

<b>Agenda Item</b>	
<b>Report No</b>	

## HIGHLAND COUNCIL

**Committee:** The Highland Council

**Date:** 12 March 2020

**Report Title:** **The Highland Council, Best Value Assurance Report (BVAR) 2020**

**Report By:** The Chief Executive

### **1. Purpose/Executive Summary**

- 1.1 A Best Value Assurance Report (BVAR) of the Council was conducted by the Council's external auditors Audit Scotland and Grant Thornton during summer - autumn 2019 and the final report was submitted to the Controller of Audit, Accounts Commission by the external audit team and considered by the Accounts Commission Board on 9 January 2020 with the final report issued and public on 23 January 2020.
- 1.2 The BVAR reflects on the past 10 years of the Council, the period since the last Best Value review in 2009/10. The report concludes that the council's pace of change has been inconsistent and slower in areas including improving performance and taking steps to ensure longer term financial sustainability over the period since the last review; there is also recognition that the pace of change has significantly increased under the stewardship of the new Chief Executive. The report highlights the financial challenges which the Council has faced and continues to face along with the need for improved long-term financial planning the building up the Council's reserves.
- 1.3 The report also reflects on the management restructure of the Council and the need for a period of stability to deliver the Council's change and improvement agenda.

### **2. Recommendations**

- 2.1 Members are asked to:
  - I. Consider the key findings of the report;
  - II. Approve the BVAR Improvement Plan provided as Appendix 2 of this report;

- III. Note, as outlined in section 8 of the report the improvement actions that are already in place and being implemented to address the historic issues identified in the BVAR;
- IV. Note the relevance of the Accounts Commission report, How councils work: Safeguarding public money: are you getting in right in supporting Members' scrutiny role in the context of Best Value (Appendix 3);
- V. Approve the Terms of Reference (TOR) for the Community Planning Partnership (CPP) at paragraph 8.7 of this report as agreed by the CPP Board to strengthen the governance, accountability and performance of the Board in order to improve outcome.

### **3. Implications**

#### **3.1 Resource implications**

It should be noted that the BVAR Improvement Plan is dependent on the approval of the Council's budget because this will underpin the Council's medium-term financial strategy. It should be noted there are additional resource implications for any Council requiring follow up audit work which is resources intensive. This has not been indicated in this BVAR report.

#### **3.2 Community, climate change/carbon clever implications**

There are no community, climate change/carbon clever implications arising from this report. However, the BVAR does reflect on the importance of Community Planning and Community Engagement in supporting the work of the Council and delivering Best Value and Statutory obligations.

#### **3.3 Legal and Risk implications**

Delivering Best Value is a statutory duty and an external audit of Best Value is an Important process for the Council and carries with it a reputational risk in relation to its outcome. There are also potential legal consequences for any Council requiring intervention and special measures following a poor outcome. This is not the case in relation to the Council's BVAR

#### **3.4 Gaelic Implications**

There are no implications arising from this report.

### **4. Background**

4.1 The audit of Best Value is a continuous process that forms part of the annual audit of every council and findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report of the Highland Council and is provided as Appendix 1 of this report.

4.2 During 2019 the Accounts Commission produced a report in its 'How councils work' series on 'Safeguarding public money: are you getting it right?' This report was considered by the Audit & Scrutiny Committee on 28 November 2019 and focuses on analysis of the current operating environment of local government and provides scrutiny checklists to support councillors and officers consider how well public money is being safeguarded. A summary of the Accounts Commission report and the scrutiny checklists are provided to support Members scrutiny of the BVAR as Appendix 3 of this report.

4.3 The Accounts Commission has indicated that following this current round of BVARs there will be a greater focus on Best Value in addition to the accounts through the annual external audit of the Council. There will be, as outlined paragraph 4.1 above, a BVAR of each Council during each five-year appointment of the Councils' external auditors.

## **5. Audit Approach and Focus**

5.1 There are three key elements to the new BVAR approach:

- The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. As outlined at 4.1 the audit of Best Value is now a continuous process, and this is the first overall assurance report (BVAR) of Highland Council assessing the Council against the duty of Best Value.
- The BVAR provides the Accounts Commission with assurance on a Council's statutory duty to deliver Best Value. Evidence to demonstrate Best Value by showing continuous improvement in how a Council delivers services is a central component. An assessment of the pace and depth of improvement are key to demonstrating a Council's capacity to meet their priorities in the future.
- Audit Scotland take an approach which is proportionate, and risk based, so it reflects the context, risks and performance of a Council. It also draws on the intelligence from audit and scrutiny work carried out in previous years.

