

The Audit of Best Value and
Community Planning

Falkirk Council

Best Value follow-up audit 2017



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
February 2018

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Commission findings



- 1** The Commission accepts the Controller of Audit's report on follow-up work in relation to the audit of Best Value in Falkirk Council. We endorse the Controller of Audit's support for the recommendations made by the appointed auditor in the 2016/17 annual audit report of the council.
- 2** The council has responded encouragingly to our December 2016 findings. An ambitious five-year improvement programme, supported by good commitment from members and officers, is an important development. Effective leadership and implementation of this programme will however be crucial as it is taken forward if it is to enable the council to do things differently.
- 3** The financial challenges faced by the council are substantial and pose a significant risk to the council. Improvements in financial planning and performance reporting are therefore welcome. The significant change required to meet these challenges will however need to be supported by robust project and workforce management. More clarity is also needed around the budget savings to be yielded from the improvement programme.
- 4** Many of the improvement actions are in the early stages of implementation and their effectiveness has yet to be established. We will therefore maintain an interest in how the council is moving from planning to delivery and so increasing its pace of change. Such progress will be reported through the annual audit. The Controller of Audit will update the Commission accordingly.

Controller of Audit report



Background

1. This report updates the Accounts Commission on Falkirk Council's progress following a previous Best Value follow-up audit report in December 2016. I have prepared this report in response to the Commission's request for an update by the end of 2017. This is my third Best Value report on the council in four years.

2. In 2016, the Commission said the following:

- In our findings in August 2015, we stated that the council needs to make a step-change in its pace of improvement. It is disappointing that we have not yet seen this.
- While there has been much activity in the council in responding to our previous findings, we remain concerned that the scale of improvement required necessitates the council making more radical change. It urgently needs to agree its key priorities. These need to be supported by a more robust approach to financial planning for the medium and longer term and a more coordinated and streamlined approach to its improvement activity, showing how substantial change will be achieved. While a corporate workforce strategy is now in place, the council needs to show how this will drive and deliver change across services.
- Increased collaboration among elected members in the budget process and in business transformation activity is encouraging. Scrutiny by elected members has also improved, but this could be more transparent. This needs to be supported by better reporting of performance by officers. The council also needs to demonstrate its change and improvement more effectively.
- Strong and effective leadership by elected members and the corporate management team is critical for the council to address its challenges in coming years.

3. Follow-up audit work on Best Value at the council has been integrated with the annual audit, and the conclusions are reported in the [2016/17 Annual Audit Report](#) (AAR). The appointed auditor presented the AAR to the council's Audit Committee on 28 September 2017. The conclusions in the AAR provide the basis for this report, which focuses on the main areas highlighted by the Commission. I have cross-referenced the relevant pages of the AAR. My report also draws on further audit work in October to December 2017 to reflect a number of key developments in Falkirk Council. These relate to: the new corporate plan; Council of the Future; and budget planning.

4. Following the local government elections in May 2017, the administration of the council changed from a Labour/Conservative/Independent coalition to a minority Scottish National Party administration. The election and change in administration has impacted on the timing of the council progressing actions over the year since the last Best Value report.

5. My report is structured in five parts:

- the council's response to the December 2016 Best Value follow-up report
- setting priorities and leadership of change
- the council's financial planning
- the council's transformation programme and improvement activity
- elected member scrutiny.

The council has adopted a more strategic approach to improvement and transformation following the Accounts Commission's December 2016 findings

6. The council initially considered the December 2016 Best Value follow-up report at the council meeting in February 2017. At this meeting, the council acknowledged the findings and agreed the council's response. The council initially considered its response to the messages in the 2015/16 AAR in December 2016. At that time it agreed that it needed to take a more holistic approach and it agreed to adopt Council of the Future (CoTF) as its improvement framework to deliver change over the medium term. The council did not prepare a separate Best Value improvement plan as members agreed it would be integrated into CoTF as the council's overall improvement programme. The council is monitoring progress through the governance arrangements for CoTF.

The council has agreed its priorities, with widespread recognition that it needs to change significantly, but it is too early to assess the council's leadership of change

7. In September 2017, the council agreed a new five-year corporate plan for 2017–22 and eight priorities. It did this in the context of the overall financial situation. The corporate plan sets out what the council is going to look like in five years' time and what it will aim to deliver over those five years. The new corporate plan is based on the assumption that the council will have up to a quarter less resources in five years' time ([AAR, page 26](#)) . The corporate plan sets out the council's priorities as:

People

- Raising aspiration and ambition.
- Reducing the impact of poverty on children and their families.

Place

- Grow our economy.

- Improving the neighbourhoods we live in.
- Promoting vibrant town centres.

Partnership

- Working with communities to deliver better services.
- Empowering and enabling people to be self-reliant.
- Promoting stronger, more self-reliant communities.

