.

136. The council demonstrates that it has listened to staff and has responded to what has been said. It has refreshed its staff suggestion

scheme, ‘Making us Better’, and this is now linked to an Ideas Group chaired by the chief executive. Actions resulting from staff ideas are to be reported in a new staff newsletter *Inside Midlothian*. The chief executive, supported by directors, also regularly participates in ‘Question Time’ events for staff.

137. The council has an annual staff survey. The findings of the most recent staff survey published in February 2012, compare favourably with the one undertaken in November 2010 and show a positive direction of travel:

- 77 per cent of staff agree that the council is customer focused
- 80 per cent of staff agree that the chief executive demonstrates leadership, with 71 per cent agreeing that the directors and head of service demonstrate leadership
- 43 per cent of staff feel their employment is secure (compared to 29 per cent in 2010)
- 80 per cent of staff agree that they can voice their opinion
- 74 per cent of staff agree that the staff suggestion scheme of Making Us Better is helpful
- 65 per cent believe their opinions are listened to
- 34 per cent of staff agree that their line manager explains the reason for change
- eight per cent (120 respondents) are unable to identify which service or division they worked for, following the recent changes on organisational structures.

138. The council is analysing the survey results for each division and service. Service level actions will be prepared and these will feed into the People Strategy.

139. The council is committed to developing capacity. The Leadership Forum, including the CMT, heads of service and third-tier managers, is well established and has been effective in progressing corporate projects, engaging senior managers, improving cross-divisional working and improving capacity. It is important that the council continues to develop third-tier managers to support the resilience of the organisation, develop cross-departmental working and an improvement culture.

140. The council continues to deal with some legacy issues among employees who saw a detriment in their conditions as a result of Modernising Midlothian, the council’s approach to Single Status. However, there are now more positive and constructive relationships with TUs. The Advisory, Conciliation and Arbitration Service (ACAS) assisted in developing and training managers and TU representatives on their Recognition and Procedural Agreement. This helped develop a shared understanding and forged a more productive relationship with the TUs.

141. The council is developing its approach to the appraisal of staff and rolling out a competency framework. It has trained 500 managers in its use and has introduced an e-learning module alongside face-to-face briefings for staff. Senior management appraisals are complete. The framework forms the basis of an annual performance appraisal and is linked to pay through a scoring system based on exceptional, competent or improvement required. It will be accompanied by a performance improvement procedure aimed at managing and developing capability in staff, and a moderation process.

142. The council has a proactive and well-managed approach to maximising staff attendance which has resulted in improvements to the levels of staff absence. It reports that the days lost per employee due to sickness

absence for teachers in 2010/11 is 4.9 days, this compares with the Scottish average of 6.6 days and that the days lost per employee for other local government employees is 9.6 days compared with a Scottish average of 10.8 days.

Effective Working in Midlothian workstream – Asset management

143. The council has made good progress in developing its physical assets. In [Part 5](#) of this report, we note that it continues to develop its schools estate programme, has made good progress in increasing the number of dwellings that meet the SHQS and performs well compared with other councils in the proportion of its roads needing maintenance treatment. The council has developed a strategic vision through its Corporate Asset Management Plan (CoAMP) and set clear targets for the Effective Working in Midlothian (EWiM) workstream which focuses on its portfolio of office buildings. It has delivered over 600 new homes as part of its new build programme.

144. The Best Value report of 2008 identified that the council lacked a fully integrated approach to managing and maintaining its physical assets. While progress was being made on a range of strategic asset projects, basic information on the state of council buildings was insufficient. The 2011–14 AIP update considered that the council's approach to asset management was uncertain.

145. The council approved a CoAMP in December 2009, which included a strategic vision for service provision covering six functional areas: property; open spaces; roads, structures, lighting and water-related infrastructure; housing; fleet; and IT. The CoAMP has an action to develop detailed functional asset management plans for each of the six areas. However, during 2010/11 the development of these detailed plans was put on hold as a consequence of the divisional restructure and resourcing issues.

146. As part of the August 2011 revision of the BTS, the Asset Management workstream was replaced with the EWiM workstream. EWiM is a programme of office rationalisation, facilitated by changes in working practices, to improve customer service and provide a more effective workplace. The main objectives from this workstream are:

- current operational office portfolio reduced by 60 per cent by 2017/18
- a density of 8.6 sq.m achieved at all retained council offices
- average desk occupancy in Midlothian and Fairfield Houses increased by 25 per cent
- carbon footprint 53 kg/sq.m or better achieved for all retained properties (2017/18)
- average annual maintenance expenditure of £24 per sq m (Gross External Area) achieved in respect of Midlothian and Fairfield House
- achieve annual occupancy cost of £1,200 per workstation for Midlothian and Fairfield House (combined).

147. The council has consulted widely in developing the EWiM workstream including seminars with elected members, staff and service users. However, the council could do more to engage with its partners on its proposals and to explore opportunities for sharing accommodation and other properties.

