

Best Value in Scotland

Twenty years of auditing Best Value and next steps for Best Value reporting in Scottish councils



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
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Accessibility

You can find out more and read this report using assistive technology on our [website](#).

For information on our accessibility principles, please visit: www.audit-scotland.gov.uk/accessibility.

Audit team

The core audit team consisted of: Kathrine Sibbald, Adam Bullough and Christopher Holgate under the direction of Carol Calder.

Chair's introduction

I am delighted to introduce this report that underlines the impact of our Best Value audit work and its continued place in providing independent assurance and scrutiny of local government finance and services.

Since 2004, our Best Value work has reported in public on what is working well and what needs to improve in Scotland's councils. That's why Best Value matters more than ever – it provides independent assurance on the financial sustainability of councils, it helps drive forward continuous improvement across council services and functions, improving the lives of people across Scotland's communities.

So much has changed since 2004. We are reminded daily of the pressures and spending constraints facing councils – increasing demand for services and a real-terms reduction in funding. In this context it is more critical than ever that councils secure and demonstrate Best Value.

Councils take Best Value audit seriously and have made significant progress, in a difficult operating context. Now more work is needed in areas such as strategic and collaborative leadership, public performance reporting, workforce planning, medium- to long-term financial planning, scrutiny and the pace and depth of continuous improvement. These areas will be central to our future approach and reporting.

Councils need to radically rethink how they operate and how they work with partners and their communities. The Accounts Commission welcomes the signing of the Verity House Agreement between the Scottish Government and the Convention of Scottish Local Authorities (COSLA) as an important step forward. Implementing this will be critical to enabling the wide-ranging and urgent action councils need to take.

I look forward to finding out how effectively councils are responding to the current challenges, as a new approach to auditing Best Value begins reporting in Autumn 2023. As well as auditing and yearly reporting on each council, in a new development in our approach to reporting on Best Value we will also look at a significant theme each year that cuts across all 32 councils.

As the Commission continues to evolve its approach to auditing Best Value, it remains the foundation of our accountability framework in Scotland, holding local government to account, providing timely assurance on the financial health of councils and helping drive improvement.



Ronnie Hinds

Interim Chair of the
Accounts Commission

Key messages

- 1** The introduction of Best Value (BV) in 2003 was a substantial change for many councils and they have responded well to their BV duties, implementing and embedding BV and delivering efficiency improvements and savings through a period of considerable change. They have faced major wider policy developments, reducing resources and budget constraints along with the impacts of changing demographics and increasing demands.
- 2** The Accounts Commission's BV approach has had a crucial role in holding local government to account, shining a spotlight on what is working and what needs to improve. Councils use BV audit findings to drive improvement which is monitored through the annual audit process and through specific follow-up work in individual councils. The Commission has recognised, through consultation with stakeholders, areas for improvement with the BV approach, enabling the process to continually mature and develop. The BV process will continue to evolve and remains the foundation of the Commission's work in local government, assessing how individual councils are securing and delivering BV, as well as reporting nationally on specific themes.
- 3** BV has driven significant improvements in local government, including performance management, partnership working and community engagement. However, there are areas where progress has been made, but not fast enough, including strategic and collaborative leadership, public performance reporting,

workforce planning, medium- to long-term financial planning, scrutiny and the pace and depth of continuous improvement. These are areas where we will continue to focus our attention.

- 4** Looking forward, councils need to make some difficult decisions on what their future priorities will be and how they will deliver services. They will need to challenge old ways of doing things and take urgent action to reform. BV is about more than good governance and managing resources effectively. It is also about improvement, change and delivering services that improve the outcomes for local people.
 - 5** Councils will not be able to respond to all the challenges they face by themselves – to succeed a whole system approach to change is needed involving partners and communities.
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About this report

1. The BV in Scotland report provides a synopsis of how the BV audit approach has evolved and its impact in driving improved performance, better governance, better use of public money and use of resources since its introduction in 2003.

2. The report sets out a timeline of how the BV audit process has changed, as well as outlining the context that local government has been operating in over the period 2003 to 2022.

3. The report reflects on the BV audits undertaken between 2003 and the publication of the final BV Assurance Report (BVAR) in September 2022, detailing:

- What are the key themes that emerged?
- What and where has progress been made?
- Where is further progress needed by councils?

4. The work draws on the findings of the BV audit reports, Annual Audit Reports, local government overviews, Annual Assurance and Risk Reports, and external sources, such as academic papers and comments from key stakeholders.

5. The report also sets out how the Commission's new approach to BV is responding to the current operating environment and its ambitions for BV work to support change and improvement.

6. The role of the Commission is to secure the audit of Scottish local government, to consider reports arising from that audit and help ensure that public money is spent properly, efficiently and effectively. The Commission holds councils and other local government bodies to account and helps drive improvement by reporting to the public on their performance. It is responsible for appointing auditors for local government bodies, considering reports received from the Controller of Audit (CoA) and undertaking and promoting performance audits. The function of the CoA is to report to the Commission on the accounts of local authorities, matters arising from the audits of local authorities, and the performance by authorities of their BV and **community planning** duties.



Community Planning

is about how public bodies work together, and with local communities, to design and deliver better services that make a real difference to people's lives.

The Community Empowerment (Scotland) Act

requires every local authority to have a Community Planning Partnership (CPP), which works with community bodies and brings together a wide range of partners to collaborate, to identify priorities and to share resources.

7. The Commission's role is delivered through a number of different products, all of which are reported in public to contribute to providing public assurance on the use of funds by local government. Its BV reports, alongside its national performance audit reports, statutory reports, and briefings are published on its behalf by Audit Scotland and are all available on the [Audit Scotland website](#).

8. The [Code of Audit Practice](#) sets the framework for public audit in Scotland. It outlines the responsibilities of external auditors appointed by the Commission and describes the scope of public audit in Scotland.

9. From October 2023, the CoA will present to the Commission short [s102 reports](#) on the BV thematic work ([paragraph 79](#)), alongside the council's most recent Annual Audit Report. The Commission will consider a report on each council at least once over the five-year audit appointment.

1. Background of auditing Best Value

BV auditing has continued to change and evolve since it was introduced

BV is about ensuring that there is good governance and effective management of resources, with a focus on continuous improvement

10. BV was first introduced by the United Kingdom (UK) Government in 1997. Although BV was a UK-wide development with very similar underlying principles in Scotland and England and Wales, the approaches taken are distinct.

11. BV is about ensuring that there is good governance and effective management of resources, with a focus on continuous improvement, to deliver the best possible outcomes for the public. In Scotland, councils have a statutory duty to demonstrate BV, introduced in the [Local Government \(Scotland\) Act 2003](#).

12. [Statutory Ministerial Guidance](#), published in 2004, sets out the fundamental framework for councils in delivering their duty. The [BV statutory guidance](#) was subsequently updated by the Scottish Government in 2020. This revised guidance is framed around the following BV themes:

- Vision and leadership
- Governance and accountability
- Effective use of resources
- Partnerships and collaborative working
- Working with communities
- Sustainability
- Fairness and equality.

Auditing of BV began in 2003

13. In November 2002, the Commission consulted with councils and stakeholders, which led to the development of the guidance for auditing BV. This was tested through pilot work in two councils (North Lanarkshire Council and Perth and Kinross Council). Audit Scotland began auditing BV

in November 2003, with the CoA presenting the BV reports in public to the Commission.

14. Following consideration of the BV audit reports, the Commission may do any or all of the following in its response:

- state its findings on the report
- direct the CoA to carry out further work (follow-up reports)
- hold a hearing and make findings based on the evidence heard at the hearing.

15. All of the Accounts Commission's reports on BV are available on the [Audit Scotland website](#).

The audit of BV and Community Planning provided for the first time an overall picture of how well councils were performing

16. The audit of BV and Community Planning for the first time provided the Scottish public with an overall picture of how well their councils were performing and provided an independent assessment on how well councils were managed. It established whether councils were meeting their legal duty to deliver BV and challenged councils to demonstrate how they were committed to continuously improving their services.

17. Over the period 2004 to 2008, a BV audit report was published on each of the 32 Scottish councils. Following consideration of the BV audit reports the Commission also requested the CoA to provide 11 follow-up reports in order to complete further investigations.

18. Councils responded positively to the introduction of the BV duty, improving important areas of activity that had, until then, been largely free of detailed scrutiny. The BV audits promoted improved performance and accountability in local government, particularly in those councils where the Commission asked for progress reports. The audits identified good practice and shone a spotlight on those councils where performance was unsatisfactory.

19. In 2007, an independent review of the BV audit process ([Decisive Moment](#)) was requested by the Commission. The overall conclusion of the report was that the BV audit process had been effective in broad terms, reinforcing the value of external scrutiny. The review noted that the focus on councils' corporate activities was highly valued and that the BV audits had a significant impact on local authority corporate performance, on council leaders, and in stimulating action to improve poorly performing councils.

20. The review identified areas for improvement to the BV audit process, for example reducing inconsistencies (audit process, judgements, other

audit reports and the verbal feedback given to councils by audit teams compared to the final report), linking better with other audit work and with inspectorates and strengthening the capacity of the audit teams through using peer reviews.

21. The Commission [published proposals for consultation for the second phase of BV](#), and entered into discussions with local government and interested parties before launching the second phase of BV in 2008.

The second phase of BV was more proportionate, and risk based

22. In 2008, following the independent review of BV and extensive consultation with stakeholders, the Commission adjusted the approach to be more risk based and balanced to reflect the individual context and issues for each council. The following recommendations from the independent review were central to the second stage of BV audit and reporting:

- a more proportionate and flexible approach
- an increased emphasis on self-assessment
- a greater emphasis on outcomes
- an increased emphasis on community leadership
- better use of existing good practice
- reports that are shorter and easier to read.