8. It sets out a longer-term vision centred on modernisation and closer involvement and engagement with communities, linked to the community planning outcome objectives. The corporate plan is the council's response to delivering the commitments in the Community Planning Partnership's Strategic Outcomes and Local Delivery Plan (SOLD) for 2016–20. This sets out four priorities:

- Improving mental health and wellbeing.
- Maximising job creation and employability.
- Minimising the impact of substance misuse.
- Addressing the impact of poverty on children.

9. The corporate plan is supported by three service delivery plans. These set out the actions and intended impact against all relevant corporate priorities and SOLD outcomes. The service delivery plans do not always clearly define the intended impact and they do not set specific targets to achieve the impact. The council needs to ensure it has strong performance management arrangements to drive and monitor services in achieving the desired outcomes.

10. CoTF sets out 18 projects under four categories, with a range of completion dates up to March 2022:

- One council.
- Enabled and Empowered Communities.
- Modern and Digital.
- Data.

11. The council has recognised the need for change and successfully completed a comprehensive engagement phase of CoTF during 2017. This communicated the vision clearly. This is an important initial stage in ensuring that staff and other stakeholders understand the vision for the council and are committed to it. There is evidence of a change of approach in the council and widespread recognition that the council needs to change. The council is now implementing its corporate plan and CoTF, and it will need strong leadership to make the necessary step-change in its pace of improvement. It is still too early to reach a judgement on how successfully elected members and senior officers are leading this change to deliver improvements.

The council has improved its approach to financial planning

12. The council considered an updated medium-term financial paper in June 2017. This forecast budget gaps of £77.5 million over the five years from 2018/19 to 2022/23 ([AAR, page 21](#)) . The paper included scenario planning for a range of assumptions. This is a positive development. The appointed auditor concluded that the analysis supporting the council's medium-term financial plan makes it clear that the council has to identify its priorities and transform the way the council operates and delivers its services ([AAR, page 23, conclusions](#)) . The council subsequently agreed its priorities in September 2017.

13. The council has set up a clear framework for a two-year financial plan and is working towards proposals for the following three years. The council Executive considered proposals for a two-year revenue budget for 2018/19 and 2019/20 on 17 October 2017. A subsequent paper setting out options for savings in years three to five of the medium-term financial plan is scheduled to be considered by the full council later in the financial year.

14. The budget paper sets out officers' options for savings of £22.4 million in 2018/19 and £11.8 million of the £16.4 million savings estimated for 2019/20. The majority of the savings options proposed for 2018/19 (eight out of the 15 most significant savings options) are from reducing or stopping services. The proposals estimate the council's workforce will reduce by 198 full-time equivalent staff in 2018/19 and a further 48 the following year. This is consistent with the corporate plan and CoTF which set out the need for a smaller council in future. However, these workforce reductions need to be well planned to manage the impact on services. The council consulted local people on the options in October to December 2017.

15. The council included impact assessment in its savings options, and noted any implications against each proposal using a traffic light assessment. This includes the impact on the council's priorities. As its assessment recognises, some savings options would negatively impact on the council's priorities. For example, it shows that the proposed removal of subsidised bus services will impact on all three of the councils' priorities of people, place and partnership. The proposal to close community education centres would have an adverse effect on the council's priority to empower and enable people to be self-reliant. The council's paper recognises that many of the savings options will be very unpalatable to elected members. It states that 'members should prepare themselves for the very difficult decisions that they necessarily will have to take to secure the statutory requirement of a balanced budget'. The council will need to continue to monitor the impact of savings on achieving its priorities.

16. The cross-party budget group was formed again after the elections in May 2017, with members from each of the three main political groupings. Elected members feel this group is useful and contributing to cross-party understanding of the budget challenges and officers' savings proposals. Officers have attended meetings to discuss the proposals relating to their service areas.

17. Elected members chose to use £3.3 million that had been earmarked for reserves in 2017/18 to fund non-recurring service expenditure ([AAR, page 21](#)) . While uncommitted reserves remain within the agreed target range, reducing them or using earmarked reserves to fund services is a risk to the council as financial challenges increase, and is not sustainable. The appointed

auditor made a recommendation in the AAR about risks to the council of using reserves and the management response stated that members are continually reminded of the risks ([AAR, recommendation 7, page 42](#)) .

The council is implementing a new five-year transformation programme but it is too early to see the impact on the council

18. The council is now moving into the implementation phase of CoTF. Papers to date have identified qualitative benefits, such as more efficient ways of working and improved customer experience, but do not identify anticipated savings. The council's budget paper in October 2017 states that the proposals have been developed within the context of CoTF and that it is an integral part of the council's medium-term financial plan. The budget paper states that CoTF savings identified so far are around £13.1 million in 2018/19 and around £4.7 million in 2019/20. However, savings from most of the CoTF projects are not separately identified in the budget paper and it is difficult to identify these projects in the savings options. Management need to further develop the detail of the CoTF projects and the savings that they are expected to deliver over the five-year period.

19. The council is developing appropriate governance arrangements for CoTF. It has established a CoTF Board to replace the Business Transformation Board. This has been meeting since January 2017. The Leader of the Council and the Leader of the Opposition are both members. In September 2017, membership was extended to include six elected members, two from each of the three main groupings. The board will oversee the delivery of the projects within the CoTF programme.

