

The background of the slide features a large, faint, light blue watermark of the City of Anchorage coat of arms. The coat of arms includes a crown at the top with four maple leaves, a shield divided into four quadrants (top-left: a ship, top-right: a moose head, bottom-left: a ship, bottom-right: an eagle), and a banner at the bottom with the motto "A NE FOR A".

Agenda Item 7

Accounts Commission Best Value Report

Falkirk Council

Title: Accounts Commission Best Value Report
Meeting: Falkirk Council
Date: 22 February 2017
Submitted By: Chief Executive

1. Purpose of Report

- 1.1 This report outlines the findings of the Accounts Commission in respect of the Controller of Audit's Best Value follow up report on the Council and the Council's proposed response to these findings.

2. Recommendation

2.1 Council is asked to:-

- (1) consider the Accounts Commission's findings; and**
(2) agree the Council's proposed response to those findings.

3. Background

- 3.1 A Best Value Audit report on the Council, prepared by the Controller of Audit was considered by the Accounts Commission at its meeting in November 2016.
- 3.2 On 1 December 2016 the Accounts Commission published its findings in relation to the report. A copy of the report is attached for the assistance of Members (Appendix One).
- 3.3 There are a number of statutory provisions that the Council must observe following receipt of a Best Value Audit publication. In anticipation of this meeting the Council has discharged its statutory responsibilities to supply a copy of the report to each Member of the Council and make copies available for public inspection. In addition the Council has published notification of this meeting in the Falkirk Herald on 9 February 2017 describing the nature of these findings.
- 3.4 This report discharges the Council's further requirements by enabling Members to consider the Accounts Commission's findings at a meeting of the Council within three months of receiving them.

The Commissions findings were as follows:

- (1) The Commission accepts the Controller of Audit's report on Best Value in Falkirk Council.*
- (2) 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.*
- (3) 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.*
- (4) 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.*
- (5) Strong and effective leadership by Elected Members and the Corporate Management Team is critical for the Council to address its challenges in coming years.*
- (6) We continue to have a close interest in how the Council is progressing. We required the Controller of Audit to update us by the end of 2017 through the annual audit and in our revised approach to auditing Best Value.*

- 3.5 The key messages identified by Audit Scotland in the Annual Audit Report, reported to Council on 21 September, are mirrored by the findings of the Accounts Commission in the report they published in December.

4. Considerations

The Council's Response to the Findings

- 4.1 As previously reported to Members, the report prepared by Audit Scotland and the findings of the Accounts Commission represent views at a moment in time.
- 4.2 The previous Best Value report on the Council was considered by Council in October 2015. Due to an anticipated change in external auditors, Audit Scotland undertook their fieldwork for the follow up audit in April/May 2016 to ensure all best value key messages were included in their final Annual Audit report which was received in September 2016.
- 4.3 In effect, this meant that the Council was being audited again within a matter of a few months of the original audit. Significant progress is difficult to evidence within such a short period of time. Some Councils had a period of up to six years between their original audit and their follow up audit.

- 4.4 Since the original audit in 2015, a great deal of work has been undertaken to action change. Many of the changes will be significant and simply cannot be achieved overnight. Our response to the Accounts Commission Best Value report has already commenced. Early consideration was given to how the Council should respond to the key messages identified by Audit Scotland in their Annual Audit Plan.
- 4.5 Following discussion with the Provost, Leader of the Council and Leader of the Opposition on a proposed response to the Best Value audit, it was agreed that a more holistic approach was required in moving forward. At its meeting on 7 December 2016, Council agreed to adopt an improvement framework, "Council of the Future", to deliver a programme of change over the medium term.

Council of the Future

- 4.6 The Council of the Future framework will enable the delivery of the Council's ambitious programme of organisational, service and cultural change linked to the Council's priorities and budget strategy. To make this happen, fundamental changes are required in the way the Council works. A two-phased approach has been agreed to define and implement the Council of the Future programme of change.

Phase 1: engagement and readiness

- 4.7 A range of engagement events has been scheduled to allow various stakeholder groups to contribute to setting priorities and shaping the Council as it moves towards being the Council of the Future. These events are planned from January 2017 – April 2017 and include engagement with Elected Members, the Corporate Management Team, Chief Officers, Service Managers, a cross section of employees and our Trade Unions.
- 4.8 These events are facilitated using self-evaluation principles to enable all stakeholder groups to reflect and identify opportunities for change. In addition to this, Phase 1 starts to embed the governance arrangements, outlined in the Council of the Future Report of 7 December 2016. A Programme Management Office (PMO) will also be in place from March 2017 to provide additional resource and project management expertise to support the emerging Council of the Future programme.

Phase 2: implementation

- 4.9 The outputs from Phase 1 will determine how the Council of the Future programme of change will be shaped. This will also be influenced by the imminent development of a new Corporate Plan.
- 4.10 Further conversations will be held with the various stakeholder groups to engage / consult / communicate and to progress the delivery of the projects identified.

- 4.11 This will ultimately involve wider stakeholder groups including communities and our community planning partners. A programme management approach will be taken to track progress and record benefit realisation of the change programme.
- 4.12 The December 2016 report identifies a number of key 'enabler' projects that require to be in place to make sure we have a robust framework to deliver our priorities. The sections below give an update on progress with some of these projects.

