

Report

Report to:	Performance and Review Scrutiny Forum
Date of Meeting:	28 May 2024
Report by:	Chief Executive

Subject:	Accounts Commission - New Approach to the Audit of Best Value – Falkirk and Moray Councils
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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. Towards the end of 2023, the Accounts Commission introduced a new approach to the Audit of Best Value to replace the Best Value Assurance Report (BVAR) regime which had run from 2018 to 2023.
- 3.2. The approach consists of brief Controller of Audit (COA) reports accompanied by and reflecting on published annual audit reports. These COA reports are considered by the Commission in public and reported publicly.
- 3.3. The COA reports are intended to offer a BV-focused reflection on the Council's annual audit report. 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.

4. Falkirk Council (Published 2 May 2024)

- 4.1. Falkirk received a broadly positive report, with recognition being given to the council's approach to transformational change and the collaborative leadership provided by officers and members. Strategic planning and public performance reporting also show elements of good practice, though further work in both areas is required.
- ◆ We are particularly pleased to see substantial improvements since our Best Value Assurance Report in 2022, but note that there is still work to do. Our findings are designed to both recognise these successes and provide encouragement and impetus where further improvement is required.

- ◆ In common with other councils across Scotland, Falkirk faces significant financial challenges. The council has a record of delivering savings, including through its Council of the Future programme, but has previously relied on non-recurring savings. Its financial strategy sets out a significant budget gap, which requires substantial savings to be made in the financial year just started, 2024/25, and the two following years. The council must focus on delivering recurring savings this year to avoid exacerbating the challenge in future years.
- ◆ While Falkirk has a track record in producing sufficient one-off savings, this is not necessarily an indicator of it being able to keep doing so without putting services at risk. This is why the transformational change programme is increasingly important. We welcome the strengthening of the Council of the Future Board. The Board will play a critical role in ensuring the delivery of the council's transformation programme and the associated savings.
- ◆ Linked to this, we are assured that the collaborative leadership of the council, by both officers and elected members, has improved in recent years. Continuing this consensual approach will be crucial in making and communicating the difficult decisions which lie ahead for the council and to ensure the council continues to meet the needs of its communities.
- ◆ It is also crucial that the council has effective community engagement arrangements in place. We note that consultation does take place, but we are concerned by the delays in production of the council's community engagement strategy. We encourage the council to accelerate this as much as possible, which can only assist in the difficult decisions to come. In doing so, we encourage the council to ensure its consultation and engagement activity is meaningful and that participants feel they are involved and listened to.
- ◆ The council's overall approach to strategic planning, with clear priorities and linked commitments, is welcome. While we were disappointed not to see evidence of formal, published, service plans, we understand this work is nearing completion.
- ◆ Despite being in its infancy, we are particularly pleased to see the council's approach to performance reporting, utilising both data from the Local Government Benchmarking Framework and its own indicators, and welcome the council's compliance with our Statutory Performance Information Direction. It is now critical that the council builds on this very promising start and further develops its approach to using performance information to drive improvements and address areas of underperformance.
- ◆ As is clear from the Controller of Audit's report and the Annual Audit Report, the council is grappling with difficult challenges, which will only continue in the years to come. This makes continuing to build on the improvements it has made even more important, if it is going to continue to improve outcomes for its citizens.

4.2. The Commission puts forward the following action points for Falkirk Council:

- ◆ Members and officers should work collaboratively to ensure the delivery of the priorities for the people of Falkirk.
- ◆ The council should review the revised arrangements to assess their effectiveness and make any necessary amendments to further enhance performance reporting and scrutiny; it should implement corporate self-evaluation.
- ◆ The council needs to identify further savings and take difficult decisions to ensure it can bridge its projected budget gap.
- ◆ The council should finalise and implement its community engagement strategy and ensure meaningful, quality consultation with stakeholders to involve them in the council's decision-making; it should ensure that budget consultations are robust and provide useful information to inform budget decisions.

- ◆ The council should continue its work to drive up the quality and coverage of Equality and Poverty Impact Assessments and make them accessible to the public. It should clearly demonstrate how the assessments are conducted and how the results shape its strategic decisions.

5. Moray Council (Published 28 March 2024)

5.1. Moray received criticism across a number of fronts, including the slow pace of improvements; the use of reserves to deal with its significant forecasted budget gap; lack of integration between capital and revenue plans; failure to meet performance reporting duties; and lack of effective cross-party working.