20. The council recently developed a risk register for the programme and recognises that it will need to develop this further, with more detail around the risks and mitigation actions. In addition to reporting to the CoTF Board, officers present updates to the Executive every three months. The Audit Committee also has an update as a standing item. Elected members were positive about their engagement with council officers on the programme and projects, and managers of the CoTF projects will appear at the CoTF Board to report on progress.

21. The council set up a programme management office (PMO) to support the development and delivery of its transformation programme. It has been supported by the Improvement Service (IS), and a member of staff from the IS has been seconded to the council since late 2016. The council recently agreed to fund a permanent post to manage the PMO, and it is funding three fixed-term project management coordinators. This is a positive development given the scale of the transformation and improvement that the council needs to make. However, change on this scale needs to be driven and embedded by senior officers and elected members. This is a challenging improvement programme, and there are risks that the council will not have the capacity and capability to deliver the significant change required. The appointed auditor will continue to monitor the council's progress.

22. The appointed auditor has made a number of recommendations to support the council in developing and implementing the project management needed to drive and deliver this programme, and to highlight the risks to the council of failing to deliver ([AAR, page 45](#)). The council accepted the recommendations and set out its response. The appointed auditor will follow up on progress through the annual audit.

23. The council is developing a workforce strategy, digital/technology strategy and locality planning strategy to support it delivering its corporate plan and SOLD priorities, and CoTF ([AAR, page 26](#)) .

The council's scrutiny arrangements are continuing to operate effectively

24. Councillors are continuing to participate in the council's scrutiny arrangements, and minutes of key strategic and scrutiny committees show evidence of challenge from elected members, with members demonstrating an appetite for scrutiny and asking pertinent questions. Examples of engaged challenge include:

- members questioning areas below target and contract costs
- members requesting additional information, for example on complaints
- members noting the importance of complaints as an indicator of performance.

25. Elected members were positive about the induction for new members after the election. In October 2017, the council provided specific training on scrutiny skills for members of the scrutiny committees and the convenor of the Performance Panel. This was well attended, with nine of the 13 members who were invited attending.

26. The council uses action logs across committees to help track progress against agreed actions. However these are used inconsistently and they include a variable level of detail. The Executive action logs provide a better indication of targets and ongoing progress against key milestones. The council still needs to better follow-up on the impact of actions to ensure they have the desired effect.

27. There were fewer scrutiny committee and performance panel meetings up until September 2017, due to the local government elections and recess. The meetings that took place over that period generally lacked a focus on more strategic issues including the council's priorities and transformation agenda. Instead they focused on discrete service-related issues and projects. Following the council agreeing the new corporate plan and service plans, it launched a new service reporting framework. This aims to integrate reporting against the SOLD, corporate plan and service plans. A new template for reports to the Performance Panel includes performance against the service's key priorities and outcomes, and against CoTF projects. The template is intended to show a clearer link between performance and improvement.

28. The first service report using the new template was considered by the Performance Panel in October 2017. Councillors welcomed the new format and requested that the template is further developed to include benchmarking information. It is still too early to make a judgement on the quality of the service reports and whether they support effective scrutiny. If the council implements this change effectively, it should lead to a more strategic and consistent approach to scrutiny.

29. The Performance Panel is continuing to meet in private, although it does publish detailed minutes.

Conclusions and recommendations

30. The council has demonstrated that it responded positively to the Accounts Commission's December 2016 findings. It has made satisfactory progress against the Accounts Commission's findings, given the relatively short time period since December 2016 and the impact of the local government elections in May 2017. More specifically:

- It is taking forward a more ambitious and coordinated improvement programme, and there is widespread recognition that it needs to change. There has been a successful period of engagement with staff, elected members and other stakeholders about the programme, which has supported a widespread understanding of where the council needs to get to.
- It has developed its new corporate plan and supporting service plans, clearly linked to its transformation agenda.
- It has improved its approach to financial planning, using scenario planning to plan for the medium term. However, it still faces significant risks given the scale of the savings it needs to deliver.
- It has assessed the potential impact of its savings proposals on its priorities, to support joined-up planning and informed decision-making.
- It has increased opportunities for cross-party working on key priorities through the CoTF Board and continuing with the cross-party budget group.

31. The council is still in the early stages of implementing its transformation programme, and it is too early to assess the leadership of the implementation phase and the impact of CoTF on the council and local people.

32. Where the impact of the improvement actions is still to be demonstrated by the council, I have asked the auditor to report a further update in the 2017/18 AAR.

33. Appendix F of the 2016/17 AAR contains a number of recommendations for the council, some of which directly address areas of interest to the Commission ([AAR, pages 41-46](#) ) and which I support, as Controller of Audit. The auditor will report the council's progress on these actions in the 2017/18 AAR.

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ISBN 978 1 911494 47 8

This publication is printed on 100% recycled, uncoated paper