148. The links between the EWiM work and other asset management programmes are not clear. The council has prepared an action plan on how it intends to take forward its CoAMP and how this will be managed and resourced. In the 2010/11 performance reports, individual services make reference to delivering on divisional asset management plans or estate plans, while Commercial Operations have

set March 2012 for the completion of a roads asset management plan. The council has established an Asset Management Project Board whose first meeting took place in November 2011. This could provide the council with a vehicle to implement a more effective corporate approach to asset management across the council.

149. The council has continued to develop its school estates programmes and has further plans for new primary and secondary school buildings. The council has a positive track record of managing its primary and secondary estate with most catchment reviews being successfully implemented. The council has made good use of developer contributions to fund replacement primary schools (eg, Hopefield Primary School, Bonnyrigg Primary School, and Lasswade High School). The partnership with East Renfrewshire Council to work with Scottish Futures Trust to determine and secure appropriate funding will result in a new secondary provision in Lasswade which is currently under construction. At present, the council is seeking funding to replace Newbattle High School.

150. As part of the Capital Plan new build programme, the council reports that 106 houses were completed in 2010/11. The council has successfully delivered over 600 new homes as part of its new build programme which started in 2006.

Procurement workstream

151. The council is improving its approach to procurement. It has enhanced its corporate procurement function by setting up a Corporate Procurement Team.

152. The Best Value report of 2008 identified that the council was beginning to modernise its procurement approach but needed to increase the pace of improvement if it was to fully realise benefits arising from shared purchasing and e-procurement. It also needed to monitor and control its purchasing

activity more effectively and so identify further improvements and efficiency savings.

153. The 2011–14 AIP identified concerns with the council's procurement approach. It noted that in March 2010 the council approved an updated Procurement Strategy covering the period 2010–14.

154. Internal audit reports in September 2010 and December 2010 revealed serious weaknesses in the council's procurement processes including the need to strengthen aspects of internal control and governance. The council reviewed its procurement activities to address these concerns, strengthen processes, identify potential areas for savings and cost effectiveness.

155. Scotland Excel has undertaken a Procurement Capability Assessment (PCA) of the council's procurement approach on three occasions. There are four ratings: non-conformance, conformance, improving performance and superior performance. The council has improved its PCA score from 18 per cent in 2009 to 23 per cent in 2010. Although improving, both scores are assessed as non-conformant. The council has taken on board the results of the PCA and findings from internal audit reports and sought external support to gain a better understanding of its score. The council arranged for Scotland Excel to facilitate a workshop in March 2011 and also commissioned a more detailed and independent assessment of its procurement arrangements from SOLACE. In the most recent PCA assessment in November 2011, the council achieved a score of 33 per cent which is classed as conformant.

156. Procurement is also one of the main workstreams in the council's BTS. The council reported in November 2011 that a budget saving of £0.4 million was planned through the procurement workstream for the period 2011/12 with anticipated savings of £0.8 million each year for the following two years. The council's

Procurement Strategy was agreed in February 2012.

Service Review workstream – Competitiveness

157. The council has a robust approach to service reviews that have financial targets projected over the course of the BTS. The council needs to ensure the programme is delivered to timescale and reviewed following the findings of the future service delivery model work.

158. In the Best Value report of 2008, the Accounts Commission identified that the council should give particular attention to ensuring the competitiveness of its services, with the use of options appraisals and benchmarking and, where appropriate, market testing. The report found that the council used benchmarking and some comparison of tender prices, but lacked a systematic process for testing competitiveness. The council contracted a proportion of its services to external providers, but major trading areas have not been subject to recent competition. The 2011–14 AIP assessed competitiveness as an area of uncertainty.

159. In April 2009, the council completed a Best Value review of corporate competitiveness. This recommended reviews of particular services based on their competitiveness and these formed the programme for the Service Review workstream. This workstream aims to 'review and transform Midlothian Council services to ensure they are effective, efficient and economically viable and achieve the best outcomes for the people of Midlothian'.

160. The council has a robust approach to undertaking service reviews. There is good guidance and a range of templates to assist officers in undertaking a comprehensive review of services. The approach includes a review of current service performance benchmarking and an assessment of the competitiveness of the service compared with other similar service

providers. The guidance includes an options appraisal checklist along with a matrix that outlines the scoring methodology and weighting to be applied against key factors.

161. The council has a flexible service review programme which is subject to a good degree of challenge. Each review has a financial target which must be met from service budgets if the review fails to achieve the appropriate savings. Individual reviews are subject to challenge by the BTS working group and steering committee. There is evidence that this challenge is robust and external assistance has been sought to support review teams.

162. In December 2011, the council reported revised targets for its BTS and this included an increase in savings anticipated from its service review programme for the following five years ([Exhibit 8, page 29](#)). These savings represent a significant increase and the council will need to monitor delivery closely to gauge whether these increases are achievable and being delivered. In a monitoring report in January 2012 the council reported that the service review programme had achieved £2.335 million in savings.