23. The first audits of the second phase of BV began in 2010, with the Commission choosing five councils as 'pathfinder' audits, to test various aspects of its proposed new approach referred to as BV2. The five councils chosen as pathfinders included a mix of geography, size and urban/rural context. They were:

- Dundee City Council (March 2010)
- East Ayrshire Council (April 2010)
- The Highland Council (May 2010)
- Scottish Borders Council (May 2010)
- Angus Council (May 2010).

24. The Commission contracted global market research and public opinion specialist Ipsos MORI to carry out an independent evaluation of the five pathfinder audits, which was [published in June 2010](#). The evaluation of the pathfinder audits found that the new approach was generally welcomed by councils. However, there was room for some improvement in important areas.

25. The evaluation suggested that the public and councils did not find some of the judgements clear enough. Other areas for improvement included the need to be clearer on the timeframe of the audit, to reduce the time between the audit fieldwork and issuing the draft report to the councils, and to be clearer on the role of peers in the process. The feedback and recommendations from the evaluation were used to revise and improve the BV2 audit process.

26. Following the initial pathfinder audits, 14 BV and Community Planning audit reports were completed. The Commission also asked the CoA to produce a further 15 follow-up reports to investigate issues identified during the course of BV2. The final report produced under BV2 was published in December 2016. Due to the proportionate and risk-based approach for BV2, 19 councils received a BV audit report during BV2. The Commission was provided assurances on the progress against BV through the Annual Audit Reports (AARs) for the 13 councils that did not receive a BV audit during BV2.

27. This second phase of BV provided an opportunity for the Commission to assess progress in councils since their first BV audit.

28. The audits were more searching in assessing the impact of a council's actions and provided clearer judgements on the council's direction of travel and capacity for future improvement.

29. The BV audits demonstrated that councils had started to embed BV, with some councils demonstrating real change and improvement. However, other councils struggled to embed BV and drive change and improvement, due to cultural and capacity reasons.

30. The increased emphasis on self-assessment in BV2 helped to embed self-assessment, particularly the local government Improvement Service's Public Service Improvement Framework (PSIF) in local government.

BV Assurance Reports provided regular assurance whether Scotland's councils were meeting the duty of BV

31. In 2015, the Commission undertook a further review of its approach to auditing BV through consultation with key stakeholders. The Commission concluded that a new approach to auditing BV should:

- have a focus on driving the pace and depth of improvement in local government
- also have a focus on the quality of service experienced by the public and outcomes achieved for communities
- continue to underline the importance of good governance, including effective scrutiny arrangements
- produce more frequent assurance on BV across all 32 councils.

32. The revised approach began in October 2016, with the first BV Assurance Report (BVAR) being published in June 2017. It signalled a new approach to BV auditing, with the work more closely integrated with the annual audit process. It was also designed to provide regular assurance to the Commission from the CoA and from the Commission to the public, on whether Scotland's councils were meeting the duty of BV.

33. Audit conclusions began to be reported each year through the [Annual Audit Reports](#) (AAR), addressed to the CoA and councillors. In addition, the CoA presented a BVAR to the Commission at least once during the five-year audit appointment for each council. This was important because under the previous proportionate and risk-based BV2 audit some councils had not received a BV audit for a considerable period of time.

34. Between October 2016 and September 2022, 32 BVARs were completed, and the Commission requested the CoA to complete five follow-up reports.

35. The audit approach was still proportionate and risk-based and reflective of the context, risks and performance of each council. The BVARs drew on the intelligence from audit and scrutiny work carried out as part of the annual audit in the preceding years.

36. BVARs have provided an overall picture of positive progress against the characteristics of BV, and the scrutiny these reports provided has contributed to this. Councils have continued to make considerable progress since the second phase of BV, but there have continued to be some recurring themes of BV which require further improvement. [Exhibit 4 \(page 21\)](#) provides a summary of the progress against the BV statutory guidance themes.

The Commission is always looking at new ways to promote its work

37. The Commission has taken steps to ensure BV audits are more accessible to stakeholders and the public and have a larger reach to local communities.

38. The Commission has done this by using different formats, including using animations, videos, exhibits, graphics and newsletters to accompany individual reports. They have also produced web-based, service-user-focused outputs, blogs, briefings and news releases. Social media has been critical in getting these messages to a wider audience. [The Commission's Strategy for 2021–26](#) provides more information on how the work has been promoted.

BV sits within a wider partnership approach which help support continuous improvement in local government

39. From 2009 to 2012 BV audits were also undertaken at the eight [Scottish Police authorities and joint boards](#), and the eight [Scottish Fire and Rescue services and joint boards](#), before the current national services were established in 2013. The work involved close working with Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) and Her Majesty's Fire Service Inspectorate in Scotland (HMFSI). The Commission also involved officers from the services as peers in the audit teams to enhance the skills mix of teams for these specialist areas. The reports provided an important baseline of information in advance of establishing the national services and highlighted where there were important issues to be addressed.

40. The Commission is responsible for appointing auditors to [Integration Joint Boards \(IJBs\)](#) and so has an interest in financial management and governance arrangements. As local government bodies, IJBs are also covered by the duty of BV as set out in the Local Government in Scotland Act 2003. The Commission has the power to audit the extent to which local government bodies are discharging their BV duty. Since June 2022, the Commission has produced reports focused on an analysis of the financial position and performance of IJBs, the latest report covering 2021/22 was published in [April 2023](#). In previous years this analysis was included in the Commission's Local Government Financial Overview.

41. The Commission developed a new approach to auditing BV in IJBs. This new approach was piloted in two IJBs in 2021. However, prior to this being rolled out the Scottish Government made a commitment to deliver a National Care Service (NCS). After careful consideration and given the direction of travel regarding the NCS and having engaged intensively with stakeholders, the Commission took the decision not to proceed with the planned rollout of a new approach to auditing BV in IJBs. The Commission instead agreed to undertake a broad-based programme of national and local audit work on IJBs which will have greater impact and make better use of audit resources.

42. The Commission chaired the [Strategic Scrutiny Group \(SSG\)](#) which was established in 2008 and comprised Scotland's main public sector scrutiny bodies working across local government, including education, health, social care, housing, fire and justice. Its focus is on delivering efficient and effective, well-coordinated scrutiny that supports improvement in public services. In 2023, the SSG became a whole public sector scrutiny network (Scottish Public Sector Scrutiny Network) and now has a rotating chair to reflect its remit being extended beyond local government.

43. In May 2021, the Commission and the Improvement Service entered into a [Strategic Alliance](#) focusing on improving local government services. The Commission and the local government Improvement Service have worked closely together on reporting and supporting change and improvement across three of the dominant pressures facing Scotland's councils: the multiple impacts of Covid-19, increasing service demand and financial pressures.

44. The Strategic Alliance intends to help increase collaboration and focus on accelerating the improvement and pace of change across local government services. The [alliance has had clear benefits](#), enriching our work and our reporting.

The local government Improvement Service has a critical role in offering improvement support to councils

45. The local government Improvement Service offered support to councils in advance of their BV audits, which included facilitating sessions with elected members on BV and supporting work on self-assessment. Following a BV audit being published, the local government Improvement Service also offered support to councils to assist them with their BV audit recommendations and improvement plans. This has included providing support in areas such as self-assessment, transformation, strengthening member/officer relationships and workforce planning.

46. The local government Improvement Service has also produced [a guide on scrutiny for elected members](#), to help elected members understand how scrutiny works and provide members with the knowledge and techniques needed to be an effective member of a scrutiny committee.

The local government overview provides a checklist to help elected members in their scrutiny and decision-making roles

47. In recent years the Commission's annual local government overview (LGO) has included a checklist for elected members. The most recent LGO 2023 [checklist](#) is designed to support elected members in scrutinising and understanding how well their council is working, exploring how well the council collaborates with other partners and communities to change the way it delivers services within a very challenging financial context.

The Commission has produced a series of reports to support councillors and stimulate change

48. The Commission's [How councils work](#) series of reports aims to stimulate change and provide practical support to help councils continue improving their performance. The topics include managing performance, scrutiny and roles and working relationships and are based on recurring themes and issues from BV and performance audit work, the work of local auditors and the Commission's annual overview report.

The Commission's Strategic Audit Priorities have reflected the BV statutory guidance requirements within the critical issues in the changing local government context

49. [The Accounts Commission's Strategy and annual action plan 2017–22](#), published in 2017, set out an overall aim of holding councils to account for their pace, depth and continuity of improvement, facilitated by effective governance. Within this, the Commission also sets out five strategic audit priorities (SAPs). These were issues that the Commission considered particularly important to report through annual and BV audit work. The SAPs were reviewed each year by the Commission and adjusted slightly over time. The five SAPs were:

- Having clear priorities and better long-term planning
- Recognising that incremental savings are not enough, and thus evaluating options for more significant changes in how they deliver services
- Ensuring their people – members and officers – have the right knowledge, skills and support to design, develop and deliver effective services in the future
- Involving citizens more in making decisions about local services and empowering local communities to identify and help deliver services they need
- Reporting their performance in a way that enhances accountability to citizens and communities.

50. The Commission is constantly reviewing and evolving its SAPs, which reflect the BV statutory guidance requirements within the critical issues in the changing local government context. Further changes were made to the SAPs in the [Accounts Commission's Strategy and action plan for 2018–23](#) and the [Accounts Commission's Strategy and annual action plan 2019–24](#). During the period the Commission's SAPs remained largely the same, albeit with some minor changes that reflected themes coming through from AARs and BVARs.

51. In March 2020, the Scottish Government published refreshed BV guidance to reflect the significantly changed policy and public service delivery landscape, with councils needing to demonstrate a focus on continuous improvement in performance around seven themes.

52. In 2021, the Commission published its [Strategy 2021–26](#), revising its SAPs for the next five years so that its work can influence recovery from the Covid-19 pandemic, as well as continuing its role of reporting on the performance of local government and helping it to improve.