5.2 The detailed audit work for the Council's BVAR was undertaken in May – September 2019. Audit work included:

- interviews with elected members and senior officers
- holding focus groups with members of staff
- observing a range of council and committee meetings, including area committees
- reviewing documents and analysing data, including Local Government Benchmarking Framework (LGBF) data
- interviewing a sample of the Council's partners, including those involved in the Community Planning Partnership (CPP).

5.3 Key areas of focus for the BVAR:

- The Council's vision and priorities and how these are embedded across the organisation. This included assessing how well the leadership of the council works together to deliver the priorities identified in strategic documents. This forms Part 1 of the BVAR.
- Managing performance, self-evaluation and measuring outcomes. This included an overall assessment of outcomes and performance and the council's reporting on these, including to the public. This forms Part 2 of the BVAR.
- Planning the use of resources. This involved assessing how effectively the Council plans its use of resources, including asset management, financial planning, procurement and workforce planning. This forms Part 3 of the BVAR.
- Delivering services with partners. This involved assessing how the Council delivers services with partners, including through consideration of the lead agency model for health and social care and the City Region Deal developed in collaboration with partners to drive economic and cultural improvements. External Audit also considered how well services are

developed in collaboration with others and how community engagement and empowerment affect the council's activities and delivery of services. This forms Part 4 of the BVAR.

- The Council's continuous improvement programmes were also reviewed, including assessing the overall pace and depth of change. This forms Part 5 of the BVAR.

## **6. Accounts Commission Findings**

6.1 The Accounts Commission determined its findings its meeting on 9 January 2020 and thereafter informed the Council in writing on 16<sup>th</sup> January 2020. The findings should be considered in the context of the key messages and recommendations outlined at sections 7 and 8 of this report. The Commission's findings are:

- 'The Commission accepts the Controller of Audit's report on Best Value in Highland Council. We endorse the recommendations set out by the Controller of Audit in his report and expect the council to act upon them and demonstrate improvement in the next 12 months.'
- 'We are disappointed with the progress made by the council since our previous Best Value audit in 2010.'
- 'We are concerned in particular that the council is not demonstrating that it is financially sustainable. In recent years the council has a poor record of meeting budget gaps, and thus it is critical that it meets a forecast budget gap of up to £77.3 million in the two years from 2020/21. Recent improvements in financial governance and controls will be vital in delivering this requirement.'
- 'We note with concern the Controller's conclusion that the council is not demonstrating all aspects of Best Value, but we acknowledge that there has been an increase in the pace of the change required to do this. We underline that the council needs to get better at its self-evaluation to be clearer about how it can improve. It is disappointing for example to note poor service performance, not least in the priority area of education.'
- 'Difficult decisions lie ahead for the council, requiring effective leadership. We therefore urge elected members to continue to work constructively together with officers and communities. Recent changes to decision-making and scrutiny structures will be integral to this, as will members making use of better-quality performance information to fulfil their responsibilities.'
- 'We note recent and ongoing changes to senior officer team and structure and we encourage the collaborative leadership required with members to maintain an increasing pace of change. The ownership and involvement of all staff in continuous improvement is another vital element in moving forward.'
- 'The Commission acknowledges the significant challenges of the geography and diversity of the Highlands. Given this context, we urge better progress by the council to work with its partners in delivering their community empowerment and locality planning obligations.'
- 'The nature of the Controller's recommendations are significant and it is vital that the council takes these forward to deliver Best Value. The Commission will therefore maintain a close interest in how the council moves forward. We ask the Controller of Audit to monitor this through the annual audit and keep the Commission informed accordingly.'

