

Report

Report to:	Performance and Review Scrutiny Forum
Date of Meeting:	19 March 2024
Report by:	Chief Executive

Subject:	Accounts Commission New Approach to the Audit of Best Value – Initial Reports
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Forum of key messages and recommendations from recent reports published under the Accounts Commission's new approach to auditing Best Value

2. Recommendation(s)

2.1. The Forum is asked to approve the following recommendation(s):-

- (1) that the key messages and recommendations within the report be noted.

3. Background

- 3.1. With the publication of the Best Value Assurance Report (BVAR) report on Comhairle nan Eilean Siar in September 2022 (reported to the Forum on 29 November 2022), the Accounts Commission concluded its programme of Best Value (BV) audits which was initiated in 2018.
- 3.2. On 21 March 2023, a report to the Forum advised of the Accounts Commission's new approach to the audit of Best Value. This report summarises the audits carried out so far under the new approach and highlights key messages which might be relevant to South Lanarkshire.

4. New Approach

- 4.1. Auditors are required to report progress against previous Best Value audit reports and Commission findings. Part of the new approach is a requirement for the Controller of Audit to report on every council across the audit appointment round, covering the period October 2023 to August 2027.
- 4.2. Unlike the previous approach where Best Value Assurance Reports were based on a separate piece of audit work, the new approach consists of brief Controller of Audit (COA) reports accompanied by and reflecting on published annual audit reports. As with the current approach, these Controller of Audit reports are considered by the Commission in public and reported publicly.
- 4.3. The COA reports are intended to offer a BV-focused reflection on the council's annual audit report. To date, controller of audit reports have been published on South Ayrshire Council (2 November 2023), Dundee City Council (30 November 2023), Dumfries and Galloway Council (11 January 2024) and Orkney Islands

Council (30 January 2024). The remaining two councils in the 2023 tranche are North Lanarkshire Council and Moray Council.

- 4.4. In line with the previous practice of bringing BVAR findings to the Forum to highlight good practice and place our own activities in context, the findings from the recent COA reports are summarised below.

5. South Ayrshire Council

- 5.1. The South Ayrshire report highlights several areas of concern, including the pace of improvement since the BVAR in 2021; the transformational programme; performance management and performance reporting; self-evaluation; and public performance reporting. On the plus side, it is noted that the council has effective financial management processes and an effective approach to medium and long term financial planning.

- ◆ This report is the first to reflect the Commission's new approach to Best Value. It is fully integrated into annual audit work, reported in Annual Audit Reports, and includes detailed work each year on a national theme. For 2022/2023 the national theme is leadership.
- ◆ We are pleased to see that the council has effective financial management processes in place, has delivered balanced budgets, and has met its savings targets. We also welcome the council's approach to medium- and long-term financial planning. However, given the large budget gaps identified in its financial planning, we believe there should be clear alignment between the council's budget and its strategic priorities for the 2024/2025 financial year.
- ◆ We note the progress that the council has made in addressing the recommendations in our 2021 Best Value Assurance Report. We are concerned, however, that the pace of improvement has been slow. We acknowledge that external factors, including financial pressures and changes in political leadership, have contributed to this but these factors are not unique to the council.
- ◆ We are also concerned about the council's transformation programme and the lack of progress since our 2021 report, particularly given the reliance on this to address the financial and service delivery challenges the council is experiencing. We note that the transformation programme has been refocused, and the number of projects reduced, but we now urge the council to move at pace to establish the expected cashable benefits and baseline activity for the programme.
- ◆ Linked to this, we have wider concerns around performance management and performance reporting within the council. The council should ensure that it has clear measures of progress against its key priorities, and that future performance reporting to elected members is transparent and balanced.
- ◆ There is also a lack of a corporate approach to self-evaluation, and we urge the council to progress this as a priority. We encourage the council to make use of comparative analysis with its peer organisations and consider support from other bodies with expertise in this area.
- ◆ We were disappointed to note that public performance reporting needs to improve, to ensure compliance with the Commission's Statutory Performance Information Direction. We note that work is under way to address this and look forward to seeing the refreshed approach in place as soon as possible.
- ◆ We recognise that the council has sought to address our previous findings on leadership, and we commend the council for the clear intent around the new senior management structure, to ensure that there is sufficient leadership capacity. We look forward to seeing the impact of these changes and evidence of a culture of continuous improvement within the council.

- ◆ The actions identified from the audit will be followed up in future annual audit reports to the council, and the Commission asks the Controller of Audit to monitor the council's progress and report back to the Commission with any concerns if she deems it necessary.

5.2. The commission puts forward the following action points for South Ayrshire Council:-

- ◆ Decisive and focused leadership is now needed if the council is to achieve its priorities and improve outcomes for citizens. Over the course of the audit appointment auditors will monitor the effectiveness of this revised structure.
- ◆ Plans to reintroduce a corporate self-evaluation tool need to be progressed.
- ◆ The first performance report on the new Council Plan is currently scheduled for November 2023 and auditors will report on the effectiveness of this framework in future years.
- ◆ The council is in the process of updating its dedicated public performance reporting webpage. This is required to ensure compliance with the Statutory Performance Information Direction.
- ◆ The council is due to present its updated medium to long-term financial plan to members towards the end of 2023. This should be transparent about the scale of service demand and pressures and demonstrate how the council's finances align with the priorities set out in the new Council Plan.
- ◆ Achievement of the refocused strategic change programme is key to future service delivery and financial sustainability. The council should calculate the expected cashable benefits and ensure the leadership focus to deliver the required transformation.
- ◆ The council will need to consider the skills and capacity required to deliver its integrated impact assessments as well as set measures to monitor progress in reducing inequalities and addressing climate change.