53. [Exhibit 1 \(page 17\)](#) details how the Commissions strategic priorities have been mapped to the Scottish Governments revised BV statutory guidance themes.

Councils' operating context has changed enormously since the introduction of BV

54. The operating environment that councils operate in has been through considerable change since the introduction of BV auditing. [Exhibit 2 \(page 18\)](#) provides a summary of the key milestones that have happened during the period 2003–22. A more detailed timeline of the period is in [Appendix 2 \(page 47\)](#).

55. In our [Local government in Scotland: Overview 2023](#) we highlighted that councils operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population increases demand for social care services, rurality can make it more difficult to deliver services cost effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

56. In our [Local government in Scotland financial bulletin 2021/22](#) we noted that for many years Scottish Government funding to local government has not kept pace with relative increases in the levels of funding allocated to other parts of the Scottish Budget, and councils have had to make efficiency savings, redesign services, and use reserves to meet budget gaps arising from service demand and budget pressures ([Exhibit 3, page 19](#)).

57. The Commission has been responsive to how the auditing and reporting of BV has evolved. It has focused its priorities and findings to reflect the changing landscape of challenges that local government has experienced since the introduction of BV, for example the Commission revising its SAPs for the next five years so that its work can influence recovery from the Covid-19 pandemic.

Exhibit 1.

The Commissions strategic priorities have been mapped to the revised Scottish Government BV statutory guidance themes



Commission Strategy priorities



Related BV statutory guidance themes

Inequalities

What contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities (includes a focus on health and social care).

- Fairness and equality
- Working with communities
- Partnerships and collaborative working

Funding

The impact of funding on local government's ability to fulfil its role.

- Vision and leadership
- Governance and accountability
- Effective use of resources
- Sustainability

Recovery

What contribution local government makes to Scotland's response to, and recovery from, the pandemic.

- Vision and leadership
- Partnerships and collaborative working
- Working with communities
- Fairness and equality
- Sustainability
- Effective use of resources

Communities

The relationship between local government and its different communities.

- Vision and leadership
- Partnerships and collaborative working
- Working with communities
- Fairness and equality
- Effective use of resources

Exhibit 2.

Councils' operating context has changed enormously since the introduction of BV

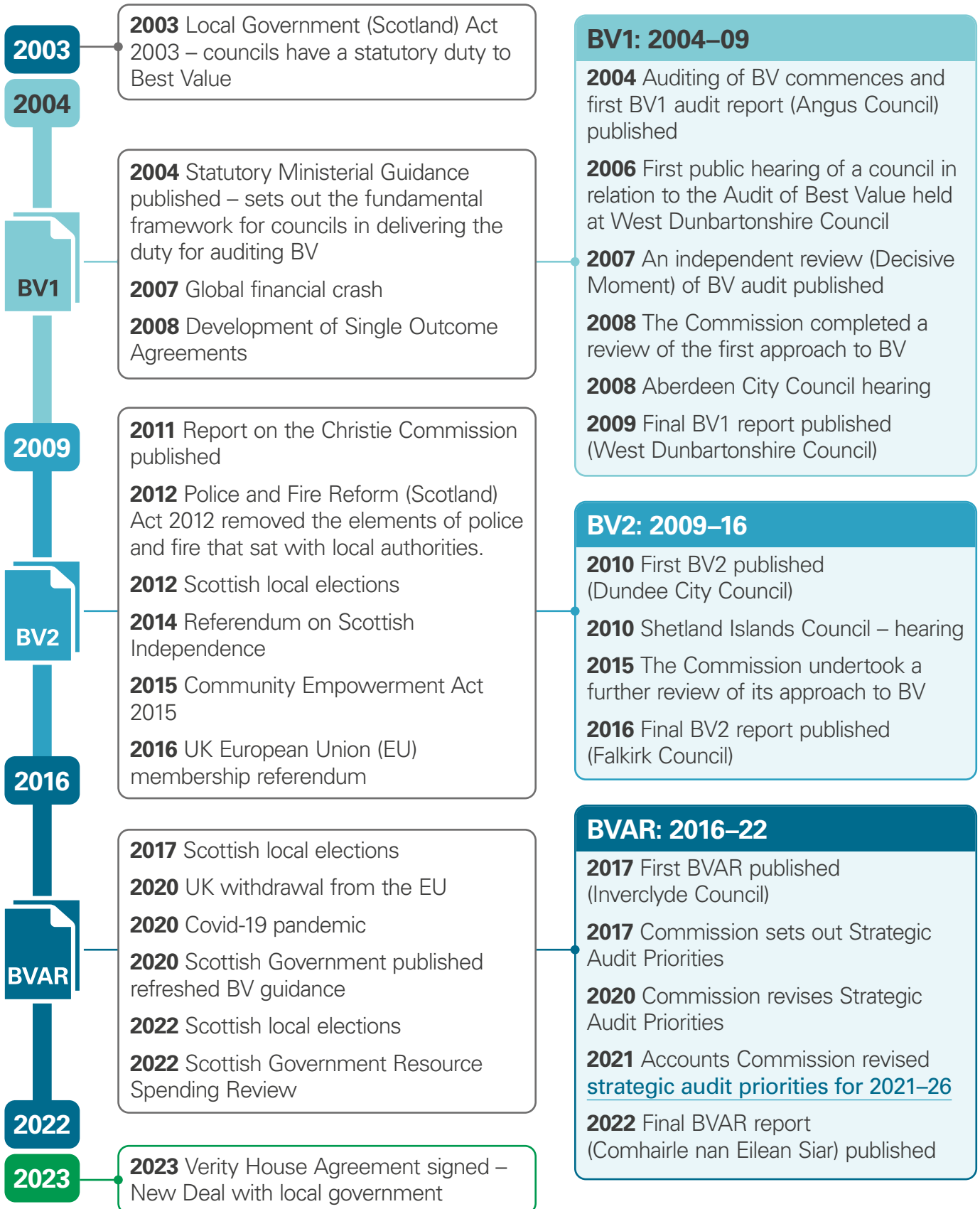
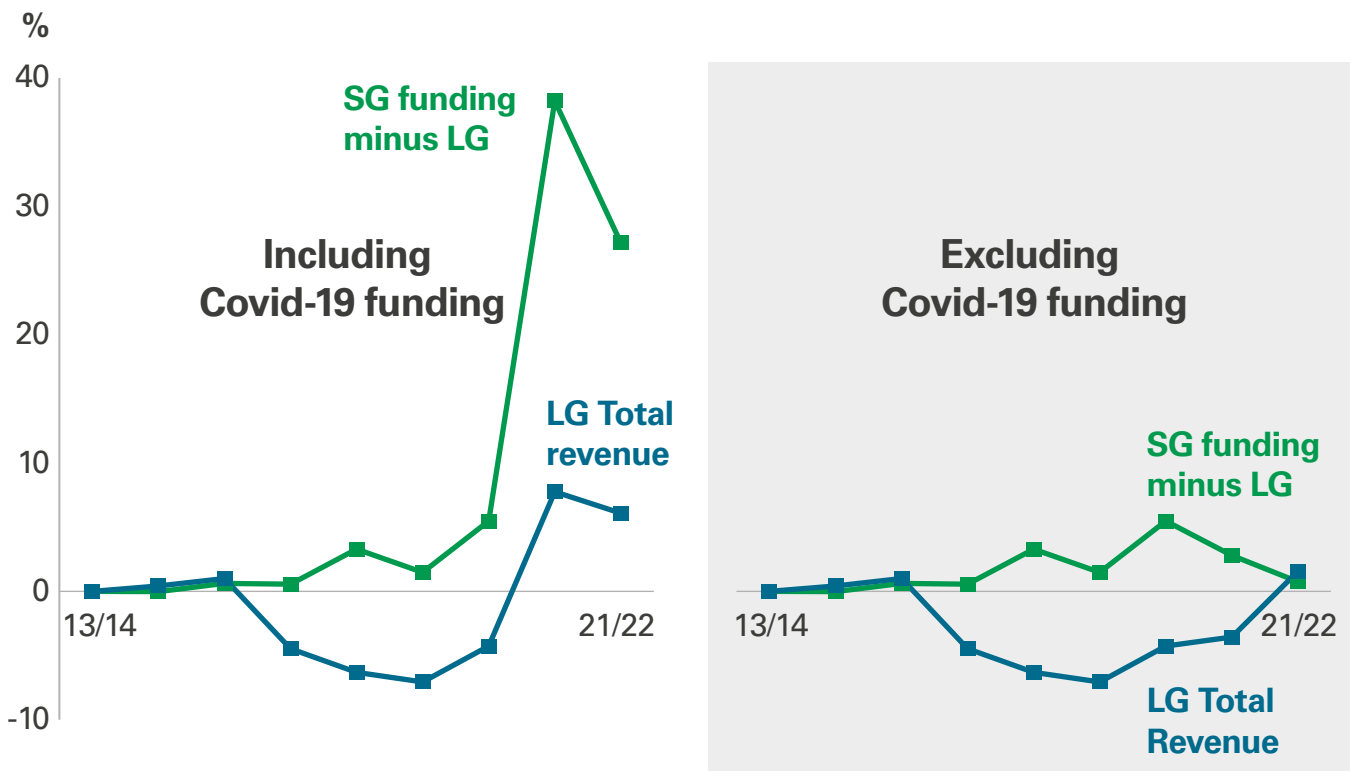


Exhibit 3.

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent when Covid-19 funding is included, and by 1.6 per cent when Covid-19 funding is excluded.



