



Item: 17

General Meeting of the Council: 2 July 2024.

Accounts Commission Best Value Thematic Report 2022/23.

Report by Corporate Director for Strategy, Performance and Business Solutions.

1. Overview

- 1.1. Under the new Code of Audit Practice the Accounts Commission set out a new approach to the audit of Best Value in councils. This work has become fully integrated with the annual audit work, reported in Annual Audit Reports, and includes detailed work each year on a national theme.
- 1.2. The thematic work for 2022/23 required auditors to carry out an overview of the effectiveness of the Council's leadership in developing new local strategic priorities following the election in May 2022.
- 1.3. The Council's external auditors, KPMG, have undertaken the Best Value Thematic Review and the findings and recommendations were considered by the Monitoring and Audit Committee on 29 November 2023.
- 1.4. Under the new arrangements, the Accounts Commission requires the Controller of Audit to report to the Accounts Commission on each Council at least once over the five year audit appointment on the Council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.
- 1.5. The Accounts Commission considered the Controller of Audit's report on Best Value in Orkney Islands Council on 11 January 2024 and published its findings on 30 January 2024. In addition, a meeting was held with representatives of the Accounts Commission and the Leader, Depute Leader and Officers on 24 April 2024 to discuss the findings and seek feedback on the process under the new arrangements.
- 1.6. Formal consideration of findings of the Council's Best Value report and the Accounts Commission's findings is now required by the Council and following this, the Council is required to notify the Commission of any decisions made and publish a summary of the decision in a local newspaper.

1.7. The findings of the Accounts Commission are attached as Appendix 1 to this report.

2. Recommendations

2.1. It is recommended that members of the Council:

- i. Note the Accounts Commission's key messages set out in section 4.1 of this report.
- ii. Accept the Accounts Commission's findings in full.
- iii. Note that action points arising from the key messages and /or recommendations from the Report on Best Value for Orkney Islands Council will be placed within either the Council Delivery Plan or appropriate Directorate Delivery Plan for the purpose of performance monitoring, management and scrutiny.

3. Best Value Thematic Review

3.1. The Council's external auditors, KPMG, have undertaken the Best Value Thematic Review. This report was considered by the Monitoring and Audit Committee on 29 November 2023. A summary of the findings is below:

- i. The Council has established a clear vision supported by revised priorities.
- ii. Elected members are close to the communities they serve and can understand their sentiments. The Council has effectively engaged with citizens and communities when developing the priorities however more work is required to provide a platform and resources for engagement on an ongoing basis.
- iii. The Council's priorities have a focus on the need to reduce inequalities and climate change. It has a clear understanding of equalities faced by island communities. The previous climate change target has not yet been achieved. More work is required to expedite the implementation of the climate change initiative.
- iv. The Council has begun to develop plans to align with the new Council Plan however it needs to conclude ongoing activity to ensure that its overall objectives are achieved through clearly aligned delivery plans and associated performance monitoring.
- v. The leadership has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them.

3.2. Throughout the Best Value Report, six areas of good practice have been highlighted as follows:

- i. The use of quantifiable key performance indicators to report achievement of strategic priorities within the new Council Plan.
- ii. A clear focus on reporting Local Government Benchmark Framework indicators which are related to priorities within the Council Plan.
- iii. The testing and verification of Local Government Benchmark Framework data by Internal Audit prior to submission to the Improvement Service.
- iv. Demonstration of community consultation feedback informing the development of the new Council Plan.
- v. The participation in the Orkney Matters consultation to engage with all groups including 'Lesser Heard Voices'.
- vi. The annual self-assessment process and associated Improvement Plan.

3.3. The Best Value Thematic Report concludes with seven recommendations relating to:

- i. Updating the Council's webpage with the Annual Performance Report.
- ii. Supporting the development of locality plans by The Orkney Partnership.
- iii. Progressing with the review of community consultation and engagement methods.
- iv. Developing of specific inequality related performance measures and delivery plan.
- v. Ongoing development of climate related strategies and associated action and delivery plans.
- vi. Continuing to ensure that Equality Impact Assessments and Island Communities Impact Assessments are carried out when required and available on the Council's website.
- vii. Ensuring covering reports on financial matters make clear the interdependencies and impact on strategic matters.

3.4. Actions, appropriate timescales and lead officers have been identified for all the recommendations and this is contained within the Improvement Action Plan in Appendix one of the Best Value Thematic Report which was scrutinised by the Monitoring and Audit Committee on 29 November 2023.