Digital Strategy

- 4.13 The Council is pursuing a digital strategy with three key priorities –
- Leadership
 - Services redesigned to maximise use of digital, improve customer services and reduce costs
 - Rock solid ICT/Technology.
- 4.14 In terms of leadership, we have through a series of presentations and engagement sessions set a clear direction for the Council in terms of the way we engage with our customers and deliver our services. The first integral element of this work has been completely relaunching the Council's web site and intranet in a way that is focused on the customer. This platform also gives us the foundation to deliver fully digital services.
- 4.15 In December 2016, the Council launched the My Falkirk portal on the Council's website offering customers online access to a number of services initially aimed at financial management, for example, council tax information allowing the customer to; access their council tax balance, make payment, apply for a single person discount, set up their direct debit among a great deal of other self serve solutions. This is the first stage of a long-term project which will increase the level of self service through the My Falkirk site. In addition, the site also includes access for staff to use the available forms to support customers and to use workflow processes built into the forms to reduce work processes.
- 4.16 We have an ambitious programme of virtualization of our PC and application provision. This is a significant enabler of the digital strategy, providing staff and elected members with easy access to their desktops and therefore applications and information required to do their jobs from any location where a wifi connection can be made.
- 4.17 The ability of staff to work from any location will be significant in supporting the Council to achieve significant asset reductions. This is being delivered through the Council's asset management review.
- 4.18 Development of a new telephony contract. Linking into our digital strategy, the new contract maximises the opportunity for staff to be mobile and flexible across the Council area as landline calls are automatically transferred to mobile devices.

The contract will bring significant savings for the Council contributing to the medium to long term financial savings we require.

- 4.19 All this work is underpinned by support and engagement with our customers. In reshaping our frontline services and with the hub and spoke arrangements being piloted in East of the area, we are directly supporting people establish myfalkirk accounts and access services on line. We are also through our use of social media continuing to provide people links and access to key information and services.

Workforce Strategy

- 4.20 The Workforce Strategy is an important enabler for the Council and provides a framework for the future direction of workforce actions and issues. It sits as part of the Council's strategic planning and management framework and links directly to the Council's Corporate Plan, budget strategy and Service Plans.
- 4.21 The strategy has been developed to take account of the key factors influencing the Council's leadership and management of its workforce. The strategy sets out the approach the Council will take to move our workforce forward and will be accompanied by a more detailed Workforce Plan. The plan is currently being compiled from Divisional Workforce Plans and is due to be completed shortly.

Medium/Long Term Financial Strategy

- 4.22 The report by the Director of Corporate and Housing Services to Council in December 2016 provided information on known cost drivers over the period 2017/18 – 2021/22, e.g. demographics, inflation, pay awards and Government policy decisions, e.g. early years. In addition, best estimates were also provided on reductions in grant funding.
- 4.23 As noted in December these figures will continue to be refined as information becomes available. The Fraser of Allander Institute commented in the report "Scotland's Budget 2016" that "real terms cuts to the Scottish block grant are likely to continue into the next decade, extending the period of fiscal consolidation to over 10 years". It is clear that the Council faces a significant challenge over service delivery capacity in the future if these projections are accurate. The development of future financial plans will link closely to the Council of the Future Change Programme. In particular, with diminishing resources, the budget needs to be more clearly linked to our priorities.

Strategic Outcomes and Local Delivery Plan (SOLD)

- 4.24 The strategic priorities and local outcomes for the Falkirk Council area were set out in the SOLD plan agreed by Council in September 2016. These are:

Strategic Priorities

- improving mental health and wellbeing
- maximising job creation and employability
- minimising the impact of substance misuse on communities, families and individuals
- addressing the impact of poverty on children.

Local Outcomes

- our area will be a fairer and more equal place to live
- we will grow our local economy to secure successful businesses, investment & employment
- children will become adults who are successful and confident
- our population will be healthier
- people live full, independent and positive lives within supportive communities
- our area will be a safer place to live.

- 4.25 The SOLD plan is a long term plan designed to meet the long term needs of our communities. The priorities within the SOLD plan set a clear direction for all public agencies within the area. These will be taken forward over the coming years by the Council and our partners and will influence our planning and reporting strategies.

Improvements in Performance Panel Reporting

- 4.26 Members have been central to reviewing the performance information they consider. This includes moving away from a purely performance information based reporting framework to one which gives clarity regarding areas of improvement and how progress improves customer service. This new reporting framework is still in its early stages of maturity but should, over time, give a clear line of sight between actions and improvements.

5. Consultation

- 5.1 Members have been kept advised of best value matters through regular reports to Council and the Audit Committee. More specifically, the Provost, the Leader of the Council and the Leader of the Opposition have been consulted on how the Council should best respond to key best value messages.

6. Implications

Financial

- 6.1 None.

Resources

- 6.2 None.

Legal

- 6.3 There are no direct legal implications arising from this report.

Risk

- 6.4 There are clear risks to the Council if we do not and cannot demonstrate we are delivering best value, including reputational risk.

Equalities

- 6.5 At this stage, a separate equality and poverty impact assessment (EPIA) is not required for this report. However, equality and poverty implications have been, and will continue to be considered for the different elements of the Council's best value response.

Sustainability/Environmental Impact

- 6.6 At this stage, an environmental impact assessment (EIA) is not required for this report. However, sustainability and environmental implications continue to be an integral part of any project which supports best value.