Source: Finance circulars and Scottish Government budget documents

2. What have Best Value audit reports told us?

Best Value auditing has had a positive impact on local government in Scotland, but has also identified recurring areas needing further progress

58. The auditing of BV has helped improve local government. Areas where notable progress has been made include performance management, partnership working and community engagement. Areas commonly identified as needing more progress included public performance reporting, workforce planning, medium- to long-term financial planning, scrutiny and the pace and depth of continuous improvement. [Exhibit 4 \(page 21\)](#) provides a summary of the themes from the analysis of BV audits completed from 2004 to 2022, along with what needs to be done now to deliver BV (see [Appendix 2 \(page 47\)](#) for a full analysis). These findings should be taken in the context of the social, political, economic landscape conditions that councils have been operating in, as set out in [Exhibit 2](#).

All councils have implemented improvement plans and the majority have demonstrated good progress against the Commission's findings

59. The CoA report and the Commission's findings are reported in public. Once the Commission's findings are published, the Commission meets with the council to discuss with elected members and senior officers their response to the audit report and the findings.

60. Each council is required to prepare an improvement plan to address the issues highlighted by the audit. Audit Scotland and the local appointed auditors monitor councils' progress against their improvement plans through the annual audit process. In other cases, where the Commission has questions about a council's response to BV or its ability to deliver improvement, they have asked for a formal follow-up BV audit report.

61. Councils have widely accepted the Commission's findings and the CoA's recommendations from BV audit reports, with councils implementing improvement actions to deal with findings and recommendations.

Exhibit 4.

BV audits have had a positive impact on local government, promoting effective practice and identifying some recurring themes that require further progress



Strategic direction

Leadership has improved at most councils, but further work is required at some to develop strategic collaborative leadership.

BV1 noted positive findings in leadership in only a third of councils. BV2 highlighted improvements in leadership in most councils but noted the need to continue to build and maintain strong relationships between elected members and senior officers.

BVARs detailed most councils were now demonstrating effective leadership, but some needed to develop the strategic collaborative leadership required to drive forward transformational change. New risks regarding leadership capacity and the notable turnover of senior staff were also emerging.

Councils need to make difficult decisions on what their priorities will be in the future and on how they deliver services. **Effective leadership** by councillors and senior officers will be crucial to setting clear priorities and robust planning to deliver them.

Leadership is the focus of the Commission's annual BV thematic work for 2022–23 ([paragraph 81](#)).

Vision and priorities are now much more clearly defined and communicated, but difficult decisions are required by councils on what their priorities will be in the future.

BV1 highlighted less than half of councils had set and communicated clear vision and priorities. BV2 detailed most councils had set clear priorities, but needed to create a vision that focuses on outcomes. BVARs – noted most councils demonstrated strong vision and priorities, clear corporate plans and strategies. But in an increasingly challenging context, councils need to make difficult decisions on what their priorities will be in the future and on how they deliver services.

Councils need to make difficult decisions on what their priorities will be in the future and on how they deliver services, to deliver the best possible outcomes for local people.

Governance and accountability are recurring themes for improvement in some councils.

Governance arrangements need to ensure that elected members have sufficient information to support effective scrutiny and decision-making to deliver BV. BV1 noted room for improvement in scrutiny in almost all councils. BV2 detailed that transparency of decision making had improved but scrutiny arrangements still need to be strengthened. BVARs still highlighted concerns with governance in more than a third of councils, with some councils demonstrating inconsistent levels of scrutiny.

Councils governance arrangements need to ensure that elected members have sufficient information to support effective scrutiny and decision-making to deliver BV.



Use of resources

Performance management

has improved, but as the challenges councils face are now more significant, the expectations on performance management have increased.

BV1 highlighted that performance management and public performance reporting (PPR) were areas where all councils had room for improvement. BV2 noted the need for councils to further develop performance management information to allow councillors to scrutinise services and make effective decisions. BVARs showed that PPR had generally improved, but improvements were still needed on performance monitoring and reporting on outcomes.

Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

Councils need to improve performance monitoring and reporting on outcomes.

Councils will need to seek innovative ways to deliver services to maintain or improve service performance.

Financial planning and management

have improved, but councils need to set out medium- to long-term financial plans that detail how they will make savings and reduce reliance on reserves, the agreement of the Scottish Government's new fiscal framework should support councils to do this.

BV1 highlighted financial management is generally sound, but councils need to improve longer-term financial planning. BV2 noted councils have coped well with financial challenges, but still face substantial risks and will need to improve medium to long term financial planning, to better anticipate and respond to resource pressures in the longer term. BVARs detailed councils' medium term financial planning has improved but there is a requirement for councils to develop medium to long-term financial plans that detail how they will make recurring savings and reduce reliance on reserves and how council resources are targeted to achieve their long term policy and performance priorities.

The **Scottish Government and COSLA** signing of the Verity House Agreement commits to:

- agreeing a new Fiscal Framework governing how local authorities' funding is allocated, reducing ring-fencing and giving them greater control over their budgets to meet local needs
- regularly review councils' powers and funding, with the expectation that services will be delivered at a local level unless agreed otherwise.

Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps
- how council resources are targeted to achieve their long-term policy and performance priorities.



Use of resources

Improving **workforce planning** to support effective development and deployment of staff remains an area for improvement. Councils need to improve workforce planning to effectively develop and deploy their existing workforce.

BV1 detailed councils have been slow to develop strategic approaches to workforce management and planning. BV2 highlighted that most councils have reduced their workforces to save money, but still need a stronger focus on workforce planning to ensure the right people are in place to meet future service needs and the challenges of public sector reform. BVARs highlighted that workforce planning is still a key area for development, with just under half having effective workforce plans in place.

Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning
- updating workforce plans to reflect new models of service delivery and ways of working.

Workforce innovation is the focus of the Commission's annual BV thematic work for 2023–24 ([paragraph 82](#)).

Asset management has improved. Good strategic medium- to long-term asset management planning will be essential for how council assets will be used to deliver improved outcomes for local communities.

BV1 highlighted only around a third of councils had a corporate asset management framework in place, and more could be done to use assets more effectively. BV2 noted that councils have improved how they manage their resources, but still need to develop effective capital planning and management. BVARs detailed that the majority of councils had sufficient corporate asset management strategies in place. Good strategic medium to long term asset management planning will be essential for how council assets will be used to deliver improved outcomes for local communities.

The delivery of councils' capital programmes form a necessary component of modernising services to deliver improved outcomes for local communities.

Good strategic medium- to long-term asset management planning is essential for how council assets will be used to deliver improved outcomes for local communities.

Information is a recurring area where councils need to make improvements. Councils need to develop clear plans for strengthening the use of data.

BV1 highlighted councils need to improve the collection of performance information to demonstrate what is being achieved. BV2 detailed that some councils need to provide better quality information about service performance and costs to allow elected members to carry out effective scrutiny of performance. BVARs noted all councils need to develop clearer plans for strengthening their use of data to understand needs, make decisions and direct resources.

Councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data and learning from those with lived experience.



Partnership working

Community Planning and wider partnership working have improved, but as these have been developed expectations have increased. Councils and their partners need to maximise the potential of collaboration to provide financially sustainable services, while tackling inequalities.

BV1 highlighted the need for councils and their partners to focus more on coordinating and joining up delivery, as well as planning and monitoring services. BV2 noted the increasing expectations on community planning, and that councils must provide strong leadership of this process. Community Planning Partnerships (CPP) are making progress at different rates, and local communities are not central in CPP decision making. BVARs detailed community planning, economic development and social care partnerships are areas where councils have made progress. CPPs generally work well together, however there is a lack of ambition and coordination to deliver services differently to address prevention and early intervention. The performance of CPPs varies across the country, and there are concerns about councils having Local Outcomes Improvement Plans (LOIPs) or LOIPs being up to date.

Councils need to maximise the potential of collaboration by demonstrating they are working with other councils, the wider public sector and the third sector to redesign and provide services.

Councils must now rethink how they work together, and with local partners and communities, to provide financially sustainable services whilst tackling national issues such as climate change, child poverty and inequalities. Few councils provide services jointly or share support services across different councils.

Councils have made progress with consulting with their **communities** but need to be more transparent about the scale of issues and changes required.

BV1 noted a mixed level of engagement in community planning among elected members and senior management. BV2 highlighted that some councils show good practice in consulting communities on priorities and redesigning services although it is an area for improvement in most councils. BVARs detailed that councils have made progress in consulting communities to inform decision making in setting strategic priorities but will need to continue to engage with communities to understand what they think their local needs are. There are some good examples of public consultation to inform transformation, but councils need to better involve communities in service redesign to meet budget pressures. They need to be clear and transparent with the public about the scale of issues and changes required and involve service users and communities in the redesign of services.

Councils continue to be at the forefront of supporting people and mitigating the impact of inequalities across communities, they should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.

Councils need to involve service users and local communities in the redesign of services and support communities to improve local outcomes.



Continuous improvement

Transformation and reform have seen mixed progress. Councils have been good at making savings and driving improvements, but these have focused on services efficiencies rather than radical change. Transformation will be key for councils to deliver more sustainable services models in the current challenging financial context.

BV1 highlighted that service reviews lacked the fundamental challenge and creative thinking about how services could be shaped more effectively around the needs of the people who use them. BV2 noted that councils need to build on the improvements they have made in recent years to meet the very significant challenges they face. Engaging with citizens and strong leadership and governance are crucial. BVARs reported a mixed picture on the pace and depth of continuous improvement. Councils have been good at making savings and driving improvements, but transformation has tended to focus on service efficiencies rather than a radical redesign of services. The shift of services online has exacerbated digital exclusion for those who use traditional channels or rely on community facilities such as libraries to access digital public services.

Councils need to challenge old ways of doing things and take urgent action to reform. BV is about more than good governance and managing resources effectively. It is also about a focus on improvement, on change, on delivering services that improve the lives of local people ([Exhibit 7, page 30](#)).

Note. Local Outcomes Improvement Plan (LOIP) which sets out the local outcomes which the Community Planning Partnership (CPP) will prioritise for improvement.