163. The council continues to strengthen its approach to options appraisal and competitiveness; at a meeting of council in January 2012 it agreed to use a set of criteria on which future service delivery decisions should be made. These criteria include economy, quality, investment, management focus, market opportunities, employee impact, and transference of risk.

Shared Services workstream

164. Midlothian Council is making progress in developing a shared education service with East Lothian Council, through its shared services workstream of the BTS. However, the councils need to define clear timescales for development and provide clarity about the service improvements sought and the

benefits for service users as a result of this work.

165. The council has included a shared services workstream in its BTS. The aim of this workstream is to explore ways of delivering and commissioning shared and collaborative services with neighbouring authorities and other partners. The purpose is to help bring about cash savings and improve the effectiveness and efficiency in the way services are delivered.

166. In June 2010, the council approved proposals to take forward shared services in education with East Lothian Council. The councils established a Joint Liaison Group (JLG), consisting of the leader, another senior councillor and the chief executive of each council. They also established a shared services project team that comprises senior officers of each authority's education services. Both councils have held a number of joint staff focus groups and events with key stakeholders such as unions, head teachers, parents, carers and young people.

167. In June 2011, the councils agreed to develop shared service arrangements for strategic management and operational support services for Education and Children's Services. They have made progress in developing operational workstreams that bring together staff from both councils.

168. In November 2011, elected members from both councils approved the work undertaken to date. The councils appointed a new director of Education and Children's Services for the shared service early in 2012. The employing body will be Midlothian Council. The work to date has made some headway, but there need to be clearer timescales for development, more clarity about the service improvements sought and the expected benefits that shared educational services will make to children, young people, families and communities in the two council areas,

particularly in the areas of attainment and achievement.

Customer Services workstream

169. The council has in place the building blocks to improve the way it delivers customer services. It had been slow in developing its approach to customer services following the findings of the Best Value report of 2008 but has made good progress following the management review in April 2010. The council needs to maintain its momentum in this workstream, to bring it to the level of other councils which have had arrangements in place for a number of years. The council needs to demonstrate how service users' views are used to inform how council services can be accessed and delivered.

170. In the Best Value report of 2008 the Accounts Commission found that the council needed to take corporate action to improve its standards of customer care. The report found that the council's approach to customer care was inconsistent. It needed to improve the quality and range of services provided by its contact centre and through its website. The council had only recently begun to monitor complaints corporately, and the data was not reliable. The council had in place a set of corporate customer care standards but needed to implement customer care training. A key improvement area for the council was to improve customer care by fully implementing the Customer First Strategy action plan, address significant weaknesses in Contact Midlothian and use complaints to support improvement and roll out customer care training.

171. The 2011/12 AIP reported that progress had been made on expanding the contact centre and that new customer care standards had been produced, which were yet to be finalised and underpinned by training. Although the council has picked up the pace in developing its approach to customer services, it has been slow to make the

improvements as outlined in the Best Value report of 2008.

172. Since the council's management review in April 2010, the council is providing greater focus to its development of customer services. It has included customer services as a workstream in its BTS and, in its management review, created the post of head of customer service. The council approved its Customer Services Strategy in May 2011 and endorsed the launch of Midlothian Council Customer Care Standards and Customer Service Charter in August 2011. Although the council is placing greater emphasis on customer service this is still at an early stage and there is no evidence yet of this being embedded in services.

173. The council has a corporate priority to provide an efficient complaints service. It has a customer feedback and complaints procedure but it is not used and reported in a systematic way. In addition, it reported for 2010/11 that of the 402 complaints only 71.9 per cent were completed within the ten days or agreed timescales, this was against a target of 100 per cent. The council has mechanisms in place for feedback to be received, recorded and monitored through the council's Customer Relationship Management system within its contact centre. However, as yet this is not being done on a corporate basis and services still have their own arrangements in place. Although services collect and use customer information from a variety of different mechanisms there is no systematic approach to monitor, collate, assess and report on customer satisfaction trends and use that information to inform improvement priorities.

174. The council has initiated a review of its corporate complaints procedure. This should take into account the Scottish Public Services Ombudsman's guidance on a model complaints handling procedure which is outlined in its review paper. The council has not set a timescale for this review.

175. The council has identified that there is a delay in rolling out its customer care training. However, it has a training plan in place and an electronic customer service course which it has launched. The council needs to pick up the pace of implementation of its customer service workstream and demonstrate how service users' views are used to inform how services are delivered.