7. Conclusions

- 7.1 Members are asked to consider the Accounts Commission's findings. These are set out in page 4 of their report. These findings include the recommendations from the Controller of Audit (accepted by the Accounts Commission in their first finding) which are set out in page 14 of the Commission's report.
- 7.2 Members may wish to consider the following in responding to the Accounts Commission's recent Best Value report.
- 7.3 Our response is being developed within the structure of our Council of the Future framework.
- 7.4 It is acknowledged that the pace of change needs to increase. It is however worth reflecting that feedback from the other Councils we have been liaising with indicates that the culture of the organisation can be the area that takes longest to change.

7.5 Our work towards being the Council of the Future will take some time to deliver in full however we have made a good start. Actions taken to date include:

- agreeing the SOLD outcomes as our priorities in September 2016
- establishing a new improvement framework to ensure our work is focused on delivering these priorities
- a medium term financial plan prepared and agreed by Members in December 2016 with a commitment to long term scenario planning to be undertaken in Spring 2017
- the creation of a Programme Management Office to support delivery of improved projects
- the continued development of performance information and reporting to drive improvement and support effective challenge.

7.7 Members may wish to consider offering an update to the Accounts Commission/Audit Scotland on our Council of the Future change programme and to ensure there is early dialogue between Officers and our new external auditors on best value matters.

Chief Executive

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Date: 13 February 2017

APPENDICES

Appendix One – Falkirk Council Best Value Audit Report – December 2016

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- None

The Audit of Best Value and Community Planning

Falkirk Council

Best Value audit report



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
December 2016

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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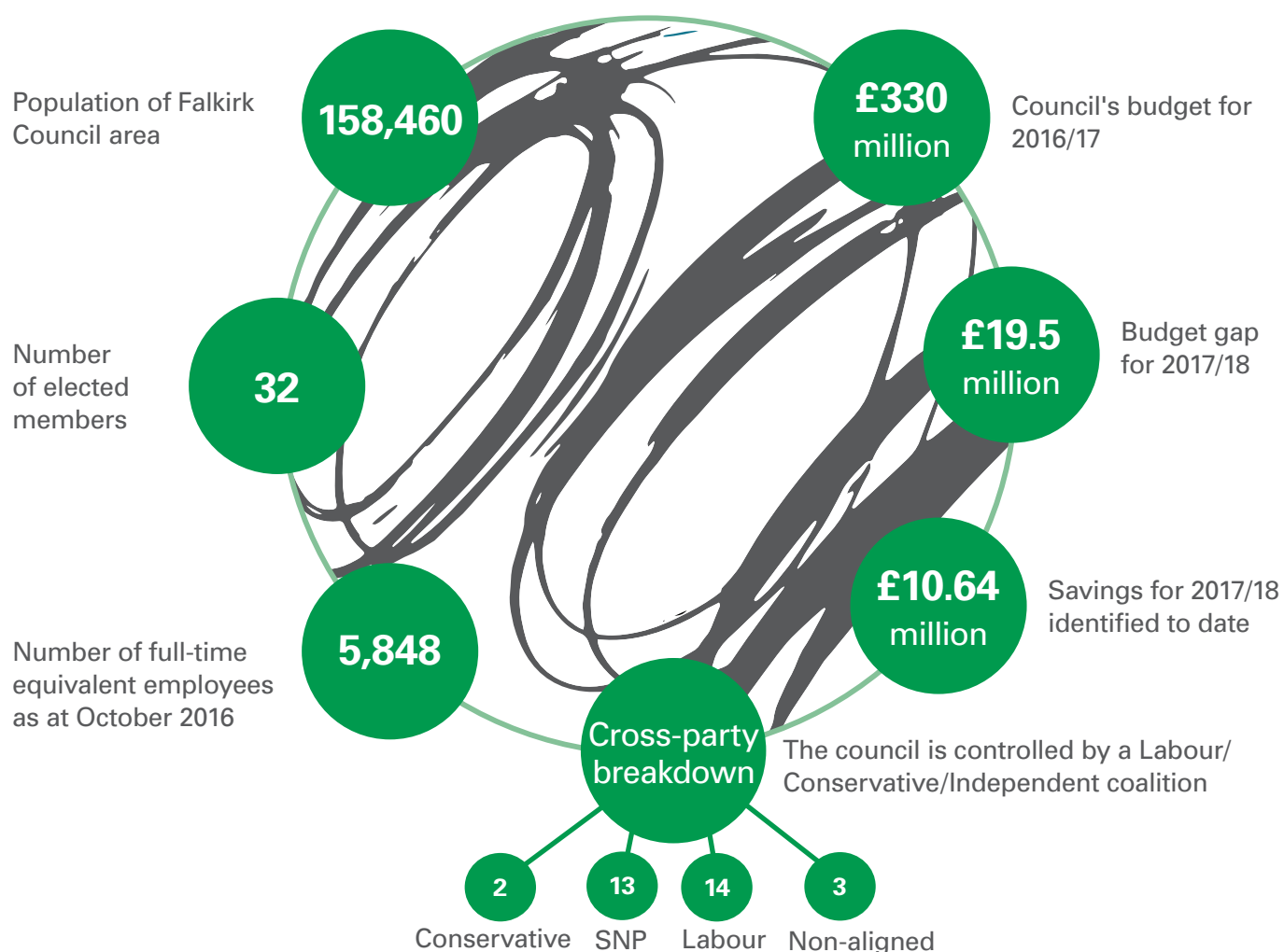
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Commission findings



- 1** The Commission accepts the Controller of Audit's report on Best Value in Falkirk Council.
- 2** 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.
- 3** 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.
- 4** 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.
- 5** Strong and effective leadership by elected members and the corporate management team is critical for the council to address its challenges in coming years.
- 6** We continue to have a close interest in how the council is progressing. We require the Controller of Audit to update us by the end of 2017 through the annual audit and in our revised approach to auditing Best Value.

