

EAST RENFREWSHIRE COUNCILCABINET1 September 2016Report by Deputy Chief ExecutiveAUDIT OF BEST VALUE – A NEW APPROACH**PURPOSE OF REPORT**

1. To update Cabinet on Audit Scotland's new approach to auditing Best Value and to advise that East Renfrewshire Council will be in the first tranche of the new arrangements, with a Best Value Assurance Report due for the Council at some point during 2017/18.

RECOMMENDATIONS

2. It is recommended that Cabinet note East Renfrewshire Council's position in the first tranche of the new national approach to auditing Best Value, with a Best Value Assurance report on the Council due in 2017/18.

BACKGROUND

3. In 2004 a national framework, the Audit of Best Value, was established to assess delivery of the best value and community planning requirements of the Local Government in Scotland Act 2003. In 2005 the Council received one of the most positive reports of any council in Scotland with auditors concluding that East Renfrewshire was an ambitious and successful Council that had a culture of continuous improvement.

4. As a consequence of this and the annual Shared Risk Assessment (SRA) carried out by Audit Scotland the Council has not been considered for a further audit of this type.

5. In response to the 2007 Crerar report on the 'Independent Review of Regulation, Audit, Inspection and Complaints Handling of Public Services in Scotland' the Scottish Government committed to developing a simplified and streamlined approach to local government scrutiny by external bodies. This included the need to improve the co-ordination of strategic scrutiny activity amongst the main scrutiny bodies such as Audit Scotland, Care Inspectorate, Education Scotland and the Scottish Housing Regulator.

6. A Local Area Network (LAN) was established to bring inspectors and auditors together to share the relevant information held about East Renfrewshire Council and to agree a scrutiny plan for the Council. The first Assurance and Improvement Plan (AIP), published in 2010, set out a programme of scrutiny activity for the Council based on a shared risk assessment (SRA). The most recent SRA was reported to Cabinet in June 2016. The assessment was positive and the LAN did not identify any areas where additional specific scrutiny was required in 16/17.

7. A national review of the approach to auditing Best Value has been completed and principles agreed by the Accounts Commission. The audit principles include a desire to be more proportionate, risk-based and outcome-focused, providing the Commission and the public with more regular assurance about the performance of councils.

8. Earlier this year Audit Scotland and the Accounts Commission launched a new framework for auditing Best Value. In July 2016 it was confirmed that East Renfrewshire Council will be one of 6 councils to be reported on in the first year of the new approach.

AUDIT OF BEST VALUE – A NEW APPROACH

9. The new approach to auditing Best Value is still emerging and Audit Scotland have confirmed that this first year will be a transitional year. The aim is to bring together audit work on Best Value, the annual financial audit and the multi-agency shared risk assessment process. This coincides with the new 5 year external audit appointments by the Accounts Commission.

10. The aim is for Audit Scotland to provide a public assurance report for each council at least once during the 5 year audit appointment. The new arrangements commence from October.

11. The Accounts Commission has now selected the following 6 councils for the first tranche of this new approach. Best Value Assurance Reports will be submitted to the Accounts Commission on each during 2017/18, with the first expected as early as spring 2017, but not before the local government elections. The councils are:

- East Renfrewshire
- Clackmannanshire
- Inverclyde
- Orkney
- Renfrewshire
- West Lothian

12. Audit Scotland has acknowledged that, whilst East Renfrewshire Council's shared risk assessment has not identified any specific risk areas in recent years, it is now over 10 years since the Commission published a Best Value report on the Council. They note that they will be interested to hear more about our council's improvement journey over these years, especially in relation to our work on Education where we have a strong reputation.

13. Further information and guidance on the audit process and what this will entail is expected in the autumn following an initial meeting between the Council's new external audit team and officers. Some national briefing sessions may also be held to explore the approach further, but we know that this is likely to mean some additional specific audit activity within the Council.

14. The Scottish Government is in early talks about reviewing and updating the statutory guidance which supports Best Value legislation to reflect various changes in the local government and public sector environment. New guidance will not however be in place for councils in this first tranche of the new approach to auditing Best Value. The 10 key best value characteristics in the statutory guidance are:

- commitment & leadership
- responsiveness & consultation
- sound governance at a strategic, financial and operational level
- sound management of resources
- use of review & options appraisal
- competitiveness, trading & discharge of authority functions

- contribution towards sustainable development
- equal opportunities arrangements
- joint working
- accountability.

15. In a letter to the Chief Executive in July, Audit Scotland has summarised the audit expectations as follows:

“...as the statutory duty relates to improvement, there will be an assumption that each council can demonstrate its commitment in this area, and evidence of an improvement culture. Statutory guidance on BV expects each council to have a clear understanding of its performance across services and the impact it has on outcomes for users and communities. The Commission expects plans will be in place for improving services in accordance with performance and with each council’s strategic priorities.....your council’s own self-evaluation and assessment will be a key source of evidence and assurance for auditors.”

16. The Council is in a strong position to demonstrate continuous improvement including through our outcome-based approach to planning and performance management; our sound management of resources; our change and transformation work and through our strong approach to partnership working. We believe that we have strong evidence in place and will welcome a further steer in the autumn as to the exact format and requirements for this audit.

FINANCE & EFFICENCY

17. Finance and efficiency will be core components of the audit and Audit Scotland aim to make this as integrated as possible to the annual financial audit process.

18. There are no specific additional costs associated with the audit, although it will require additional work across the Council.

CONSULTATION

19. Our arrangements for, and the impact of, consultation and engagement with the local community and engagement of employees and elected members are likely to be reflected in the audit.

20. There is a duty for the Council to report publicly on its performance and we do this routinely as part of day to day business. The outcome of this audit will be reported nationally and in the press.

PARTNERSHIP WORKING

21. While the audit’s focus will be the Council itself, it will look at our partnership processes and key strategic risk areas for the East Renfrewshire area and how these are being approached (e.g. an example might be long-term funding of the elderly, given our demographics).

CONCLUSION

22. The new approach to auditing Best Value is welcomed by East Renfrewshire Council. There is no doubt that being in the first tranche brings both opportunities and challenges. There are great opportunities to showcase our improvement journey and outcome-focused approach over the last 10 years, building on our successes in Education, and demonstrating our commitment to being a “*modern, ambitious council, creating a fairer future with all*”. The shared risk assessments carried out by audit and scrutiny bodies in previous years suggest we should be in a strong position. However there are challenges in the emergent nature of the new approach to auditing Best Value nationally and the lack of a clearly defined framework or guidance. We will be keen to meet with auditors early in the autumn to understand what the process means in practice and what will be required of us.

23. East Renfrewshire has a strong culture of continuous improvement and self-evaluation which will stand us in good stead. We look forward to working with Audit Scotland to help shape this new approach to Best Value to ensure that it gives a picture as rounded, balanced and outcomes-focused as possible, whilst maintaining its key principles of proportionality, risk and improving the audit experience for councils.

RECOMMENDATIONS

24. It is recommended that Cabinet note East Renfrewshire Council's position in the first tranche of the new national approach to auditing Best Value, with a Best Value Assurance report on the Council due in 2017/18.

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BACKGROUND PAPERS

- Local Scrutiny Plan 2016/17, Cabinet 2 June 2016.
- Best Value Audit: Report on East Renfrewshire Council, Council 26 October 2005
- National Audit of Best Value, Cabinet 23 December 2004

KEYWORDS

This report gives detail on the forthcoming plans for work to audit best value in East Renfrewshire Council. Keywords are: best value; audit; assurance; Audit Scotland; Accounts Commission; performance; risk.