ICT, data handling and information security

176. The council understands the importance of ICT in delivering its modernisation programme and this is reflected in the ICT strategy. In line with the findings of the McClelland report (*Review of ICT Infrastructure in the Public Sector in Scotland*, June 2011), it is important that the council explores all opportunities to maximise the impact of its ICT, including consideration of shared services and increasing levels of web-based services and online transactions. ICT will be fundamental to the delivery of the BTS workstreams and in particular the EWiM, with the emphasis on mobile and flexible working and the customer services workstream enabling a shift in ways that people can interact with the council.

177. The AIP identified concerns with the council's ICT. ICT was also identified as a key risk area in the 2009/10 annual audit report. In June 2010, a revised IT structure was agreed by the council and an IT strategy was approved by the CMT in October 2010.

178. In the 2011 annual audit report, the council's external auditors highlighted a significant incident that occurred with the corporate IT back-up regime and which could have significantly affected IT business continuity. It reported that this incident was not escalated to the corporate risk register or recorded within the risk management framework neither was it communicated in a timely manner to the CMT. The council's management structures have now been revised and ICT is now situated

within Customer Services. These arrangements should provide more robust monitoring and challenge of performance and risk management.

179. In August 2010, the council approved its ICT Strategy 2010–14. This identified the need for the strategy to support the revised customer service strategy, which was updated in February 2011. This strategy reflects the need to identify and implement a plan for managing and increasing channel shift and maximising self-service and interactive service delivery through all available channels all of which have a strong ICT focus. The council's 2010/11 performance report for customer services reports that telephone payments have increased by 24 per cent and internet payments by 31 per cent from 2009/10. The number of website transactions increased from 1,954 in 2009/10 to 2,820 in 2010/11.

180. There has been an improvement in the council's website. The council's new website, launched on 9 February 2011, has been rated within the top ten in Scotland, and within the top 20 per cent of all local authority websites across the UK, according to Sitemorse.com which examined the usability, accessibility, reliability and performance of local government websites across the United Kingdom. Sitemorse.com reports that visits to the council's website are up over 13 per cent from last year, with around 1,400 residents now using the website every day.

181. The 2010/11 annual audit report identified data handling and information security as a key risk. It reported that responsibility to manage and protect information used rests with everyone in the organisation. However, in January 2012 the Information Commissioner's Office (ICO) imposed a penalty of £140,000 on Midlothian Council for disclosing sensitive personal data relating to children and their carers to the wrong recipients on five separate occasions. The council had clear arrangements in place for handling sensitive or

confidential data but these were not followed. The council has reviewed its procedures and provided mandatory training on handling information.

Risk management

182. The council has a well-developed approach to managing risk. The risk and audit manager maintains the policy and strategy and an inclusive approach to risk management is promoted through the corporate risk management working group. This group meets regularly to update the risk register and all services are represented on the group. The council has undertaken a review of the corporate register and this was reported to CMT in March 2012.

Equal opportunities

183. Equality issues are clearly incorporated into the work of the council. It has the appropriate processes in place to manage equalities, train staff and monitor performance. The council works with partners to promote awareness of equalities issues within its communities.

184. The Best Value report of 2008 found that the council showed a clear commitment to raising the profile of equalities through its range of policies, the Community Planning Equalities Forum and by carrying out equalities impact assessments. The report considered the council could better involve equalities groups in shaping services and needed to improve its monitoring arrangements to better demonstrate that it was delivering equality across all its services.

185. In November 2010, the council approved a Single Equalities Scheme (SES). The scheme sets out actions to tackle inequality. The council's Equality Working Group (EWG) and the Joint East and Midlothian Community Planning Equalities Forum are responsible for the delivery of the SES. The council's EWG comprises equality representatives for each service and the group's remit is to ensure that the council is compliant with equalities legislation and to drive

the mainstreaming and embedding of equality throughout the organisation.

186. One of the key strands of the SES is the programme of implementation of equalities impact assessments for all functions and policies. In November 2011, the council's performance report indicated that of the 17 actions for the period 2011/12, ten were completed, four were on target and three were off target. Of those that are off target, two relate to how homeless young people are supported and the council outlines action to address this. The third action off target related to increasing the number of children and young people with additional support needs maintaining inclusive placements in schools through consistent use of staged intervention. The council has completed a draft exclusion policy to address this, which is out for consultation.

187. Since the Best Value audit report of 2008, the council has improved how it monitors equalities. It has carried out analysis of the composition of its workforce in terms of the core equalities characteristics. It has also developed a robust Equalities Impact Assessment (EqIA) timetable and process to ensure the impact of relevant new and revised functions and policies and budget savings are impact assessed. The council monitors its SES through its Planning and Performance Management Framework (PPMF) system and reports to council on a six-monthly basis. All plans and strategies undergo an EqIA and a calendar of EqIAs has been developed.