Key facts



Controller of Audit report



Background

1. This report updates the Accounts Commission on the council's progress following a previous [Best Value audit report](#) in August 2015. That report considered the extent to which the council was meeting its statutory duty of Best Value, with a focus on governance and accountability, and improving and transforming public services. In its findings on my report, the Commission expressed significant concerns that the council's approach to the financial challenges it faced was inadequate. The Commission said the council needed to make a step change in its pace of improvement and that the council had a great deal to do to provide assurance it can deal with the financial challenges ahead. The Commission requested a progress report by the end of 2016.

2. A follow-up review was carried out between April 2016 and June 2016 to consider the action the council has taken. Conclusions from this audit work are provided in the [2015/16 Annual Audit Report](#) (AAR) to me as Controller of Audit and elected members ([Appendix 1](#)), which includes an action plan of recommendations for the council. I have cross-referenced the relevant paragraphs of the AAR and the management response to the recommendations made throughout this report.

3. These conclusions provide the basis for this report, which focuses on the main areas highlighted by the Commission in August 2015. The report is structured in four parts:

- The council's response to the Best Value report ([paragraphs 9–10](#)).
- Scale and pace of change ([paragraphs 11–27](#)).
- Scrutiny ([paragraphs 28–32](#)).
- Performance management and reporting ([paragraphs 33–35](#)).

4. The 2015/16 AAR was issued by the auditor to council officers in mid September. Officers presented an extract of the Best Value key messages contained within the AAR (paragraphs 130–139) in a report to members at the full council meeting on 21 September 2016. At that meeting, members were asked to note an update on the council's Best Value Improvement Plan and the emerging Best Value themes from the Accounts Commission's Local Government Overview report, published in March 2016. Members were asked to agree that the Provost, the Leader of the Council, and the Leader of the Opposition would consider how the council should respond to the Best Value key messages, with a report to full council at a later date.

5. It is unusual for a full council meeting to consider only part of an AAR in advance of its full consideration by the Audit Committee. There is a risk that the Best Value key messages presented to council could be taken out of context, and members did not have an opportunity to explore the issues in any depth. Auditors were unaware of the paper going to the full council, and so did not have an opportunity to discuss the key messages with members at that time. Officers advised that they had committed to present a Best Value Improvement Plan update to members at the September 2016 full council meeting. They felt that it was appropriate for the summary of Best Value findings and management's responses to accompany this update, given that the information was available to officers at the time.

6. The full AAR was considered by the Audit Committee on 26 September. Members of the committee acknowledged the serious nature of the key messages and noted the timescales for the Controller of Audit report to the Commission. They also stated that an agreed response to the issues raised should be reported to all elected members at the earliest opportunity.

Audit assessment

7. The auditor found that a significant amount of activity has taken place at Falkirk Council in response to the 2015 report within the relatively short time since the previous Best Value audit. However, the approach taken has made limited progress in making the step change in improvement required. The council acknowledges it needs to do things differently, but translating this into more radical change has not yet happened. The council recognises this and has recently taken steps to increase capacity by appointing a manager for its improvement programme.

8. The scale of the challenges facing all councils is increasing. Falkirk Council needs to approach these challenges differently as its actions to date are unlikely to deliver the change required. Elected members and officers need to work together to agree clear priorities. It is the Corporate Management Team's (CMT) responsibility to lead a focused and coordinated approach to deliver these effectively. Senior officers need to provide challenge and hold each other to account to deliver the changes required. The CMT acknowledges the need for a fresh approach and is looking at the culture and leadership in some other councils. The CMT now needs to agree on how it will apply the lessons learned to drive change. It should continue to seek external views or assistance where this can help.

The council's response to the Best Value report

9. In its August 2015 report, the Accounts Commission made a number of recommendations for areas of improvement. The council initially considered the Best Value report at a special meeting in September 2015. At this meeting, members agreed that officers should bring forward an outline action plan, for implementation by March 2016, to the statutory meeting on 7 October 2015. The council formally considered the Commission's findings at the October meeting and agreed a number of actions including:

- acknowledging the need to find savings of £46 million over the next three years

- adopting the Best Value Improvement Plan, with a progress update to be provided in March 2016
- agreeing terms of reference for a new Cross-Party Budget Working Group with representation across all parties
- that the Leaders of the Council and Opposition would provide political leadership on the Business Transformation Board
- to note that a review of standing orders was currently under way.

10. The Best Value Improvement Plan sets out how the council will address each area of improvement identified within the Best Value report. The improvement plan is high level, with a focus on achieving specific actions rather than ensuring that the actions lead to the improvements required. The actions themselves lack depth and are not well embedded within the council's overall approach to business. Officers presented a progress update to members in March 2016 and September 2016 ([Appendix 2](#)). However, there is no review process in place to measure the impact and effectiveness of actions taken. Officers acknowledge this and plan to address this in response to the conclusions in the AAR.

Scale and pace of change

Financial planning and sustainability

11. The council reported a net overspend of £0.557 million in 2015/16. However, there were a number of significant over and underspends which contributed to this position (paragraphs 33–37 of the AAR). While the overall financial position at the end of the year did not vary significantly from budget, there is a trend over several years of large under and overspends within the council. There is a risk that the council's budget does not accurately reflect costs, leading to uncertainty over the financial position. The council needs to review its process for preparing the budget to ensure that all costs and income are accurately anticipated. In its management response to the AAR, the council states that it has an integral work stream termed 'rebasings' in the revenue budget process to address this.