Source: Audit Scotland, summary of the analysis of BV audit reports 2004–22, [Appendix 1 \(page 35\)](#)

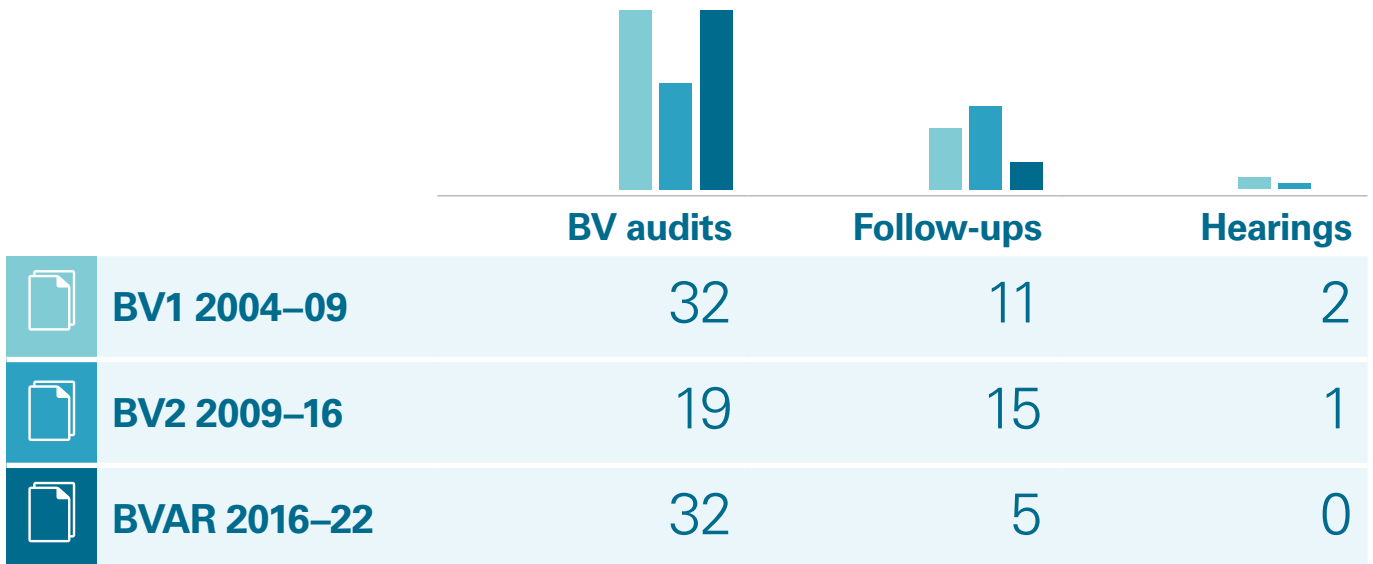
62. BV improvement actions are monitored by auditors as part of the annual audit reporting process, with most councils demonstrating good progress with BV improvement plans. However, some councils have been slow to demonstrate progress against some improvement actions. Recent audit reports have also highlighted that the Covid-19 pandemic has impacted on some councils' ability to progress improvement actions.

Since 2004 the Commission has asked the CoA to complete 31 formal follow-up reports

63. Due to significant findings from BV audit reports the Commission has asked the CoA to complete 31 formal follow-up reports. [Exhibit 5 \(page 26\)](#) provides the number of BV audit reports, the number of follow-up reports and the hearings held over the three phases of BV auditing between 2004 and 2022.

Exhibit 5.

BV audit reports, follow-up reports and hearings requested between 2004 and 2022



Source: Audit Scotland

64. During the first two phases of BV auditing several councils received recurring follow-up reports:

- BV1 – Inverclyde Council (3 reports), Moray Council (2 reports), West Dunbartonshire Council (2 reports)
- BV2 – Argyll and Bute Council (3 reports), Comhairle nan Eilean Siar (3 reports), Moray Council (2 reports), Shetland Islands Council (3 reports) South Ayrshire Council (4 reports).

65. During the third phase of auditing BV (BVARs) there were five formal follow-up reports requested by the Commission (East Dunbartonshire Council, Falkirk Council, Clackmannanshire Council, Moray Council and Shetland Islands Council). This reflected the Commission’s proportionate and risk-based approach to BV auditing during this period.

66. There were a number of recurring themes that featured in the councils that received follow-up reports, these included:

- The need to develop more robust medium- and long-term financial planning and to secure financial positions
- To increase the pace of improvement and make more radical change
- To better strengthen elected member scrutiny
- To improve workforce planning arrangements.

Public hearings have provided the opportunity for the Commission to deal with issues of concern in public

67. Public hearings are rare events and provide the opportunity for the Commission to deal with issues of concern in public, and to ask searching questions of the councils, Audit Scotland and other interested parties. Since 2004 the Commission has held hearings on three occasions:

- **West Dunbartonshire Council (2006)** – the BV audit brought to light weaknesses in leadership and a lack of transparency in decision-making processes. The audit found that the prevailing culture in the council did not support continuous improvement. The council disputed some elements of the CoA report and the hearing, held in November 2006, allowed the Commission to hear evidence from the council, Audit Scotland and other interested parties in a public setting. The Commission required two formal progress reports from the CoA, which were published in January 2008 and July 2009. Following the hearing the council made significant changes to its Leadership team, including appointing a new Chief Executive. The Commission commended the council with the significant progress it had made in its findings in the BVAR in 2018.
- **Aberdeen City Council (2008)** – the BV audit found that there were significant weaknesses in major services and the council's financial position was precarious. The leadership team had found it difficult to engage staff with the council's improvement agenda. The Commission held a public hearing in May 2008 and requested a progress report, which was published in July 2009. Following the hearing there were changes in managerial and political leadership. In the 2009 progress report the Commission commended the progress made by the council since the publication of a largely critical BV report in 2008. It noted there was still much to do, but the council had a very promising base for further improvement.
- **Shetland Islands Council (2010)** – the BV audit highlighted concerns with the qualification of the council's accounts for the fourth consecutive year, working relationships among members and between members and officers, governance and accountability arrangements and strategic leadership. The Commission held a public hearing in June 2010 and requested a follow-up report, which was published in January 2012. Following the hearing, between 2010 and 2013, good progress was made in addressing the areas for improvement highlighted by the Commission, however since that time progress has somewhat stalled. In August 2022, following the most recent BVAR, the Commission highlighted serious concerns about the council's ability to show that it will be financially sustainable in the medium to longer term and requested a progress report to be submitted within 18 months.

There is recognition of the value of the BV reports and also the audit process

68. As part of collating this report, some key stakeholders were consulted for their thoughts and feedback about the BV audit process and reports. This included representatives from the Scottish Government, COSLA, Solace and the local government Improvement Service. Stakeholders stated that BV audit reports are easy to read and understand and they are help to identify problems, challenges and risks within councils and provide assurances of progress against the themes of BV.

69. BV audits have worked well and have provided a prompt for councils to consider how well they are performing across several areas (strategic, operational, in partnership, financially and in terms of continuous improvement).

70. BV reports have highlighted where councils were not sufficiently developed in terms of continuous improvement and areas such as self-assessment. Where this was highlighted, the councils then approached the Improvement Service for support to address such concerns and put in place a self-assessment programme to promote continuous improvement. Examples include Highland Council and Aberdeenshire Council.

71. BV reports are taken seriously by local government, and they can provide officials and elected members with positive reinforcement of effective practice and/or an important warning where there is a need to improve.

72. Stakeholders did note that the time between each BV report was often too long to support and recognise incremental improvement and to reflect the shifting contextual and political nature of local government. The future changes to auditing BV ([paragraphs 77–82](#)) will help to address this.

3. Best Value in councils now and what next for auditing Best Value

Why BV matters, now more than ever

73. Councils now face the most difficult context seen for many years with the ongoing impacts of Covid-19, inflation and the cost-of-living crisis. In our LGO 2023, we highlighted that councils have already been making efficiency savings and reforming services ([Exhibit 6](#)), but the scale and pace of change required is now radically different. Councils will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions ([Exhibit 7, page 30](#)). Councils will also need to engage with communities to understand what they think their local needs are.

Exhibit 6.

Pressures are deepening after the Covid-19 pandemic rather than easing



Financial

Budget constraints and increasing cost pressures are putting councils' finances under severe strain.



Local needs

Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.



National policies

Councils are managing an increasing programme of national reform including plans for a national care service which comes with substantial funding implications and increased uncertainty.



Workforce

Increasing workforce challenges such as difficulty recruiting and high sickness absence levels are putting councils under continued pressure.



Leadership

While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk.

Exhibit 7.

Councils need to challenge old ways of doing things and take urgent action to reform

	The pandemic demonstrated what can be achieved when councils:	To deliver radical change, councils need to build on the innovative ways of working seen during the pandemic and take further action to:
 <p>Flexible finances and resources</p>	<ul style="list-style-type: none"> are given local flexibility incorporate digital technology in service redesign reconfigure or repurpose their estate 	<ul style="list-style-type: none"> finalise New Deal for local government set out medium- to long-term financial plans
 <p>Driven leadership</p>	<ul style="list-style-type: none"> show strong collaborative leadership with clear priorities use data to understand needs, make decisions and direct resources are agile and work at pace to provide the response needed 	<ul style="list-style-type: none"> think radically, set a clear vision and make difficult decisions improve relations with the Scottish Government be open with communities and staff about challenges and changes ahead
 <p>Greater collaboration</p>	<ul style="list-style-type: none"> work with partners, third sector and communities to reshape services and respond to need work towards common goals adopt place-based approaches 	<ul style="list-style-type: none"> work with other councils and partners to provide joint services better involve communities in service redesign
 <p>Resilient workforce</p>	<ul style="list-style-type: none"> adopt new ways of working, including flexibility redeploying staff focus on physical and mental wellbeing promote shared values and a caring culture 	<ul style="list-style-type: none"> make best use of their existing workforce continue to monitor wellbeing update workforce plans to reflect future models of service delivery
 <p>A focus on community needs and inequalities</p>	<ul style="list-style-type: none"> focus on areas of greatest priority and demand identify and support the most vulnerable take a 'whole systems' approach. 	<ul style="list-style-type: none"> strengthen the use of data and involve those with lived experience.