188. The council's SPIs show that there has been a decrease from 36.6 per cent in 2009/10 to 34.8 per cent in 2010/11 in the percentage of council employees in the top two per cent of earners that are women. However, it also reports that there has been an increase from 42.8 per cent in 2009/10 to 44.6 per cent in 2010/11 in the percentage of council employees in top five per cent of earners that are women. There

Exhibit 9

Midlothian People's Equality Group

A group of nine people took part in a Participating Rapid Appraisal course on a theme of a 'More Equal Midlothian'. The course was organised by Midlothian People's Equality Group, with the support of Midlothian Council. The participants include people with learning difficulties, carers, people from ethnic minorities, older people and young people. The interviewees included representatives from Police Community Liaison, Social Work, Shakti Women's Aid, Changes Community Health Project, a transgender women and local disability activists from Forward Mid. Participants were presented with course certificates by Councillor Bennett, chair of the CPP steering committee.

Source: Midlothian Council

has also been a significant increase in the percentage of council buildings in which all public areas are suitable and accessible for disabled people from 76 per cent in 2009/10 to 89 per cent in 2010/11.

189. The council and its partners can demonstrate the impact of their equalities work in how they work with communities. The council helps to increase awareness and access to community and public transport through the council's Physical Disability strategy planned meetings. Its travel team continues to be involved with meetings of the Joint Physical Disability Planning group and provides information on public transport and alternative transport where requested by interested groups and individuals.

190. The council is also developing the role of the Midlothian Council Employee Disability Consultation Forum. The council has also updated and publicised consultation and community engagement guidance with reference to equalities issues. A key priority for the council's SES is to increase stakeholder involvement and participation. The council reports that it has established a Midlothian Equality and Diversity network as a platform for ongoing communication with local people across equalities groups and user lead organisations and advocacy groups. The council also works with its partners to promote

awareness of equalities issues within its communities ([Exhibit 9](#)).

Sustainability

191. The council's performance reporting shows that the council is on track to achieve its sustainability priorities.

192. The 2011/12 AIP identified that there was no significant concerns in the council's approach to sustainability. The council's corporate priorities are all defined to ensure the environmental, social and economic sustainability of Midlothian. The Corporate Strategy is delivered through the council's service plans and monitored quarterly.

193. To achieve its 'green' and wider sustainability outcomes, the council has a Sustainable Development Framework (SDF) (Incorporating Sustainable Development Policy Statement). The council's associated sustainability action plan is aligned with Audit Scotland's sustainability audit framework. The council monitors the implementation of its SDF and action plan annually and its actions and targets are reviewed.

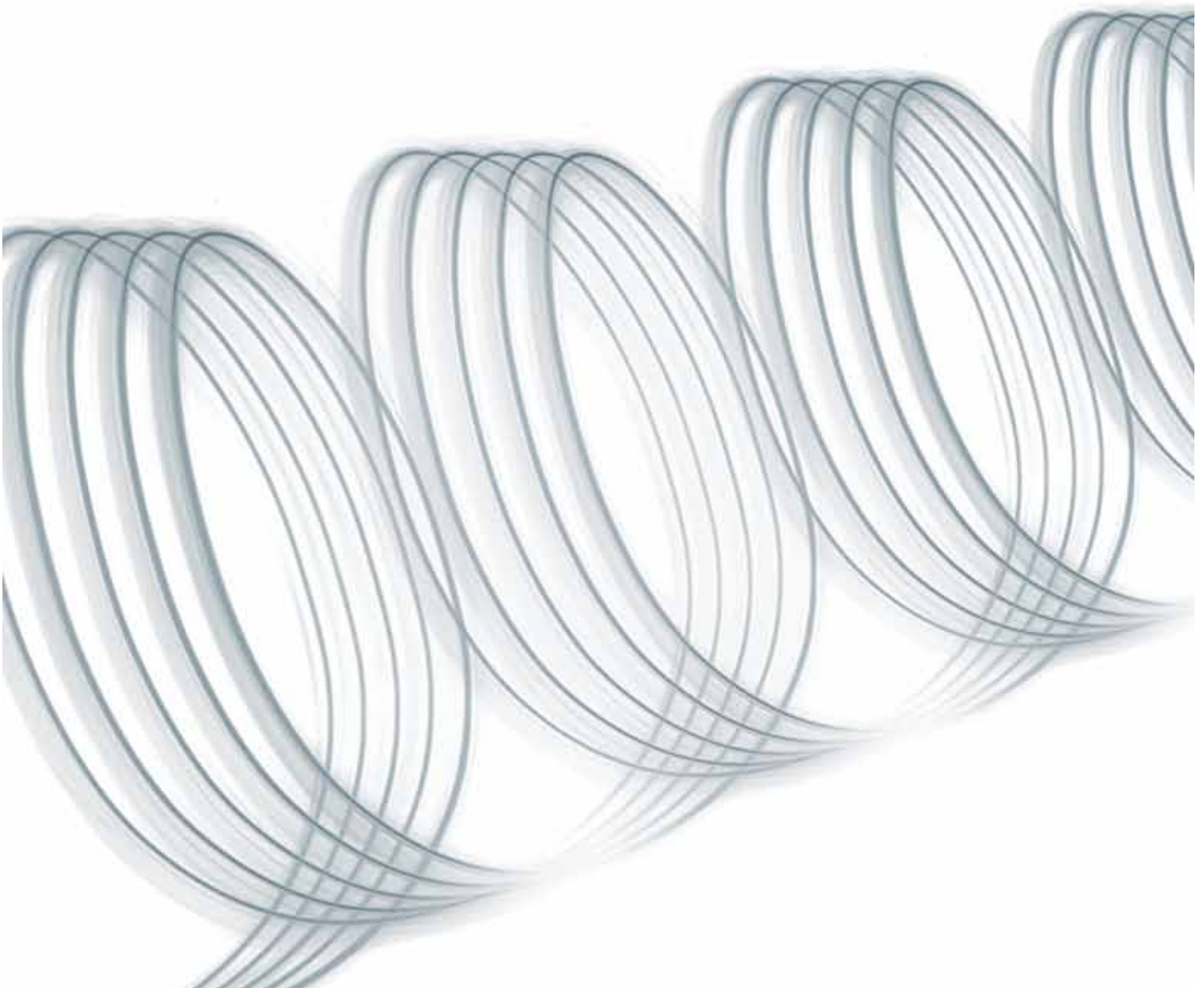
194. Sustainability is a key strategic priority for the council and is highlighted in its Corporate Strategy as a corporate value with a particular focus on positive long-term social, economic and environmental benefit to Midlothian. The sustainability agenda