12. The Commission said that the council needed to make a step change in its pace of improvement, and that a continuing reliance on small-scale savings projects, service reductions and service charge increases was not sufficient. Paragraphs 54–58 of the AAR set out the council's approach to financial planning during 2015/16. It set a one-year budget for 2016/17 of £330 million in February 2016, with a budget gap of £25 million identified for the year ahead. Proposals to bridge this gap were set out within the council's budget report. The council has continued to rely on relatively small-scale savings, service reductions and increased charges, and the use of the uncommitted general fund to bridge this £25 million budget gap. This approach is not sustainable in the longer term.

13. The financial challenges facing the council have worsened in the last year. In 2015/16, it forecast a three-year budget gap of £46 million; in 2016/17 the forecast three-year gap rose to £61 million ([Exhibit 1, page 9](#)). The increased gap in 2016/17 is largely due to a reduction in the anticipated levels of revenue funding from the Scottish Government, which reduced by £6.52 million, from £279.06 million to £272.54 million. The council now needs to make savings in excess of £36 million over the next two years to 2018/19. This presents a

significant challenge. The council is considering a number of options to bridge this gap, including service savings, strategic reviews, budget rebasing, changes to terms and conditions, a council tax increase and the use of reserves.

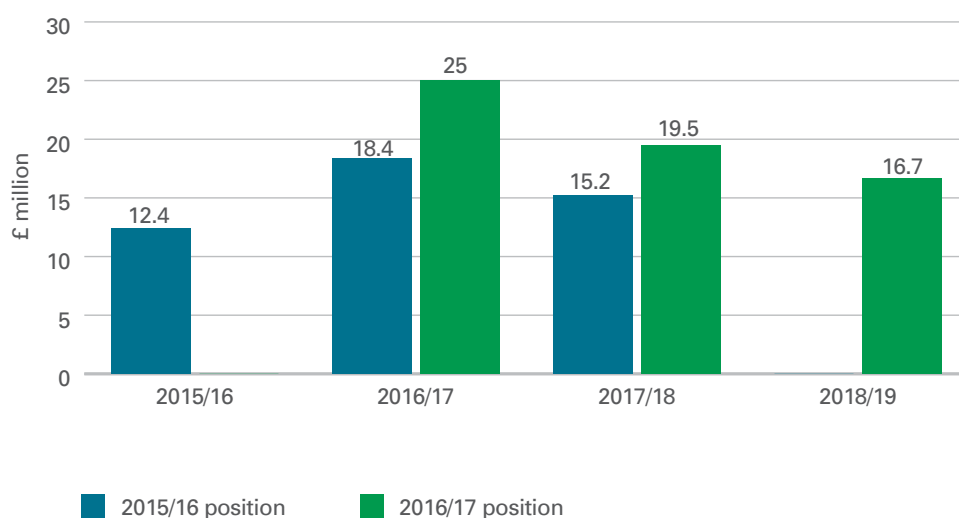
14. For 2017/18, the council has identified it needs to make savings of around £19.5 million. It expects services savings of £15 million to contribute to bridging this gap. In October 2016, officers presented members with proposals for £10.64 million savings options that services have identified to date. The council still has to agree measures to deliver the remaining £8.86 million of savings required. The council needs to do things differently if it is to achieve a balanced budget while managing the impact on services. It needs to identify clear priorities and develop medium and longer-term financial planning to manage this effectively.

15. The council has not yet developed medium and longer-term financial strategies and plans. It stated that the late, one-year financial settlement from the Scottish Government had prevented planning beyond a single year. Officers presented a medium-term financial strategy to elected members in June 2016. However, the information in this remains high level and relates to 2017/18 only. A short-term financial settlement is expected again this year; however, some councils continue to develop longer-term plans which consider a range of funding and income levels.

16. Uncertainty over future funding and income is an issue for all councils in the current environment, which means forward planning is more important than ever. The council needs to take a longer-term, more strategic approach. This should include scenario planning for a range of options as there is a risk it will not be well placed to address these challenges.

Exhibit 1

Three-year budget gaps identified in 2015/16 and 2016/17



Source: Falkirk Council

17. There is little evidence that the budget-setting process and savings plans are closely linked to corporate outcomes or priorities for improvement. Paragraphs 90–92 of the AAR show that the council’s strategic planning is currently in a period of transition. As a result, members and officers do not have a shared understanding of the council’s priorities. The council needs to identify and agree clear priorities, so that it can target resources consistently and effectively to deliver improved outcomes for local communities.

18. In its management response to the AAR, the council states that it is developing an updated financial framework to inform the budget planning process for 2017/18. The response recognises that scenario planning needs to be part of this (page 47 of the AAR). The council also states that its priorities will be reviewed internally and externally as part of its contribution to the Community Planning Partnership’s Strategic Outcomes and Local Delivery Plan (page 50 of the AAR). The council should develop its priorities as a matter of urgency, and ensure that this review fully considers all aspects of the council’s responsibilities. Without clear priorities, there is a risk that the council cannot implement the required change effectively.

19. The council set up a Cross-Party Budget Working Group in October 2015 to support the budget-setting process, which includes representatives from all parties. The group has met on four occasions to consider the 2017/18 budget process. Members of that group worked well together during the 2016/17 budget-setting process. They have reflected on the need to work more openly and collaboratively throughout the year to ensure the group adds more value going forward.