The New Deal for local government: the signing of the [Verity House Agreement](#) in June 2023 is an important step forward and a statement of intent between the Scottish Government and COSLA and includes commitments to increase financial flexibility and improve partnership working. Implementing this will be critical to enabling the wider urgent action that councils need to take.

Source: Accounts Commission, [Local government in Scotland Overview 2023](#)

74. With councils facing these pressures it is essential that they are demonstrating the principles and characteristics of BV if they are to rise to the challenges they currently face:

- **Leadership, vision and strategic planning, use of resources, financial planning and management** – BV reports have highlighted the serious financial situation councils are facing, and about the need for councils to plan ahead.
- **Governance and accountability** – BV audit has a crucial role in holding local government to account on behalf of the people who use and rely on their services.
- **Outcomes and partnership working** – BV reports have highlighted the need to engage the public and their partners in the third sector to reshape services to cut costs while focusing on improving outcomes.
- **Inequalities** – Councils continue to be at the forefront of supporting people and mitigating the impact of inequalities across communities. BV auditing focuses on what councils are doing to support those most at risk of the greatest inequalities.

Radical change is needed across Scotland's councils

75. The BV audit work carried out during 2022 demonstrated the progress councils had made against the BV statutory guidance themes, but highlighted there was still improvements to be made and that councils must radically change how they operate, particularly how they collaborate with partners, if they are to improve and maintain services to their communities.

76. A summary of the findings against the BV statutory guidance themes, drawn from 2021/22 annual audits and BV audit work carried out during 2022 are detailed below:

Strategic direction

- While councils have had to deal with the ongoing response to the pandemic, they have faced significant challenges in recovering services, with increased demand and backlogs. The ongoing costs associated with recovery from Covid-19 have increased financial pressures and there are ongoing pressures on the local government workforce. Councils, together with their partners and communities, should revise their strategic plans to rethink their priorities and provide a way to deliver recovery and renewal, while elected members and senior managers need to work together to drive change, make decisions and deliver recovery and renewal.
- Councils played a vital role in maintaining service delivery throughout the pandemic. However, the impact of the pandemic and service disruption has been felt most strongly by those already

experiencing inequality. Councils have a responsibility to address inequalities and their financial plans and recovery strategies must be clearly aligned to this.

Use of resources

- Councils are operating in a difficult and uncertain context, they face longer-term financial pressures, a lack of certainty and flexibility over long-term funding, and the prospect of major service reforms. Working together, in collaboration, is more important than ever. Councils will need to continue making year-on-year savings and increasingly difficult choices about spending priorities. Councils cannot continue to rely on money held in reserves, ie money put aside for emergencies or projects. They must focus on changing how services are delivered.
- Councils need to innovate by developing the skills and building on the agility, flexibility and joint working demonstrated during the pandemic to make best use of their existing workforce. Wellbeing initiatives must continue and councils should monitor the impact of new ways of working such as hybrid working on both performance levels and staff wellbeing.
- Councils need improved data and evaluation to better understand the impact of the pandemic and service disruption in their communities, particularly the most vulnerable.

Partnership working

- The economic and financial context means councils are going to have to make difficult decisions about how and where they spend their money. The response to the pandemic showed what could be achieved by working closely with communities and the voluntary sector. Councils and their partners need to learn what made it work and harness this for future ways of working and reform. This momentum needs to be maintained by councils through strong engagement with their communities, creating more opportunities for more local participation, and involving communities in decision-making. Councils must also conduct impact assessments and consult the community about the continuation of changes made during the pandemic and any proposed future changes to services.

Continuous improvement

- Councils need to think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic. Councils must better involve service users and communities, including those with lived experience, as they redesign services.

BV work is now fully integrated into annual financial audit work to increase its impact and efficiency and reduce the scrutiny burden on councils

77. The aim of the Commission's BV audit work is to increase the accountability and transparency of councils to their communities, as well as supporting councils to deliver change that improves people's lives. Audit has a crucial role in holding local government to account on behalf of the people who use and rely on their services.

78. The Commission's reporting on BV has changed. BV audit work is now fully integrated into annual financial audit work to increase its impact and efficiency and reduce the scrutiny burden on councils. BV work is reported in Annual Audit Reports including annual risk-based, follow-up and thematic BV work, providing judgements on the pace and depth of continuous improvements and service performance. This work provides the Commission with the opportunity to offer a national overview of key aspects of BV, as well as supporting accountability and improvement within individual councils to generate greater impact from the BV audit work.

79. The BV thematic work is reviewed and revised on an annual basis and recognises the risks and challenges councils face.

80. The programme of CoA reports will cover all 32 councils, starting in October 2023 and concluding by the end of the audit appointments, in August 2027. The CoA will report to the Commission on each council's performance on their duty of BV at least once over the five-year audit appointment.

81. Effective leadership by councillors and senior officers will be crucial to setting clear priorities and robust planning to deliver them. Given the importance of this issue it is the focus of thematic audit work across all councils in year one of the new audit appointments. **BV thematic work for 2022–23:**

Leadership of the development of new local strategic priorities by councils following the local government elections in May 2022.

This work will include an assessment of and conclusion on:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?

- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

82. Workforce innovation is the focus of the Commission's annual **BV thematic work for 2023–24:**

How are councils responding to the current challenging context for local government through innovating and improving how they use their workforce?

Each year the thematic work will inform a national thematic report.









Appendix 1

BV audits have had a positive impact on local government, but have also identified some recurring themes of BV that require further progress










Strategic direction








Leadership

 ... 	<p>BV1: 2004–09 What did the first stage of BV reporting tell us?</p> <p>The Commission made specific, positive findings on leadership in around a third of councils. In another third of councils, however, the Commission specifically identified the need for clearer political and/or managerial leadership.</p>
 ... 	<p>BV2: 2009–16 What did the second stage of BV reporting tell us?</p> <p>The Commission noted that councils need to build and maintain strong working relationships between elected members and senior officers, which will be essential to deal with the challenges facing local government.</p>
 ... 	<p>BVAR: 2016–22 What did the third stage of BV reporting tell us?</p> <p>Most councils are demonstrating effective and adaptive leadership, with good communications between elected members and senior officers, and responding to changing circumstances.</p> <p>A different kind of leadership was required during the pandemic. Councils provided strong, clear and focused leadership. They were agile and worked at pace to provide the response needed. Priorities and common purpose were clear. Local government provided collective leadership working with communities, the third sector and partners.</p> <p>However, there are risks regarding the capacity of senior officer leadership and recent BVARs have noted not all councils are demonstrating the strategic collaborative leadership needed to drive transformational change and meet budget pressures.</p> <p>Changes and turnover in senior officer and political leadership present a risk to councils' capacity to drive and maintain change.</p> <p>Political instability has impacted transformation progress at some councils.</p>
 ... 	<p>2023– What needs to be done now to deliver BV?</p> <p>Councils need to make difficult decisions on what their priorities will be in the future and on how they deliver services. Effective leadership by councillors and senior officers will be crucial to setting clear priorities and robust planning to deliver them.</p> <p>Leadership is the focus of the Commission's annual BV thematic work for 2022–23 (paragraph 81).</p>

Vision and priorities

 	<p>BV1: 2004–09</p> <p>What did the first stage of BV reporting tell us?</p>	<p>In just over half of all councils, setting and communicating clearer priorities were identified as key improvement actions.</p>
 	<p>BV2: 2009–16</p> <p>What did the second stage of BV reporting tell us?</p>	<p>BV reports highlighted that councils need to develop a more strategic approach to longer-term planning and a greater openness to alternative forms of service delivery.</p> <p>Councils need to demonstrate to elected members and service users how planned capital investment will help achieve their long-term strategic priorities.</p> <p>Most councils still need to create and implement a vision that focuses on outcomes.</p>
 	<p>BVAR: 2016–22</p> <p>What did the third stage of BV reporting tell us?</p>	<p>Most councils have a strong vision, clear corporate plans and strategies, although the Commission has concerns in a third of BVARs that the performance framework needs to be clearer on how councils will achieve their vision and monitor impact.</p> <p>Reducing inequalities is a key strategic priority for councils, but further progress is required</p> <p>Councils understand the challenges facing their communities, but resources need to be better linked to their vision and priorities.</p> <p>Councils are having to deal with a number of significant financial challenges and will need to make some difficult decisions with their spending priorities</p>
	<p>2023–</p> <p>What needs to be done now to deliver BV?</p>	<p>Councils need to make difficult decisions on what their priorities will be in the future and on how they deliver services, to deliver the best possible outcomes for local people.</p>

Governance and accountability

 	<p>BV1: 2004–09</p> <p>What did the first stage of BV reporting tell us?</p>	<p>BV reports noted room for improvement in scrutiny in almost all councils and the BV improvement agendas for 21 councils specifically identified the need to improve scrutiny as a priority.</p>
 	<p>BV2: 2009–16</p> <p>What did the second stage of BV reporting tell us?</p>	<p>BV reports highlighted that scrutiny arrangements still need to be strengthened.</p> <p>BV reports noted that not all councils were conducting their business openly, and could improve the transparency of decision-making.</p>
 	<p>BVAR: 2016–22</p> <p>What did the third stage of BV reporting tell us?</p>	<p>The Commission had concerns with governance in more than a third of councils, particularly the ability to make difficult decisions and scrutinise performance.</p> <p>There have been inconsistent levels of scrutiny in some councils, with elected members in some councils needing to take a more active role in scrutiny and challenge.</p> <p>There has been a mixed picture of the uptake and the effectiveness of elected member training and development across councils. Councils have since developed structured induction programmes with some councils providing personal development plans and bespoke training.</p>
	<p>2023–</p> <p>What needs to be done now to deliver BV?</p>	<p>Councils governance arrangements need to ensure that elected members have sufficient information to support effective scrutiny and decision-making to deliver BV.</p>



Use of resources

Performance management



BV1: 2004–09

What did the first stage of BV reporting tell us?