- ◆ We note that the council has received six Best Value reports since 2006. These reports have consistently highlighted that while the council has made improvements, the pace of progress has not been fast enough.
- ◆ Despite this extended series of reports, the council still needs to accelerate the pace of change to deliver the significant progress needed to demonstrate Best Value for its citizens. Our specific findings that follow are therefore focused on supporting the council to make the necessary improvements.
- ◆ The Commission is extremely concerned by the council's reliance on unidentified savings to deal with its significant forecasted budget gap, and agrees with the Controller that the continued use of useable reserves is not sustainable.
- ◆ To bridge its budget gap and ensure its financial sustainability, the council must accelerate the pace and ambition of its transformation plans, and most importantly it must show clear, sustained evidence of this transformation. We therefore expect the council's Improvement Modernisation Programme to set out clear deliverables, deadlines and lines of accountability. In doing so the council must ensure strong financial management and put in place arrangements to ensure the accuracy of its forecasting and its in-year budget monitoring.
- ◆ The council has an ambitious capital plan, much of which is planned to be financed through loans. We are surprised that capital and revenue plans are not more clearly integrated, especially given the revenue implications of the high level of borrowing planned, and this should be done as a matter of urgency. The council should also demonstrate how it intends to prioritise its capital investment in line with the council plan.
- ◆ At the time of considering the Controller's report in March 2024, the council still had not published its annual performance report for 2022/23, and is therefore not meeting its statutory requirement to publish this information in a timely manner. While the council has an effective approach to reporting service performance, it must make improvements in the timeliness of overall performance reporting and urgently finalise its approach to self-evaluation. We expect the council to set out a timeline to deliver these improvements. This will enable the council to promptly address areas of poor performance relative to other councils.
- ◆ We acknowledge long-standing issues with recruiting senior staff, particularly in finance as well as in the leadership of its transformation programme. As a result of these issues, the Commission has real concerns about the capacity of the council to make the step change that is needed to deliver its transformation plans at the scale and pace required whilst also maintaining and improving everyday service delivery. The council therefore needs to demonstrate how it will close this capacity gap.

- ◆ Linked to this, the council has long-standing issues related to a lack of effective cross-party working, highlighted in previous Best Value reports, and this continues to be a strong concern expressed in the Annual Audit Report (particularly regarding the Audit, Risk and Scrutiny Committee) and the Controller's report. We are therefore pleased to see that the council has sought external support and strongly encourage the continued use of this support, particularly in light of the forthcoming retirement of the Chief Executive. Further, we are pleased to note that the council's recent Budget for 2024/25 was agreed on a cross-party basis, and hope that these encouraging signs continue.
- ◆ The way in which public audit operates means that, inevitably, there can be time lags between audit work being completed and reports coming to the Commission. In Moray's case, it appears to the Commission that, since the Annual Audit Report was completed, some positive steps have been taken, though these steps have not yet been subject to audit. We note that the council intends to bring its improvement actions together in a Best Value action plan, by April 2024. It will be important for this plan to consider the issues highlighted in this and previous reports to demonstrate sustained pace and momentum.
- ◆ 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.
- ◆ We also look forward to our forthcoming meeting with the council, which we undertake following all reports on Best Value, where we will be looking to discuss all of the Commission's findings, in particular around effective political leadership and the council's Best Value action plan.

5.2. The Commission puts forward the following action points for Moray:

- ◆ The council should ensure that members work effectively together to act on key decisions in an effective and efficient manner.
- ◆ The council should ensure all Audit and Scrutiny Committee members are clear on their remit.
- ◆ The council should undertake further consultation and engagement to ensure local communities are more involved in participatory budgeting.
- ◆ The council needs to finalise the performance and delivery framework for its new Corporate Plan. It should implement annual self-evaluation to identify strengths as well as areas for improvement.
- ◆ The council needs to report performance in a more timely manner.
- ◆ The council needs to increase its pace of transformation and identify savings to ensure its financial sustainability.
- ◆ The council should keep the affordability of its capital plan and related revenue implications under review.
- ◆ The council should continue to monitor any slippage of the capital plan.
- ◆ The council should review its forecasting process to ensure the most accurate projections.

6. Next steps and recommendations

- 6.1. 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.

7. Employee Implications

7.1. There are no direct employee implications.

8. Financial Implications

8.1. There are no direct financial implications.

9. Climate Change, Sustainability and Environmental Implications

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

10. Other Implications

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

11. Equality Impact Assessment and Consultation Arrangements

11.1. 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.

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

Paul Manning
Chief Executive

2 May 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:-

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