Business transformation and improvement activity

20. The Commission said that the council needed more ambitious, coherent and clearer savings plans that reflect its priorities and the impact on services. It also said that more strategic and stronger leadership of the Business Transformation project was needed.






21. The council’s approach to business transformation and improvement activity is set out in paragraphs 59–63 of the AAR. In October 2015, the council revised membership of the Business Transformation Board to involve elected members. Members have worked well together, providing a good level of scrutiny and challenge. However, the effectiveness of this has been limited by the lack of detailed reporting on the overall project by senior officers.

22. In February 2016, the council approved strategic reviews to help identify potential savings within the 2017/18 budget. In the management response to the AAR, the council states that these reviews provide the opportunities for a significant step change in how the council operates, and they are expected to contribute to the savings necessary to meet the challenges ahead (page 51 of the AAR). The council has initiated these reviews but is yet to identify specific savings for most of them ([Exhibit 2, page 11](#)). Officers will present a progress update to members in December 2016.

23. The council has a number of other improvement activities in place. These include a revised programme of service reviews and self-assessments, staff improvement groups, reviewing the top 20 areas of spend, and engagement with other councils. However, there is no overall process in place to monitor this activity and it is not clear how change initiatives are aligned and integrated with the budget-setting process and strategic priorities.

Exhibit 2

Progress of strategic reviews, October 2016

Review	Current stage	Anticipated savings	Target completion date
Property portfolio 	<ul style="list-style-type: none"> Assessment of service needs undertaken. Analysis of asset performance complete Locality model for future provision identified Locality and property asset reviews under way 	<p>The council's operational property estate costs £22 million per year</p> <p>A target of 15 per cent savings¹ (£3.3 million)</p>	<p>Initial assessment report and budget options for 2017/18 to members in December 2016</p> <p>Further phases of review to proceed in 2017</p>
Social work services 	<ul style="list-style-type: none"> Options appraisal for re-ablement in homecare under way Developing discharge assessment model Early stage work under way on locality model Review of eligibility criteria Partial implementation of real-time monitoring technology within internal service provision Engagement for new tender with providers under way 	<p>The Integrated Joint Board have been asked to identify around £2 million savings</p>	<p>Implementation across full area during 2017/18</p>
Alternative delivery models 	<ul style="list-style-type: none"> Four-stage process of review and implementation Prioritised list of functions to be reported to members in December 	<p>Combined value of service areas is in the region of £25 million. Potential savings of around 10 per cent (£2 million) may be realised, dependent upon detailed option appraisal work</p>	<p>2018/19</p>
External funding 	<ul style="list-style-type: none"> A review has been carried out on savings over a five-year period Priority to be assigned to each organisation and proposals to members will follow 	<p>15 per cent - approximately £600,000</p>	<p>November 2016</p>
Income generation 	<ul style="list-style-type: none"> Participation in a collaborative piece of work with other councils – looking at opportunities to raise income Comparing fees and charges with other councils Review of all material areas of income / spending ongoing Review linked to the council's concessions policy 	<p>General five per cent increase nets around £1 million</p>	<p>December 2016</p>

Note: 1. However, constraints to statutory requirements in the schools estate (58 per cent of budget) and tackling maintenance requirements will impact on savings.

Source: Falkirk Council

24. The council needs to do more to identify and track the savings and benefits expected as a result of its improvement activities and strengthen linkages with the budget-setting process. In its management response (page 48 of the AAR), the council states that it will review its improvement programme to ensure consistency in language, linkages to priorities and the budget-setting process.

25. The council is aware of the need to manage improvement activity better. In partnership with the Improvement Service, the council has recently appointed a manager on an 18-month contract to oversee the day-to-day management of its improvement programme. The manager is employed and supported by the Improvement Service but the post is fully funded by the council. Senior officers will need to support the improvement programme manager and provide strategic leadership and direction to deliver the change required (paragraphs 63 and 137 of the AAR).

Workforce management

26. The Commission recommended that workforce changes fully reflect comprehensive workforce strategies and plans. The council currently has 5,848 full-time equivalent employees. Between June 2014 and June 2016, the workforce reduced by 449 full-time equivalents (seven per cent). These reductions were agreed in the absence of workforce strategies and plans. In October 2016, the council advised that a further reduction of 228 full-time equivalents may be required by 2018/19. Paragraphs 73–77 of the AAR show that the council is in the early stages of developing workforce planning arrangements. It has approved a revised workforce strategy and is developing workforce plans for services. The council needs to ensure that workforce reductions are aligned with its workforce strategy and plans, and improvement activities.

27. In its management response to the AAR, the council states that these workforce plans will inform actions to be taken to support the budget strategy (page 49 of the AAR). The council should also ensure these plans are used to identify opportunities for more joined-up planning across services and ensure that changes in one area do not have unintended consequences for other services.

Scrutiny

Governance

28. The Commission said that the council needed to demonstrate that its scrutiny arrangements were working effectively. Elected members are now participating fully in revised scrutiny structures, including two scrutiny committees. Paragraphs 87 to 89 of the AAR consider corporate governance within the council. There is evidence of a growing maturity in political relationships. Members are demonstrating an awareness of the need to put political disagreements aside and work together to provide the best possible services for local people. Overall, the revised arrangements seem to be operating effectively and members should continue to build on this.