Performance management was an area where all councils had room for improvement. Councils generally, need to improve Public Performance Reporting (PPR) to ensure that it is clear and balanced and presents an honest reflection of strengths and weaknesses.

BV audits noted council service performance are improving.

Councils need to develop methods for measuring performance, such as improving the links between policy-making and financial planning, better performance information and enhanced service scrutiny by elected members.



BV2: 2009–16

What did the second stage of BV reporting tell us?

BV reports noted that councils need to put in place good cost and comparative performance information, which is essential for councillors to scrutinise services and make effective decisions.

BV reports noted that councils could better utilise benchmarking information and self evaluation to drive improvements and draw comparisons with other councils and providers.

Councils need to do more to improve the financial information presented in public performance reports.



BVAR: 2016–22

What did the third stage of BV reporting tell us?

Public performance reporting has generally improved, and councils are now better at reporting and using Local Government Benchmarking Framework (LGBF) data. But the challenges councils face are now more significant and expectations on performance management have increased.

Some councils need to improve reporting on strategic priorities, better evaluate progress against outcomes and get better at public performance reporting.

There is limited evidence in some councils of using performance data to drive improvements.

Service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services operating at capacity.

A lack of publicly available data means we do not know the extent of service demand and in particular unmet need, but it is recognised that the impact and long-standing demographic pressures exacerbated by the pandemic will be felt for a long time.

Cont.

Performance management



2023–

What needs to be done now to deliver BV?

Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

Councils need to improve performance monitoring and reporting on outcomes.

Councils will need to seek innovative ways to deliver services to maintain or improve service performance.

Financial management and planning



BV1: 2004–09

What did the first stage of BV reporting tell us?

Financial management is generally sound, but councils need to improve longer-term financial planning.



BV2: 2009–16

What did the second stage of BV reporting tell us?

BV audits noted that councils have coped well with financial challenges, but still face substantial risks and will need to improve medium- to long-term financial planning, to better anticipate resource pressures in the longer term and to ensure borrowing is affordable and sustainable.

The Commission noted that councils have carried out substantial work to address the serious challenges of delivering quality services with less money.



BVAR: 2016–22

What did the third stage of BV reporting tell us?

Councils are under increasing financial pressure. The Commission had significant concerns with half of BVARs regarding financial planning and the projected funding gap.

Medium-term financial planning has improved but there is a requirement for councils to develop longer-term financial plans detailing how they will make recurring savings and reduce reliance on reserves.

Councils face continued financial constraints, recent BVARs detail concerns about how councils are planning to manage projected budget gaps.



2023–

What needs to be done now to deliver BV?

The **Scottish Government and COSLA** signing of the Verity House Agreement commits to:

- agreeing a new Fiscal Framework governing how local authorities' funding is allocated, reducing ring-fencing and giving them greater control over their budgets to meet local needs
- regularly review councils' powers and funding, with the expectation that services will be delivered at a local level unless agreed otherwise

Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps.
- how council resources are targeted to achieve their long term policy and performance priorities.

Staff



BV1: 2004–09

What did the first stage of BV reporting tell us?

Councils have been slow to develop strategic approaches to workforce management and planning.

Councils are not sufficiently aware of the people and skills they have available and do not have clear plans to make sure that the right people are in the right jobs, with the right skills, at the right time.

Councils could do more to get the best out of staff.



BV2: 2009–16

What did the second stage of BV reporting tell us?

The Commission noted that most councils have reduced their workforces to save money and many are planning further staff reductions. In doing so, they need to ensure they have people with the knowledge, skills and time to design, develop and deliver effective services in the future.

BV reports noted that a stronger focus on workforce planning is needed to ensure the right people are in place to meet future service needs and the challenges of public sector reform.



BVAR: 2016–22

What did the third stage of BV reporting tell us?

Just under half of the BVARs reported that councils have effective workforce planning arrangements in place, but the majority only focus on the short to medium term.

Some have plans that are linked to wider strategic plans as well as individual service plans, while other councils' workforce plans are more limited.

Workforce planning is noted as a key area for development needed for many councils, particularly how it relates to other high level corporate strategic plans such as digital, transformation, LOIPs and financial plans.



2023–

What needs to be done now to deliver BV?

Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning,
- updating workforce plans to reflect new models of service delivery and ways of working.

Workforce innovation is the focus of the Commission's annual BV thematic work for 2023–24 ([paragraph 82](#)).

Asset management



BV1: 2004–09

What did the first stage of BV reporting tell us?








More could be done to use assets more effectively. At the time of audit, only around a third of councils had a corporate asset management framework in place. The remaining councils lacked a strategic approach and tended to view assets as a departmental rather than a corporate resource.

Cont.

Asset management

 	<p>BV2: 2009–16</p> <p>What did the second stage of BV reporting tell us?</p>	<p>Councils are improving how they manage their resources, but they still need to develop effective capital planning and management, which will be essential, if councils are to understand progress with capital projects, and their impact on services and council priorities.</p> <p>BV audits noted that councils need to make further progress on asset management and procurement.</p>
 	<p>BVAR: 2016–22</p> <p>What did the third stage of BV reporting tell us?</p>	<p>The majority of BVARs detailed that councils had sufficient corporate asset management strategies in place. A small number of councils were noted to need to improve their asset management strategies to bring them up to date.</p> <p>Covid-19, inflationary costs and shortages in construction materials had an impact on capital projects, these increased costs may affect councils' ability to deliver on capital transformation programmes, which are a necessary component of modernising services to deliver improved outcomes for local communities.</p>
	<p>2023–</p> <p>What needs to be done now to deliver BV?</p>	<p>The delivery of councils' capital programmes form a necessary component of modernising services to deliver improved outcomes for local communities.</p> <p>Good strategic medium to long term asset management planning is essential for how council assets will be used to deliver improved outcomes for local communities.</p>

Information

 	<p>BV1: 2004–09</p> <p>What did the first stage of BV reporting tell us?</p>	<p>Councils need to improve the collection of performance information in order to demonstrate what is being achieved.</p>
 	<p>BV2: 2009–16</p> <p>What did the second stage of BV reporting tell us?</p>	<p>BV audits noted that some councils need to provide better quality information about service performance and costs to allow elected members to carry out effective scrutiny of performance.</p>
 	<p>BVAR: 2016–22</p> <p>What did the third stage of BV reporting tell us?</p>	<p>Data was important and was used effectively in guiding councils' response to the pandemic. However, councils need to develop clearer plans for strengthening their use of data to understand needs, make decisions and direct resources.</p>
	<p>2023–</p> <p>What needs to be done now to deliver BV?</p>	<p>Councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data and learning from those with lived experience.</p>



Partnership working

Community Planning and wider partnership working



BV1: 2004–09

What did the first stage of BV reporting tell us?

BV audits noted there is a need for councils and their partners to focus more on coordinating and joining up delivery, as well as planning and monitoring services.

Councils and their partners need to be clear about what actions by which partners resulted in specified outcomes if they are to target resources effectively and efficiently and maintain accountability for the use of resources.

BV audits noted that many partnerships have also been successful in delivering regeneration projects for communities.



BV2: 2009–16

What did the second stage of BV reporting tell us?

There are increasing expectations on community planning, and councils must provide strong leadership of this process.

Councils, with their partners, should plan and manage the overall workforce and other resources in their area.

Community Planning Partnerships (CPP) are making progress at different rates although it is too early to assess the effectiveness.

CPPs are using data to help shape their priorities.

CPPs are finding it difficult to shift resources on a large scale towards their priorities.

Local communities are not central in CPP decision making.

Cont.

Community Planning and wider partnership working



BVAR: 2016–22

What did the third stage of BV reporting tell us?

Community Planning, economic development and social care partnerships are areas where councils have recently made progress.

CPPs generally work well together, however there is a lack of ambition and coordination to deliver services differently to do prevention and early intervention.

BVARs during Covid-19 highlighted strong partnership working.

CPPs are more focused on poverty and inequalities as they transition from Single Outcome Agreements to Local Outcomes Improvement Plans (LOIPs).

Communities are not sufficiently involved in local service decisions leading to poorer solutions or lack of trust.

Community planning fails to optimise use of local resources and opportunities.

Some CPPs need to focus on delivery milestones in their LOIPs, set baselines and targets for Key Performance Indicators and improve performance reporting.

The performance of CPPs is very different across the country, BVARs have highlighted concerns about councils having LOIPs or LOIPs being up to date.

Economic Partnerships such as city/region deals are working well and have led to increased joint working and regional collaboration among some councils. But generally there is limited evidence of councils working together to provide shared/joint services.

Some BVs have noted difficulties of auditing BV effectively due to some of the partner organisations showing little sign of understanding or evaluating BV in their own sector, eg NHS in the integration of health and social care.



2023–

What needs to be done now to deliver BV?

Councils need to maximise the potential of collaboration by demonstrating they are working with other councils, the wider public sector and the third sector to redesign and provide services.

Councils must now rethink how they work together, and with local partners and communities, to provide financially sustainable services whilst tackling national issues such as climate change, child poverty and inequalities. Few councils provide services jointly or share support services across different councils.

Communities



BV1: 2004–09

What did the first stage of BV reporting tell us?