features prominently in the council's corporate objectives principally:

- Objective 2 – Maximising business opportunities and the action to 'promote inward investment and create quality and sustainable business locations'. The council has put in place the Midlothian Economic Development Framework and has a Midlothian Business Opportunities Strategic Group to monitor its implementation. The group oversees the coordination of the council and its partners' response to the economic downturn as well as work to promote Midlothian and support small businesses.
- Objective 4 – Conserving and improving Midlothian's natural environment and the action to 'promote sustainable development, including through Best Value and climate change duties'. The council has put in place an SDF, policy statement and a sustainability action plan. It has a Sustainable Development and Climate Change Group to oversee the implementation of the framework. The council also reports improved performance in the percentage of municipal waste that is recycled, a reduction in the waste that goes to landfill and a reduction in carbon emissions.

195. Sustainability is further embedded within the council's BTS particularly around the sustainability of council services. All committee reports are required to identify sustainability issues. The council and its partners are also providing a greater emphasis and focus in the consideration of partnership outcomes to the wider sustainability agenda through the merging of theme groups to support both the green agenda and the wider economic and social sustainability agenda.

Part 7. Prospects for future improvement



In 2008, the first Best Value audit report of Midlothian Council highlighted a number of key areas for improvement. Since that time the council has done much to improve its approach to Best Value in terms of corporate management, officer leadership, leadership development, performance management, and people management. The council has developed a BTS and made good progress with its implementation. In a move to respond to the changing external environment it is also reviewing alternative service delivery models. There is also evidence of improved political leadership, scrutiny and challenge. Members can build on this by engaging actively in the council's Continuous Professional Development (CPD) programme.

Council services are improving but performance levels in some areas remain below national averages. The council shows good awareness of where it needs to improve and has plans in place to do that but could be more systematic in using benchmarking and customer satisfaction information to drive improvement.

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

196. The council has strengthened its leadership and increased the pace of improvement in the last two years.

197. Since the Best Value audit report of 2008, the council has demonstrated its ability to deliver improvement and can show significantly improved managerial and political leadership. The council needs to maintain momentum in areas where it has made good progress and increase the pace in areas where progress has been slower.

198. In the Best Value report of 2008, the Accounts Commission recommended that the council

give particular attention to elected members and senior officers providing a clearer focus on Best Value and support for continuous improvement and consider how best to build manager and professional capacity within the council. The report stated that the council's management team needed to demonstrate stronger leadership in addressing weak performance, establish a culture of continuous improvement and take action to improve the capacity of the organisation.

199. The chief executive has shown strong leadership since he took up the post in September 2009. There is wide support for the chief executive's open and transparent approach. He is seen as a driver of change and is providing a clearer direction and focus for the council. The chief executive provides strong, visible and accessible leadership. This has helped improve communications between management and staff.

200. Our audit found that corporate working has improved and that cross-divisional working was strong at senior management level. The new management team has been decisive in producing a BTS. The strategy is a well-thought-through and wide-ranging programme of modernisation.

201. The council has a cohesive strategic corporate management team (CMT). This comprises the chief executive, the director of Communities and Wellbeing, who is also the council's chief social worker; the director of Education and Children's Services; and the director of Corporate Resources. Other senior officers also attend the CMT including the head of Finance and Human Resources, the head of Customer Services, the HR advisory services manager, the corporate improvement manager, the communications manager, the executive officer for transformation and the transformation programme manager. Other heads of service attend dependent on the agenda and reports being discussed.