## **7. Key Messages**

7.1 There are 10 key messages in the Accounts Commission report and these are discussed in more detail throughout the Commission's report which is attached as Appendix 1 of this report:

- Since 2010 Best Value report, the Council's pace of change has been inconsistent and slower in areas including improving performance and long-term financial planning. There is recognition of clear signs of a recent increase in the pace of change;
- The Council has a clear strategic vision, and this is well embedded across the organisation through the service planning process, but this has not yet led to consistent improvements in performance;
- Recognition of the size of the Council with 74 Members requiring a collaborative approach to decision making and implementation which is often challenging. Members are viewed as working constructively together. The recent review of structures to support Officers and Members working together to deliver the Council's strategy is noted;
- That the Council has struggled to achieve agreed financial savings in-year including consistent overspend by Care and Learning. There is recognition that the Council is aware of this and has put robust financial and governance controls in place to address this. There is concern over the low level of reserves the Council holds with only limited contingency to meet unplanned cost. The importance of achieving savings and delivering transformation change is highlighted;
- That the Council needs to take a more consistent and systematic approach to self-evaluation and continuous improvement to achieve all aspects of Best Value;
- Recent structural and personnel changes are highlighted including a new approach to senior management engagement with defined geographies. A period of stability is seen as required to enable the leadership team to work together to deliver the improvements required to sustain and improve services in the future;
- Meeting all of the Council's commitments and priorities during a period of significant change is seen by external audit as very challenging;
- Performance against national benchmarking indicators is assessed as having deteriorated over a 5-yr period, with poor performance in priority areas including education. Performance against most service satisfaction measures is assessed as good in line with the Council's citizens' panel results. A need to make better use of data and scrutiny to drive improvement is identified;
- The Council is seen to work well with its partners but progress in implementing some of the requirements of the Community Empowerment Act are seen as slow;
- The establishment of local community partnerships to support community planning is recognised with the identification of 25 communities to establish locality plans to address inequalities however it is also noted that not all plans are in place against an October 2017 deadline.

## **8. BVAR Recommendations**

8.1 There are 7 recommendations outlined in the BVAR (Appendix 1, page 52) and the Council has prepared a BVAR Improvement Plan which is provided as

Appendix 2 of this report. The development of the BVAR Improvement Plan was scrutinised and informed by Members through a workshop on 13 February 2020. As indicated at 2.1(ii) above improvements actions are already in place to address some of the historic issues identified and progress is regularly being reported to the Council, more detail is provided below.

#### 8.2 Recommendation 1:

'The council needs to seek to ensure that all staff are fully engaged in the transformation programme and that budget holders are clear on expectations to deliver the planned savings set out in ongoing transformation work. The council should continue to develop and implement a longer-term delivery model which is affordable and achievable.' (paragraph 144, Appendix 1)

##### Improvement Action:

As noted by the Accounts Commission the Council is developing a longer-term delivery model and some progress has been made in making the transformational changes required (page 49, Appendix 1) and these are being driven by the Council's Change Board and Redesign Board. A key element of the Council's ongoing strategy is to strengthen governance around financial/ budget holder responsibility including work by CIPFA on assessing the Council's financial management capabilities. A Resources Governance Board is also in place which is Member led and focused on strengthening financial controls. There has been extensive staff engagement on transformational change across the Council's geography and staff focus groups have been established along with new web resources to support staff input their views and suggestions. The report recognises that a new Communications and Engagement Strategy is in place and that the Council's new management structure has been designed to improve leadership visibility (paragraph 146, Appendix 1).

#### 8.3 Recommendation 2

'The council should increase the use of family grouping data, benchmarking and targets to enhance performance reporting' (paragraphs 36–43, Appendix 1).

##### Improvement Action:

The BVAR recognises recent improvement in the Council's approach through the development of the new Corporate Plan. This has articulated trend data, family and national benchmark positions and Members have set stretch targets for improving the Council's national benchmark position. This new approach will result in enhanced performance reporting against targets in future starting with the SPI and Benchmarking Report to this Council and then the next annual performance report to Council in September 2020. Work is underway to review the Council approach to Service Planning to reflect the new Corporate Plan and ensure the Council's performance framework is effectively managed at Service and operational levels led by Executive Chief Officers.

#### 8.4 Recommendation 3

'The council's approach to performance management can be further improved through sharing of practices between services and council teams in order to fully embrace and support effective self-assessment and a culture of continuous improvement.' (paragraph 19 and 44, Appendix 1).

##### Improvement Action:

The restructure of the Council has had a specific focus on improved performance management and continuous improvement. A key role of the new Executive Chief Officers is to work collaboratively across the Council putting in place arrangements for effective performance management and continuous improvement in their teams while supporting the overall corporate approach. As a first step in developing a new approach to self-assessment the Council agreed to engage the Chartered Institute of Public Finance & Accountancy (CIPFA) to deliver supported self-assessment of our financial capabilities. The aim is to achieve a CIPFA 5-Star Financial Management Model accreditation with an ambition to become a 5-Star organisation. The work with CIPFA is well underway and expected to conclude before the end of the financial year producing a management improvement plan.