29. In September 2015, the council initiated a review of standing orders, particularly those relating to the order of, and conduct at, business meetings. In March 2016, the council considered proposals for amendments to standing orders. It agreed a number of these proposals including changes to the general principles of council meetings, voting on appointments and dealing with deputations. A new standing order was also inserted to formalise the leader's business meetings.

30. The council needs to provide elected members with clear information and training to develop their scrutiny role and help them understand the issues facing them when making decisions. Officers have improved the information provided to members by introducing a revised reporting template. They have also provided training on a range of issues including mandatory treasury management training which was attended by all elected members and sessions on performance management and effective questioning, which 45 per cent of members attended. Some of this training has been delivered with the Improvement Service.

Transparency

31. Paragraphs 111–115 of the AAR comment on the council's approach to transparency. The council's performance panel is responsible for scrutinising performance but its meetings continue to be held in private. Transparency has, however, improved, with key reports and a rolling action log now available alongside the panel minutes on the council's website. Members have taken the decision to continue to hold these meetings in private as they believe that it aids the discussions.

32. In better performing councils, scrutiny of performance is held in public to ensure openness and transparency. The council should aim to move towards this, building on the maturing working relations between members, and encourage more debate and questioning to be carried out in public.

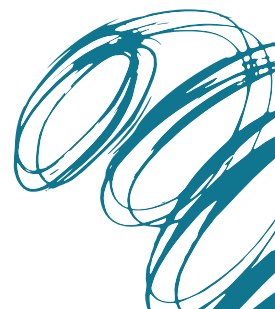
Performance management and reporting

33. The 2015 Best Value report said that the council needed to improve the performance information it reports to members and the public. The council's approach to performance management is detailed in paragraphs 151–173 of the AAR. It has developed a new performance reporting template with improved narrative and benchmarking information to provide context on what is being reported.

34. Despite recent changes in performance management arrangements, there continues to be limited evidence that performance reporting is making improvement happen. The council has not developed tracked action plans as previously recommended. Therefore no assurance is provided to members on how improvement actions are followed up, whether they have been delivered on time or had the impact intended.

35. In its management response (page 52 of the AAR), the council has recognised that it needs to develop a more consistent approach to making improvements through performance reporting. It will develop tracked action plans to ensure that it makes improvements where poor performance is identified.

Conclusions



36. The council has taken steps to address the issues raised in the last Best Value report in 2015, but the pace of change remains slow. The council still needs to identify how it will make the significant savings needed over the next two years and develop financial strategies and plans for the longer term. There are a number of improvement activities running in parallel within the council, but it is not clear that these are aligned to priorities and the budget-setting process. This is a significant gap. To improve the pace of change, the council needs to identify and agree clear priorities as a matter of urgency. The CMT needs to lead a focused and coordinated approach to deliver these.

37. The AAR contains a number of recommendations for improvement for the council (pages 46–52 of the AAR) which I, as Controller of Audit, support. The council needs to:

- identify and clearly communicate its strategic priorities and ensure that all activity is aligned with these priorities
- review the process for preparing the budget to ensure all costs and income are more accurately anticipated
- develop its approach to medium and longer-term financial planning which:
 - takes into account uncertainties around future funding and income
 - includes scenario planning for a range of options
- ensure all improvement activities are aligned with strategic priorities and the budget-setting process, and that senior officers support the improvement programme manager, by providing strategic leadership and direction to deliver the change required
- ensure that workforce reductions are informed by detailed workforce plans and that budgets reflect any planned workforce changes
- provide timely and complete performance information to councillors and the public to promote effective challenge and drive improvement, and introduce tracked action plans to ensure that improvement happens where poor performance is identified.






Appendix 1





Annual Audit Report 2015/16



[Falkirk Council Annual Audit Report 2015/16](#) 

Appendix 2



Update on the council's Best Value Improvement Plan, September 2016




1. Scale and pace of change				
Action	Progress	Status	Due date	Responsible person
The council will update its Workforce Strategy for approval by members.	Workforce Planning Framework now in place which provides guidance and a template for a consistent approach to developing Workforce Plans across the council. All services now working on plans with a view to completing service level plans by October and a council wide plan by December 2016.		31/03/2016	Head of Human Resources & Business Transformation
A new Business Transformation Board will be established to enhance the governance of this programme with the Leader of the Council and the Opposition providing political leadership. Minutes will be made available to the Cross-Party Budget Working Group.	Business Transformation Board reviewed in 2015 and membership now includes both the Leader of the Council and the Leader of the Opposition as members of the board. They both started attending board meetings on 9 November 2015. Meetings continue to be held, as previously reported, with this revised membership. Meetings took place in March, May, June and August. A schedule of meetings is in place for the remainder of the year including ones in September, October and December.		30/11/2015	Head of Human Resources & Business Transformation
A Cross-Party Budget Working Group will be established.	The Cross-Party Working Group first met on 22 October 2015 and continues to meet regularly. The Working Group has considered a paper which reviewed the 2016/17 budget and looked forward to the 2017/18 process. Work is now progressing with the 17/18 budget process.		31/12/2015	Chief Finance Officer
Officer involvement in the Business Transformation project will be realigned to support the new board.	Officer involvement has been amended to reflect the concerns of Audit Scotland.		30/11/2015	Head of Human Resources & Business Transformation
The council will prepare a short-term financial plan (2 years) and medium-term financial plan (5 years) and a long-term financial plan (10 years).	The council already has a short-term financial plan but work is currently progressing with Services & the Research Unit to develop a more robust medium-term (5 year) plan. An intelligent and selective approach will be adopted for timeframes beyond that. The short and medium term financial framework will inform the 2017/18 budget round and will be reported to members. Due date for this action changed from 31 March 2016 to 31 March 2017.		31/03/2017	Chief Finance Officer