202. The council's CMT provides a good strategic focus for the council. The CMT meetings have core agenda items which include corporate policy, service performance, finance and human resources. Staff communication and staff ideas are regular topics on the agenda along with workforce management policies.

203. The council is building the capacity of senior managers. Its Leadership Forum was introduced in 2009/10 and brings together senior managers from across the council, promotes corporate working and ownership as well as providing leadership development. A key strand of the council's People Strategy includes mentoring and development training, in order to provide support and resilience to the CMT.

204. There is senior management buy-in and leadership of the BTS through CMT's involvement in the Business Transformation Board. There are also clear governance structures in place and elected member involvement in both scrutiny and challenge through the Business Transformation Steering Committee. Elected members show commitment to the council's change programme and there is political consensus on the priorities.

205. The council has improved the strategic capacity of its elected members and provides a range of development opportunities to assist in their continuous development. The council has put in place job descriptions for councillors and an elected member CPD programme, introduced in 2008. This is reviewed annually. In a report to the council in March 2011, and based on consultation with elected members, it proposed the elected member CPD programme for 2011/12. There has been an increased focus on standards, behaviours and member training and briefing sessions. Elected member attendance at training and briefing sessions, as reported in March 2010, was variable, however,

with less than half the members attending 20 of the 24 training events that had been scheduled. Members should engage actively in the council's CPD programme.

206. Effective political leadership for the council is provided by a strong, focused council leader who provides visible leadership of the improvement agenda and also robust challenge to officers. There is an effective opposition and evidence of constructive working relationships between party groups who are focused on taking forward plans to improve services and quality of life in Midlothian. There is also good cross-party working in the council on its major change programme through the Business Transformation Steering Group which includes members from all three political parties. Elected members are focused on delivering outcomes for the people of Midlothian rather than being restricted by political and managerial structures.

207. Scrutiny arrangements in the council have improved since the Best Value report of 2008. The changes in the committee structures of the council have improved the scrutiny of performance and the audit function.

Performance management and scrutiny

208. The council has improved its performance management, challenge and scrutiny since it reviewed its committee structures in June 2010. However, the council could be more systematic in the collection and use of customer satisfaction to drive improvement, and in the use of comparative or benchmarking information to assure itself that performance levels are comparable with others and identify where it can aspire to be better.

209. The Best Value report of 2008 reported that the council's track record in achieving its corporate priorities within planned timescales has been mixed. However, it was improving the way it monitored and reported

performance and was creating a stronger performance culture. It had not yet fully implemented the PPMF across the organisation. The 2011–14 AIP reported no significant concerns with the council's performance management. In June 2010, the council approved the creation of a separate Performance Review and Scrutiny Committee (PRSC). Performance officers have been appointed in each division and short and long-term trends in performance are being monitored more closely.

210. The management arrangements within divisions and services contribute to an improved approach to the scrutiny of performance. The council's system for the management of service performance is effective and used across all divisions. Its performance management system Covalent is a 'central repository' for service performance indicators, improvement activities and discrete plans/themed work such as BTS and equalities. Quarterly divisional performance reports are discussed at divisional management teams prior to discussion with the chief executive before being submitted to the cabinet and PRS committee. Heads of service are challenged on performance at each of these stages.

211. Although this information is available within some services, divisions need to be more systematic at including value-for-money assessments, benchmarking or comparison information and assessments of customer satisfaction levels. The council does not systematically collect and report evidence to demonstrate that their services are value for money.

212. The council changed its committee structures in September 2010; it replaced its Performance, Scrutiny and Audit Committee with a separate Audit Committee and a PRSC. These are both chaired by members of the opposition parties. The change in committee structures has had a positive effect. This has led

to improvements in the scrutiny of the audit function as well as a greater focus on service performance. There are effective governance structures in place for scrutiny, BTS and community planning. The approach to scrutiny is still evolving, especially the role of the PRSC. There has been a shift towards having heads of service in attendance to account for performance and the committee is also exploring the potential to invite partners to report.

213. Elected members challenge service performance at both cabinet and PRSC. Quarterly performance reports against the service plans are then reported to cabinet and PRSC. There is evidence that members request clarification, further information and follow-up reports in areas of concern.

214. Elected members approve the council's and individual service improvement plans. Each service area within each of the three divisions, captures their improvement plans within their service plans. Elected members approve all ten service plans following discussion between the divisional heads of service and the chief executive.

215. The council leader is robust in his challenge of service performance and in following up progress in any areas of concern. Following the Audit Scotland performance audit of housing and council tax benefit risk assessment report, elected members challenged officers to improve performance and monitor progress. The council has turned around performance and is now performing within the upper quartile of councils.