4. Accounts Commission's Findings and Key Messages

- 4.1. Following receipt and consideration of the External Auditor's Best Value Thematic report for Orkney Islands Council, the Controller of Audit's report, attached as Appendix 1 to this report, was presented to the Accounts Commission on 11 January 2024. The report contained the following key messages:
- i. The Council's asset plans are now due for review and will require alignment with the new Council Plan.
 - ii. The Council should ensure it keeps performance related information on its website up to date.
 - iii. The Council should carry out a root cause analysis to monitor service performance, particularly in areas aligned to Council priorities.
 - iv. As part of this review, the Council should consider how it can ensure regular and structured consultation throughout the year, and seek stakeholder views on the proposed and implemented approach.
 - v. It should support the Orkney Partnership to assess the extent to which further plans are necessary.
 - vi. The Council should ensure that up-to-date equality impact assessments are readily available on its website.
 - vii. The Council should develop delivery plans with specific inequality related performance measures to supports its equalities outcomes.
 - viii. The Council should continue to develop its climate related strategies and associated delivery plans and include financial impacts in its future budgets and the medium-term financial plan.
 - ix. The Council needs to develop and implement detailed operational service plans to bridge the gap. In doing so, it should ensure that it undertakes equality impact assessments, including Island Communities Impact Assessments where applicable.
 - x. The Council should carry out detailed analysis to develop a strategy for the sustainable use of the Strategic Reserve Fund taking into account its longer-term plans and commitments.
- 4.2. The Account's Commission's findings are set out on page 4 in Appendix 1 to this report. A summary is as follows:
- i. The Commission welcomed the progress made by the Council since the Best Value Assurance Report in 2017, including completion of the actions it committed to following that report, and commend the Council for continuing to provide high-quality services that are appreciated by residents.

- ii. The Council has effective strategic planning and performance reporting, with clear priorities set out in the Council Plan, supported by a Delivery Plan and subject to regular monitoring. The Council also shows good compliance with the Commission's Statutory Performance Information Direction.
 - iii. The Commission recognised that, as an islands authority, Orkney faces particular challenges, including in relation to staffing and capacity. At the same time, the Council has potential opportunities offered by its wide range of responsibilities, abundant natural resources, and its positive relationship with the local community.
 - iv. The Commission believes that there is a significant gap between the Council's future transformation plans and ambitions and its ability to deliver them. A greater sense of urgency is needed from the Council in a range of areas, including medium-term financial planning, management of capital projects, and its approach to tackling climate change.
 - v. The Commission noted the scale of the Council's reserves and its stated intention to use those reserves in a sustainable manner. However, the Council is projecting a very large budget shortfall over the coming years and has relied on the use of its reserves rather than achieving significant savings to close previous budget gaps. The Council needs to develop and implement detailed operational service plans to put its finances in a more sustainable footing over the next three years. The Commission urges the Council to review its strategy for the sustainable use of its strategic reserve fund earlier than its target date of March 2025.
 - vi. The Commission noted that the Council has seen slippage in the delivery of capital projects over a number of years. Related to this, the Commission is not clear on whether the Council is on track to achieve its ambitious target of achieving net zero carbon emissions by 2030. The Council must provide more clarity on when it will publish a revised climate change strategy and action plan.
 - vii. While the Council's undertaking of a review of its community consultation and engagement is to be welcomed, the Commission would like to see this concluded sooner. We look forward to seeing the outcomes of this review, as well as any wider actions the Council intend to take to ensure it maintains regular structured engagement with residents throughout the year.
- 4.3. It is recommended that the Council accepts all of the Accounts Commission's recommendations, set out in Sections 4.2 above and on page 4-5 of the Best Value Report.

- 4.4. Should the Council accept the Accounts Commission's recommendations, it is proposed that each individual action point will be placed within either the Council Delivery Plan or appropriate Directorate Delivery Plan for the purpose of performance monitoring, management and scrutiny.

For Further Information please contact:

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Implications of Report

1. **Financial** – there are no immediate financial implications arising from the report however the key messages with financial aspects include medium-term financial planning, management of capital projects, and the need for less reliance on the use of reserves rather than achieving significant savings to close budget gaps.
2. **Legal** – complying with any recommendations contained in the Best Value Report will help the Council meet its statutory obligations to secure Best Value.
3. **Corporate Governance** - none
4. **Human Resources** - none
5. **Equalities** – key messages in respect of improving performance information in connection with equalities are contained within the report.
6. **Island Communities Impact** – not required.
7. **Links to Council Plan** – The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan** – The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
9. **Environmental and Climate Risk** – none.
10. **Risk** - none
11. **Procurement** - none
12. **Health and Safety**- none
13. **Property and Assets**- none
14. **Information Technology**- none

15. Cost of Living - none

List of Background Papers

[Item 05: Best Value Thematic Report 2022/23 \(orkney.gov.uk\)](https://www.orkney.gov.uk)

Appendix

Appendix 1 – Controller of Audit’s Report to the Accounts Commission - [Best Value: Orkney Islands Council \(audit.scot\)](https://www.audit.scot)