2. Scrutiny				
Action	Progress	Status	Due date	Responsible person
All councillors will continue to participate constructively in the council's governance arrangements.	<p>Since November 2015 opposition members have participated in policy development panels and scrutiny panels established since then. Currently there are four active Policy Development Panels:</p> <ul style="list-style-type: none"> • Open Space Strategy • Falkirk Community Trust • Civic Licensing • Inclusion and Additional Support Needs. <p>In the case of the latter three panels, all have cross-party membership.</p> <p>The Scrutiny Panel on the Outcomes of Looked after Children will report to Scrutiny Committee on 17 November 2016. A Scrutiny Panel which will look at complaints outcomes will meet in October.</p>		31/12/2016	Chief Governance Officer
Council considers that its scrutiny arrangements meet best practice principles and that holding the Performance Panel in private while making its reports and minutes public is appropriate for its circumstances and enhances the effectiveness of the panel.	No action required.		30/10/2015	Chief Governance Officer
Training and development opportunities will be made available to councillors to enhance their scrutiny skills and guidance will be drawn up to assist constructive engagement with the scrutiny process.	A mock committee meeting will be arranged in conjunction with the Improvement Service to allow members to put into practice the principle of the scrutiny training held prior to the recess. Members requested, in June, a briefing on the Community Empowerment (Scotland) Act and its implications for Falkirk Council. This was held on 30 August 2016. A briefing for members on CITRIX was held on 22 August 2016.		31/03/2016	Chief Governance Officer
The council will continue to hold its Performance Panel in private but publish on its website the reports submitted to the panel and the minutes of the meetings.	The agendas including reports and minutes are published on the council's website. The papers for the meetings since 19 November 2015 up to and including the most recent meeting on 11 August 2016 are available on the website.		31/12/16	Chief Governance Officer




Action	Progress	Status	Due date	Responsible person
The council will consider the information and training needs of members through the Personal Development Plan process and by providing specific training and development opportunities on scrutiny, budgeting and performance management.	<p>Training Needs Analysis for all members was completed by April 2016. Personal Development Plans (PDPs) have been extended and work is ongoing in the preparation of these plans to include training identified in the TNA process. A training programme will be developed to cover all identified individual training needs. This training is in addition to the following training sessions previously held:</p> <ul style="list-style-type: none"> • Performance Management: 2 February 2016 • Treasury Management: February/April 2016 • The Role of the Audit Committee: 15 May 2016 • Financial Planning/Budgeting: 23 May 2016 • Effective Scrutiny: 26 May 2016 • Community Empowerment (Scotland) Act: 30 August 2016. 		31/03/2016	Chief Governance Officer
A review of other councils' experience with local protocols will be carried out to establish how effective they are deemed to be with a report back to council on the outcome of that review.	A report on the outcomes of a review of other councils' experience with local protocols will be considered by the Provost, Leader of the Council, Leader of the Opposition and the Chief Executive on 23 September 2016. The report includes a summary of protocols provided by other local authorities and highlights the principal issues which could be considered for inclusion in a local protocol, should this be pursued.		31/03/2016	Chief Governance Officer

3. Performance management and reporting

A programme of reviews and self-assessments will be submitted to the Performance Panel by March 2016.	A programme of reviews and self-assessments was agreed by the Performance Panel in May. Progress updates are included in a subsequent action. This action is now complete.		31/03/2016	Head of Policy, Technology & Improvement
A systematic programme of service reviews and self-assessments will be undertaken to influence the council's budget strategy and improvement agenda.	Assessment dates for the agreed programme presented to members in May 2016 have been circulated to services. One self-assessment is ongoing with an action plan scheduled to be developed in quarter four of 2016. The remaining 2016 self-assessments are scheduled to start in quarter four of 2016, with action plans following in quarter one of 2017.		31/03/2019	Head of Policy, Technology & Improvement

Action	Progress	Status	Due date	Responsible person
The council's new guidance on Performance Management will be rolled out.	The performance management framework is now in use within services. This action is now complete.		31/12/2015	Head of Policy, Technology & Improvement
Take forward actions agreed by Scrutiny Committee in October 2015 on public performance reporting.	Scrutiny Committee agreed improvement actions to be progressed by services. These included reviewing the recommendations in the Audit Scotland report and reviewing information published under the SPI1 and SPI2 indicators. In addition, the council's website has been updated to link to the most recent LGBF indicators and service information submitted to the Performance Panel under the revised reporting framework has been published in the performance section of the website. The complaints report for 2015/16 will be published shortly. A single document that captures the range of reporting arrangements in place throughout the council has been produced and this is being used to develop a format for an annual performance report covering the council's important indicators.		31/03/16	Head of Policy, Technology & Improvement
Performance reports will be developed through the Performance Panel to reflect the good practice outlined. These reports will, in turn, be published on the council's website.	The report template is used by services to report to the Performance Panel. This action is now complete.		31/03/16	Head of Policy, Technology & Improvement

Key

Status	Description
	Action is completed. However, as with all work of this nature we would expect continuous review to ensure what has been delivered is fit for purpose etc.
	On target to meet the due delivery date.
	Is behind schedule and has not met deadline. However, work is ongoing to deliver the task.

Source: Falkirk Council, full council meeting, 21 September 2016

Falkirk Council

Best Value audit report

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