Public performance reporting (PPR)

216. The 2011–14 AIP identified some uncertainty about the council's arrangements for PPR. Midlothian Council has a planning and performance framework and a separate PPR framework. The 2010/11 PPR report demonstrates activity across the SPI categories.

217. There has been a positive improvement in the council's website with committee agenda, papers and minutes made available. The council has dedicated performance pages on its website giving access to quarterly performance reports and performance information for each service as well as community planning. A summary version of the annual PPR is also made available in libraries, leisure centres and council receptions. The council should continue to refer to the SPIs Direction to ensure that it provides a sufficient range of performance information, trends and comparisons.

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

218. The council is aware of where it needs to improve and has plans in place to do so and the council captures improvement activity in its performance management system. The BTS workstreams and work being undertaken to identify future service delivery models demonstrate the council's commitment to change.

219. Midlothian Council's improvement agenda, arising from the Best Value report of 2008, listed 13 improvement areas. The council developed a Best Value audit action plan with 29 improvement actions to address the improvement areas. Its progress against this action plan was last reported to CMT in June 2011. The progress report also identified an additional improvement action to develop a competency framework for employee recruitment, appraisal, reward and development to help build managerial and professional capacity within the council. Of the 30 actions outlined, the council reported 23 of them as complete with no outstanding actions; of the remaining seven the council identified outstanding actions. However, many of these are areas where the improvement action has been addressed and work is ongoing.

220. The council has a coherent approach to capturing improvement

activity; this is now outlined in service plans. The activity is captured in the council's PPMF and reported via Covalent; this includes improvement actions from external audit, internal audit, service reviews, and self-evaluation from the MEF.

221. The council manages its BTS effectively as described in [Part 6](#) of this report. It also has an established and robust performance management system and is beginning to embed a self-evaluation approach. With its current project to consider future service delivery models, the council demonstrates that it is alert to the changing external environment and thinking about how it needs to respond. The challenge for the council is to deliver on its commitments as planned.

222. The council's approach to self-evaluation, the MEF, is developing. Five pilots have been undertaken across the council and these have been evaluated and a 'MEF-lite' approach is currently being piloted in the Corporate Improvement Section. The council has plans to develop a programme of MEF assessments across all divisions linked to the service review workstream.

223. Council services are improving but some services remain below the Scottish average. The council is clear where improvement is needed and is working to address this.

Review of the Future Model of Service Delivery (FMSD)

224. Alongside the BTS, the council is currently undertaking a more fundamental review of FMSD. Members and officers recognise the need to review how the council delivers services in the future to reflect the changing external environment. The objectives of the FMSD include looking at how public services should be accessed locally and the opportunities for preventative spend. The council must ensure that it resources the project sufficiently to ensure that it is delivered effectively while ensuring that it does not lose

momentum with the other projects progressing under BTS. The council also recognises that it will need to review the BTS workstream priorities in light of the findings of the FMSD.

225. During 2010, the council undertook an extensive public consultation exercise to identify how residents of the area would like services to be delivered in order to find better ways of working, and save money. This included a survey with the Citizens' Panel; a similar survey in the *Midlothian News*, the council's newspaper that is delivered to all residents; a website survey; and four community engagement events attended by the council leader and the chief executive.

226. The results of this consultation were reported to the council in January 2011 and led to elected members supporting a recommendation that the council carry out a fundamental review of the future model for service provision. The review will take account of the geographic, economic and transport infrastructure along with the population composition and distribution across Midlothian to evaluate whether appropriate services are accessible at a local level. It will consider shared service opportunities in order to assess how council and partner resources might be better used. A further objective of the review is to assess the future role of the community and voluntary sectors in service provision through community capacity building. The aim is to develop a corporate strategy to identify and evaluate alternative service delivery models and opportunities to move from reactive spend to preventative spend.

227. The council outlined a project plan for the delivery of the review of FMSD by summer 2012. However, in February 2012 the council reported that this workstream, along with that of the service reviews, was not on target. The project plan has since been revised, and draft priorities for future service delivery models are to be in place by November 2012.

Appendix 1.

Judgement descriptions

The Best Value audit provides two overall judgements on council performance. One assesses how well the council is performing and the other covers the council's prospects for improvement. The judgements are based on standard descriptors and the emboldened text indicates the audit assessment for Midlothian Council.

Judgement descriptions – how good is my council's overall performance?

How good is my council's overall performance?	Unsatisfactory	Satisfactory	Good	Outstanding
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 – what are my council’s prospects for future improvement?

What are my council’s prospects for future improvement?	Poor prospects	Fair prospects	Good prospects	Excellent prospects
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, in its education service 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 areas 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. They can demonstrate – and are committed to – ensuring that the shared vision for the area impacts on their own organisation and partnership activity.	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 developing.	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.

Midlothian Council

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ISBN 978 1 907916 63 2

Printed on Revive 100 Uncoated, a Forest Stewardship Council (FSC) certified recycled grade containing 100% post consumer waste and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).