6. **Dundee City Council**

6.1. Dundee received a positive report with particular strengths noted in relation to clarity of vision; fair and balanced public performance reporting; community empowerment and engagement; and the approach to continuous improvement.

- ◆ Overall, we commend the council for the progress it has made since the Best Value Assurance Report in September 2020, and are pleased to note that it has implemented all our recommendations.
- ◆ It is clear that the effective leadership provided by officers and elected members is an area of strength for the council. This is demonstrated in the clarity and coherence of the council's vision and planning, its alignment of resources with its priorities, and its fair and balanced public performance reporting, which we welcome.
- ◆ We are also impressed by the commitment to community empowerment and engagement that comes through strongly in the Council Plan and by the evidence of how this is being delivered in practice.
- ◆ We recognise that there are high levels of deprivation and child poverty in Dundee, and long-standing challenges around educational attainment and drug deaths. The Commission is assured that the council is taking action in response to these issues, as in other areas of policy.
- ◆ The council's financial management and planning is sound and again should be commended. We note that challenges remain around delivery of the capital programme, but that this is also showing signs of progress.

- ◆ We welcome the council's commitment to continuous improvement, and encourage elected members and officers to share their approach to this with other councils. It will be essential to sustain this year on year and we look forward to following the council's progress in future Annual Audit Reports.

6.2. The commission puts forward the following action points for Dundee City Council:-

- ◆ The council should consider what more can be done to encourage and support increased community ownership.
- ◆ The council is not yet achieving its participatory budgeting target of one per cent and should identify further areas where participatory budgeting can be used effectively.
- ◆ The council's long-term financial strategy needs to be updated to show how resources will be targeted towards priority areas over the next ten years.
- ◆ Management should continue to monitor the affordability and deliverability of the five-year capital plan and clearly report to members on emerging overspends, or slippage against key milestones and completion dates.
- ◆ Management should ensure that draft internal reports are cleared and reported in a timely manner so that recommendations for improvement can also be actioned within an appropriate timescale.

7. **Dumfries and Galloway Council**

7.1. The report for Dumfries and Galloway identifies clear vision and priorities backed up by financial plans, an annual delivery plan and performance management arrangements. However, work needs to be done to develop measures to track progress against outcomes and the council needs to improve how it reports its performance to the public and elected members. Specific mention is made of climate change plans and the lack of clarity about whether the council is still working towards its net zero targets.

- ◆ The Commission is pleased to see the evidence of the council leadership's commitment to Best Value. The collaborative approach to strategic planning and financial management by members and senior officers is commended. The council plan clearly sets out its vision and priorities, and the council has agreed a three-year budget, underpinned by detailed change and savings options.
- ◆ The council plan is aligned with its annual delivery plan and performance management arrangements. It is important that the council now publishes a focused suite of high-level measures to track progress against its agreed outcomes.
- ◆ The council's financial plans rely increasingly on transformation to new service models, and these will need to be delivered to meet the levels of savings required. An update of the council-wide workforce plan is also required to align with these plans. The council has a good track record of delivering savings targets, but it cannot underestimate the challenges it faces to address future funding gaps. The Commission encourages the council to continue to ensure that its reserves are used effectively and to support its transformation plans, where appropriate.
- ◆ The Commission is pleased to note that six of the seven actions from our 2018 Best Value Assurance Report have been fully addressed. However, more needs to be done to make information about council performance clear and accessible to the public. To comply with the Commission's Statutory Performance Information Direction, the council needs to publish a summary of its performance, including comparisons with other councils, on its website. The council should also ensure that this data is reported to elected members and is used as a learning opportunity to help improve its services.

- ◆ The council demonstrates an effective approach to community engagement, and the Commission encourages it to share this good practice.
- ◆ The council has ambitious plans on climate change, but it remains to be seen how achievable these are and whether there is the commitment and resources to realise them. The Commission is surprised to note that the current council plan does not include information on whether the council is still working towards its net zero target.

7.2. The commission puts forward the following action points for Dumfries and Galloway Council:-

- ◆ The council's leadership needs to sustain its pace of improvement and demonstrate that its arrangements are effective in driving delivery of its new strategic outcomes.
- ◆ The council has said it will review and report on the effectiveness of the revised structure by the end of 2025. Auditors will report on the outcome of that review in future years.
- ◆ The council needs to prioritise agreeing its focused suite of measures for the Council Plan. Auditors will report on the effectiveness of the council's performance framework in future years.
- ◆ The council has committed to a review of its website, to ensure compliance with the Statutory Performance Information Direction. It will reintroduce reporting of Local Government Benchmarking Framework data.
- ◆ The council has agreed to update the council-wide Workforce Plan to align with the Council Plan 2023-2028 and develop an Asset Management Plan for all built assets.
- ◆ Delivery of the change and savings programme will be key to maintaining future financial sustainability and supporting priority services.
- ◆ The council should clearly set out its net zero emissions target and how it plans to achieve it. It has committed to reporting recommendations for future targets for net zero emissions to the Cross-Party Working Group on Climate Change by March 2024.