The BV audits showed a mixed level of engagement in community planning among elected members and senior management. Many Community Planning Partnerships were overly bureaucratic and did not focus enough on outcomes for local people. The performance management and monitoring processes of partnerships are not well developed and there is a clear need to improve the way they report performance to the public.

BV audits have noted that in some councils work to improve customer care, listening to and working with local people has led to improvements with services. Councils have struggled to balance local area needs with the corporate expectations of the council as a whole.



BV2: 2009–16

What did the second stage of BV reporting tell us?

The BV audits noted that Community Planning Partnerships must make better use of available resources, develop preventative practice to improve local outcomes, and demonstrate that councils and their partners are making progress in achieving outcomes.

Some councils show good practice in consulting communities on priorities although it is an area for improvement in some councils.

Some councils are consulting service users when redesigning services.

Some locality forums to understand different communities within larger authorities, but lack of clarity of how this works with strategic workings within the CPP.

The audits do not assess how councils empower communities to improve outcomes.



BVAR: 2016–22

What did the third stage of BV reporting tell us?

Councils have made progress in consulting communities to inform decision making in setting strategic priorities.

Some councils need to do more to deliver against the Community Empowerment Act, to empower communities and involve communities in meaningful ways in transformational change and service redesign.

Locality planning has been done well in some CPPs but in others there has been slippage in developing Locality Plans.

During the Covid-19 pandemic the Commission highlighted concerns that the restrictions would have on inequalities and well as the potential pressure this would cause on local government finances.

Councils have moved quickly to support communities and to help alleviate the impact of the cost of living crisis on those most affected by it.




2023–

What needs to be done now to deliver BV?

Councils continue to be at the forefront of supporting people and mitigating the impact of inequalities across communities, they should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.

Councils need to involve service users and local communities in the redesign of services and support communities to improve local outcomes.



Continuous improvement

Transformation and reform



BV1: 2004–09

What did the first stage of BV reporting tell us?

BV audits found that service reviews lacked the fundamental challenge and creative thinking about how services could be shaped more effectively around the needs of the people who use them.

There was strong evidence that reviews had resulted in some service improvements but in only a few cases had they resulted in fundamental change.

Councils need to develop far more robust methods and tools for driving improvements.



BV2: 2009–16

What did the second stage of BV reporting tell us?

BV reports noted that rigorous option appraisals are needed to ensure that services are effective and demonstrate BV. Existing arrangements, including the use of Arms Length External Organisations (ALEOs), should be reviewed to ensure they are meeting their financial and service aims.

The Commission noted councils have reduced staff to make efficiency savings but councils need to ensure they have the capacity and skills to respond to budget challenges, support change programmes and improve services.

Councillors need to fully assess options for new and different ways of delivering services within their reducing budgets. BV audits noted that a significant number of councils were now giving serious consideration to developing shared services.

BV audits highlighted that councils need to build on the improvements they have made in recent years to meet the very significant challenges they face. Engaging with citizens and strong leadership and governance are crucial.

Cont.

Transformation and reform



BVAR: 2016–22

What did the third stage of BV reporting tell us?

BVARs reported a mixed picture on the pace and depth of continuous improvement and transformation programmes have been disrupted by Covid-19.

The scale of the budget gap going forward means councils must raise their ambitions around transformation.

Councils have been good at making savings and driving improvements, but transformation has tended to focus on service efficiencies rather than a radical redesign of services.

There are some good examples of public consultation to inform transformation, but councils need to better involve communities in service redesign to meet budget pressures.

During the Covid-19 pandemic councils were given local flexibility to do things differently – and delivered some innovative, fast paced and agile service delivery. Some of these are still being demonstrated, but as these local flexibilities have been removed some services have reverted to pre-pandemic ways of working.

During the Covid-19 pandemic councils moved more services online and quickly developed new solutions to meet new needs. The shift of services online has exacerbated digital exclusion for those who use traditional channels or rely on community facilities such as libraries to access digital public services.

Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.

Councils are struggling to align plans such as: workforce, asset plans, property, digital and budget with transformation.

There is evidence of councils looking externally and sharing best practice.



2023–

What needs to be done now to deliver BV?

Councils need to challenge old ways of doing things and take urgent action to reform. BV is about more than good governance and managing resources effectively. It is also about a focus on improvement, on change, on delivering services that improve the lives of local people.

Appendix 2

	Operating context	Best Value
2003	<ul style="list-style-type: none"> Local Government (Scotland) Act 2003 – councils have a statutory duty to Best Value 	
BV1 2004–09		
2004	<ul style="list-style-type: none"> Statutory Ministerial Guidance published – sets out the fundamental framework for councils in delivering the duty for auditing BV 	<ul style="list-style-type: none"> Auditing of BV commences and first BV1 audit report (Angus Council) published
2005	<ul style="list-style-type: none"> UK Government – A Labour Government is re-elected on 7 June 	
2006		<ul style="list-style-type: none"> First public hearing of a council in relation to the Audit of Best Value held at West Dunbartonshire Council
2007	<ul style="list-style-type: none"> Scottish Government – The Scottish Parliamentary Election on 3 May results in a SNP minority administration under Alex Salmond, who becomes First Minister Crerar report on the independent review of regulation, audit inspection and complaints handling of public services in Scotland published. Global financial crash 	<ul style="list-style-type: none"> An independent academic review (Decisive Moment) of BV audit published <u>Overview of the local authority audits 2006</u> is published
2008	<ul style="list-style-type: none"> Development of Single Outcome Agreements 	<ul style="list-style-type: none"> The Commission completed a review of the first approach to BV Aberdeen City Council – hearing <u>Overview of the local authority audits 2007</u> is published
2009		

Cont.

Operating context	Best Value
BV2 2009–16	
2010 <ul style="list-style-type: none"> Public Services Reform (Scotland) Act – gives the Commission responsibilities to report aspects about how it is improving its functions. UK Government – A Conservative Government is elected on 6 May. Equality Act 2010 	<ul style="list-style-type: none"> Final BV1 report published (West Dunbartonshire Council) First BV2 published (Dundee City Council – Pathfinder) Shetland Islands Council – hearing An overview of local government in Scotland 2009 is published
2011 <ul style="list-style-type: none"> Report on the Christie Commission published Scottish Government – The Scottish Parliamentary Election on 5 May results in a SNP administration under First Minister Alex Salmond. 	<ul style="list-style-type: none"> An overview of local government in Scotland 2010 is published
2012 <ul style="list-style-type: none"> Police and Fire Reform (Scotland) Act 2012 removed the elements of police and fire that sat with local authorities. Scottish local elections held UK Parliament passes the Scotland Act. 	<ul style="list-style-type: none"> Best Value audits of police and fire and rescue services. The Commission completes Best Value audits of all Scottish police authorities (in conjunction with Her Majesty’s Inspectorate of Constabulary) and all Scottish fire authorities before they both become national services. An overview of local government in Scotland – Challenges and change in 2012 is published
2013	<ul style="list-style-type: none"> Audits of BV and community planning – The Commission considers and publishes, in conjunction with the Auditor General, findings on three early reports on community planning in Aberdeen, North Ayrshire and Scottish Borders. Responding to challenges and change – An overview of local government in Scotland 2013 is published
2014 <ul style="list-style-type: none"> Referendum on Scottish Independence Public Bodies (joint working) (Scotland) Act 2014 	<ul style="list-style-type: none"> An overview of local government in Scotland 2014 is published

Cont.

Operating context		Best Value
2015	<ul style="list-style-type: none"> • Community empowerment act 2015 – aimed at empowering community bodies • Smith Commission Report on the potential impact of the Smith Commission on audit work. • UK Government – A coalition UK Government is elected on 7 May. 	<ul style="list-style-type: none"> • The Commission undertook a further review of its approach to BV • An overview of local government in Scotland 2015 is published
2016	<ul style="list-style-type: none"> • UK European Union (EU) membership referendum 	<ul style="list-style-type: none"> • Final BV2 report published (Falkirk Council) • An overview of local government in Scotland 2016 is published • Local government in Scotland: Financial overview 2015/16 is published
BVAR 2016–22		
2017	<ul style="list-style-type: none"> • Scottish local elections held 	<ul style="list-style-type: none"> • First BVAR published (Inverclyde Council) • Commission sets out its five Strategic Audit Priorities • Local government in Scotland: Performance and challenges 2017 is published • Local government in Scotland: Financial overview 2016/17 is published
2018		<ul style="list-style-type: none"> • Local government in Scotland: Challenges and performance 2018 is published • Local government in Scotland: Financial overview 2017/18 is published
2019		<ul style="list-style-type: none"> • Local government in Scotland: Challenges and performance 2019 is published • Local government in Scotland: Financial overview 2018/19 is published
2020	<ul style="list-style-type: none"> • UK withdrawal from the EU • Covid-19 pandemic • Scottish Government published refreshed BV guidance 	<ul style="list-style-type: none"> • The Commission revises its Strategic Audit Priorities • Local government in Scotland Overview 2020 is published

Cont.

	Operating context	Best Value
2021	<ul style="list-style-type: none"> • Cost of living crisis • Russian invasion of Ukraine 	<ul style="list-style-type: none"> • Accounts Commission revised its strategic audit priorities for the next five years • Local government in Scotland: Financial overview 2019/20 is published • Local government in Scotland Overview 2021 is published
2022	<ul style="list-style-type: none"> • Scottish local elections held • Scottish Government Resource Spending Review • Pay disputes leading to industrial action • National Care Service bill 	<ul style="list-style-type: none"> • Final BVAR report (Comhairle nan Eilean Siar) published • Local government in Scotland: Financial overview 2020/21 is published
2023–		
2023	<ul style="list-style-type: none"> • Signing of the Verity House Agreement – New Deal with local government 	<ul style="list-style-type: none"> • Local government in Scotland: Financial bulletin 2021/22 is published • Local government in Scotland: Overview 2023 is published

Best Value in Scotland

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