#### 8.5 Recommendation 4

'Once the council has implemented the revised governance arrangements, it should seek to monitor the effectiveness of these changes to ensure they deliver the improvements anticipated, including the intended enhanced scrutiny and decision-making.' (paragraph 24 and 29–32, Appendix 1).

##### Improvement Action:

The Council currently receives regular reports on progress in implementing the revised governance arrangements and these will continue until Council is satisfied that new arrangements are achieving the required improvements.

#### 8.6 Recommendation 5

'Once the new leadership team is in place, it will be key that they look to successfully manage the need for increased pace of change alongside continued engagement across officers to achieve the strategic objectives and this should be reviewed and evaluated on an ongoing basis' (paragraphs 22–24 and 138, Appendix 1).

##### Improvement Action:

As recognised by the BVAR the pace of change has significantly increased under the stewardship of the Chief Executive and the new leadership team is already making an impact in terms of managing the pace of change and delivery of the Council's budget and Change Programme. There is also a focus on delivering the Council's Corporate Plan and the development of Service Plans for the first cycle of Strategic Committees in the new financial year for Members scrutiny. To evidence this work there are regular reports to Council on progress delivering the Council's organisational transformation and transition with the most recent report to Council on 9<sup>th</sup> December 2019. In addition, as part of the budget process on 5<sup>th</sup> March 2020 the Council considered a paper on a Sustainable Highland, Change and Improvement Strategy 2020-2022. The strategy sets out how the Council must become an improving organisation, moving on from the creation of the new organisational structure and the minimum requirement to deliver safe and satisfactory services, to an organisation capable of achieving good, very good and even excellent levels of service across the Council within the next 3-5 years.

#### 8.7 Recommendation 6

'The CPP should increase the pace in developing the remaining locality action plans in line with the requirements of the Community Empowerment Act.' (paragraph 88, Appendix 1).

**Improvement Action:**

The recommendation to increase the pace of developing locality plans will be discussed with the CPP along with the wider findings of the BVAR. The Partnership will consider what action to take in order to respond to the findings of the auditors. Through its own self-evaluative process, the Partnership has already identified a number of actions to improve the performance and governance of the CPP. A new structure, supporting a greater focus on performance and delivery of outcomes, was agreed at the CPP Board in December 2019. This includes new Terms of Reference (TOR) which strengthens governance and accountability of the CPP Board by: streamlining Board membership (For Council – 2 elected members and the Chief Executive), disbands the Chief Officers Group (COG) and replaces it with a Partnership Co-ordinating group to improve performance and delivery of outcomes locally and strategically. Members are asked to approve the new TOR which were previously approved by the CPP Board and can be found at the following link on the Members Intranet: [CPP TOR](#). This in turn will help to address a number of the findings of the CPP. To date 11 locality plans have been completed (2 led by Highland Council and 9 led by other partners) of the remaining 14 the Highland Council will lead on 4 in the Inverness area. This work will be supported by the Council's approach to place-planning and reducing inequality.

**8.8 Recommendation 7**

'The council should continue to work with elected members to understand reasons for variable uptake of training and agree how this can be improved alongside a programme of ongoing elected member development. In particular, elected members' knowledge of and involvement in the performance management process needs to be improved to enhance scrutiny and help drive improvement' (paragraph 63) (paragraphs 150–151).

**Improvement Action:**

As outlined in the BVAR report the Council through its Governance Review has set out plans for improved Member development and the detail will be submitted to Council for approval as plans are finalised. Engagement with Members needs to be ongoing in order to understand their training and development needs and the factors influencing the need to update their training. Work with Members on the development of the Corporate Plan in scrutinising performance trends and setting stretch targets is an early example of the direction of travel in developing Members knowledge and scrutiny role in performance and continuous improvement.

Date: 27 February 2020

Author: Evelyn Johnston, Corporate Audit & Performance Manager,  
Tel (01463) 702671

Appendices: 1. Highland Council, Best Value Assurance Report, January 2020.  
2. BVAR Improvement Plan  
3. Accounts Commission, How councils work: Safeguarding public money: are you getting it right? Summary overview.