8. Orkney Islands Council

8.1. Orkney receives a broadly positive report, however, there are concerns about the gap between the council's ambitious transformation plans and its ability to deliver on them, as well as a lack of a strategic approach to delivering savings sustainably. The Commission finds that there is also a lack of clarity about the approach to tackling climate change, including whether it is on track to meet its net zero targets.

- ◆ The council has effective strategic planning and performance reporting, with clear priorities set out in the Council Plan, supported by a Delivery Plan and subject to regular monitoring. The council also shows good compliance with the Commission's Statutory Performance Information Direction.
- ◆ We recognise that, as an islands authority, Orkney faces particular challenges, including in relation to staffing and capacity. At the same time, the council has potential opportunities offered by its wide range of responsibilities, abundant natural resources, and its positive relationship with the local community.
- ◆ However, the Commission believes there is a significant gap between the council's future transformation plans and ambitions and its ability to deliver on them. A greater sense of urgency is needed from the council in a range of areas, including medium-term financial planning, management of capital projects, and its approach to tackling climate change.

- ◆ We note the scale of the council's reserves and its stated intention to use those reserves in a sustainable manner. However, the council is projecting a very large budget shortfall over the coming years and has relied on use of its reserves rather than achieving significant savings to close previous budget gaps. We agree with the Controller that it needs to develop and implement detailed operational service plans to put its finances on a more sustainable footing over the next three years. We also urge the council to review its strategy for the sustainable use of its strategic reserve fund earlier than its target date of March 2025.
- ◆ The council has seen slippage in the delivery of capital projects over a number of years. Related to this, the Commission is not clear on whether the council is on track to achieve its ambitious target of achieving net zero carbon emissions by 2030. The council must provide more clarity on when it will publish a revised climate change strategy and action plan.
- ◆ While the council's undertaking of a review of its community consultation and engagement is to be welcomed, the Commission would like to see this concluded sooner. We look forward to seeing the outcomes of this review, as well as any wider actions the council intend to take to ensure it maintains regular, structured engagement with residents throughout the year.

8.2. The following action points are identified for Orkney Islands Council:-

- ◆ The council agreed its new workforce plan in June 2022. It approved a Digital Strategy Delivery Plan in September 2023 and has property asset plans in place. However, its asset plans are now due for review and will require alignment with the new Council Plan.
- ◆ The council should ensure it keeps performance related information on its website up-to-date.
- ◆ The council should carry out a root cause analysis to monitor service performance, particularly in areas aligned to council priorities.
- ◆ The council is undertaking a Community Consultation and Engagement review and as part of this should consider how it can ensure regular and structured consultation throughout the year, and seek stakeholder views on the proposed and implemented approach.
- ◆ The council should ensure that up-to-date equalities impact assessments are readily available on its website.
- ◆ The council should develop delivery plans with specific inequality related performance measures to support its equalities outcomes.
- ◆ The council should continue to develop its climate related strategies and associated delivery plans and include financial impacts in its future budgets and the medium-term financial plan.
- ◆ The council needs to develop and implement detailed operational service plans to bridge the potential funding gap of £27.1m identified across 2023-2028. In doing so, it should ensure that it undertakes equality impact assessments, including Island Communities Impact Assessments where applicable.
- ◆ The council should carry out detailed analysis to develop a strategy for the sustainable use of the Strategic Reserve Fund taking into account its longer-term plans and commitments.

9. Next Steps and Recommendations

- 9.1. Officers of the council will continue to review the Controller of Audit reports as they are published to learn any lessons for the council. Reports on any significant findings and key messages will be brought to the Forum for information.

- 9.2. The scheduling of South Lanarkshire Council's COA report has yet to be confirmed, however, the Council does not appear on Audit Scotland's provisional programme of COA reports for 2024 and 2025, suggesting 2026 at the earliest for the South Lanarkshire Council audit.

10. Employee Implications

- 10.1. There are no direct employee implications.

11. Financial Implications

- 11.1. There are no direct financial implications.

12. Climate Change, Sustainability and Environmental Implications

- 12.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

13. Other Implications

- 13.1. Considering the detail of the report and identifying actions as appropriate contribute towards effective risk management.

14. Equality Impact Assessment and Consultation Arrangements

- 14.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

- 14.2. There is no requirement for consultation on the content of the report.

Paul Manning
Chief Executive

29 February 2024

Link(s) to Council Values/Priorities/Outcomes

- Ambitious, self-aware and improving

Previous References

- None

List of Background Papers

- None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Tom Little, Head of Communications and Strategy

Ext: 4904 (Tel: 01698 454904)

E-mail: Tom.Little@southlanarkshire.gov.uk