

Best Value

Scottish Borders Council



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
November 2024

Contents








Key facts	3
Commission findings	4
Controller of Audit report	6
Appendix 1.	12
Appendix 2.	13



Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key facts

	1,827	Square miles
	116,820	Population
	4,178	Workforce (FTE)
	34	Elected members 15 Conservative, 8 SNP, 7 Independent, 3 Liberal Democrats and 1 Green Party. (Conservative and Independent coalition administration)
	£18.1m	Savings required over 2024/25 – 2028/29 (1% of revenue spend over the 5 years)
	£346.5m	Net revenue expenditure 2023/24
	£90m	Capital expenditure 2023/24

Commission findings

The Accounts Commission welcomes and endorses the Controller of Audit's report on Best Value in Scottish Borders Council (presented at [page 6](#)) and the recommendations made by the auditors. Following consideration of these reports at its meeting on 7 November, the Commission has made the findings presented below:

- 1** The council's commitment to continuous improvement is clear. Despite Covid, work has continued to respond to all recommendations made in previous Best Value reports. It has consistently laid out a clear vision and strategic priorities that respond to its geographic and demographic challenges.
- 2** The Commission is impressed by the council's strong approach to financial management and recognises its financial strategy risk register as an area of good practice that should be shared. There is a strong track record of delivering planned savings, a significant proportion of which are recurring. Going forward, recognising the financial challenges faced, the focus should be on making savings on a recurring basis.
- 3** Following successful delivery of 'Fit for 2024', the council has set out a refreshed transformation programme, SBC Way, supported by a 'self-replenishing' change fund approach. The Commission will watch with interest as to whether the change fund approach delivers the required payback and recurring savings at the pace required. The Commission would urge the council to strengthen its reporting on its transformation programme milestones and expected benefits, as well as ensuring the community is engaged with its transformation agenda.
- 4** The council demonstrates a willingness to work with other councils and organisations, both within and out with the Borders area. The Commission encourages it to continue with this approach to support not only the achievement of the outcomes set out in its Council Plan, but the realisation of the £18.1 million savings required by 2028/29.

- 5** In relation to focusing on performance and improvement, the building blocks are in place, including timely and accessible public reporting. The council should strengthen the links between improvement activities and performance evidence, and the links between the Local Government Benchmarking Framework and its own priorities and performance indicators.
 - 6** Difficulties in relation to community engagement have been recognised. The Commission will take an interest in how the council is assessing the impact of its new Community Engagement Strategy, including evidence of effective leadership and how the strategy's principles are being embedded across the organisation.
 - 7** In response to workforce challenges and risks, the council has undertaken a range of targeted, service-specific initiatives – including the offer of accommodation for those recruited into adult social care – and is able to now see positive impacts. Again, the Commission would encourage the council to share this good practice. It has also focused on assessing the impacts of post-Covid 'agile working' on productivity, which we commend. The council should now focus on ensuring closer links between its workforce, financial and council plans, and develop performance metrics to continue to measure the impact of its actions.
-

Controller of Audit report

- 1.** This report is made by the Controller of Audit to the Accounts Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected in the 2022/23 and 2023/24 annual audits of the council, with the latter reported in September 2024. [Appendix 1](#) includes links to the 2022/23 and 2023/24 Annual Audit Reports (AAR) and [Appendix 2](#) includes a link to the Best Value Statutory Guidance.
- 2.** The reporting of Best Value is undertaken through the annual audit of each council and includes detailed work focusing on a Scotland-wide theme. The Best Value theme for 2022/23 was councils' leadership of the development of new local strategic priorities while the 2023/24 theme focused on workforce innovation.
- 3.** Scottish Borders Council (the council) made good progress with actions from previous Best Value reports, including developing action plans to address the recommendations. The council reported progress against these to the Audit Committee.
- 4.** A Best Value Assurance Report (BVAR) on the council was published in October 2019, containing seven improvement recommendations. Initially, progress on implementing the action plan was limited during 2020/21 as the council responded to the Covid-19 pandemic. The 2022/23 annual audit concluded that all the recommendations had been addressed, and the council will continue to monitor these against its corporate improvement plan.
- 5.** The 2022/23 Best Value thematic report had six recommendations, which related to the refresh of the community plan, updating elected members' training policy, a review of the senior management structure, the performance management framework, transformation reporting and people planning. The 2023/24 annual audit concluded that the council has completed all six improvement recommendations. As the recommendations were only implemented during the year, it is too early to clearly assess the impact of the changes and the extent to which they are embedded.
- 6.** The Council Plan sets a clear vision for the next ten years (approved February 2024), linked to six outcomes, five of which focus on improving the wellbeing of citizens in the area and making the region a more sustainable and better place to live, work and visit. The sixth outcome is

about developing a council that is as effective and efficient as it can be. The vision is rooted in the challenges of the area: the climate and nature emergencies, the cost-of-living crisis, demographic pressures and challenges around transport and digital connectivity.

7. The 2019 BVAR contained the recommendation that the council should improve how the Scottish Borders Community Planning Partnership involves communities and the third sector. The council has made efforts to engage with its citizens and communities when developing the current council plan priorities and enhancing community engagement was a key focus of the council's Fit For 2024 transformation programme. The council acknowledges it could do more to encourage participation in consultations about the vision and strategic priorities and in April 2024, the council approved its Community Engagement Strategy (CES). The CES will be subject to periodic review.

8. There are examples of effective cross-party working including development of council budgets and elected members shaping the council's priorities. The council has established a comprehensive induction programme to support elected members. In response to the recommendation in the Best Value thematic report 2022/23, the council updated its elected members' training policy to encourage the uptake of personal training and development plans.

9. The 2023/24 annual audit noted that the council has appropriate short, medium and long-term financial planning arrangements in place, including a medium to long-term financial strategy covering revenue and capital for the next five to ten years. There are effective and appropriate governance arrangements for delivery of these plans.

10. The council's medium-term financial plan shows a planned revenue spend of £1.9 billion over the period 2024/25–2028/29. It also identified a cumulative budget gap of £27.7 million over the same five-year period, £14 million relating to 2024/25. The council planned to make recurring savings of £4.4 million as well as using reserves of £1.2 million and financial flexibilities of £8.4 million to close the gap in 2024/25. It plans to find £13.7 million of recurring savings to close the gap over the remainder of the period without using reserves.

11. There has been a significant increase in the level of General Fund reserves held by the council. They increased from £49.6 million in 2022/23 to £60.1 million in 2023/24, a net increase of £10.5 million, predominately from service concession arrangements. There are £7.5 million of specific departmental earmarked balances. There are £46.2 million earmarked as allocated reserves. These include £20 million for the Change Fund (a self-replenishing fund to support transformation projects), £8.4 million to deliver the financial plan in 2024/25 and £7 million of funding brought forward from 2023/24 to support specific projects in 2024/25.

12. There are £7.4 million unearmarked (unallocated) reserves and the council's financial strategy intends to retain these at this level for 2024/25. The council considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressure. This level of unallocated reserves was approved for 2024/25. As part of the suite of budget papers, a financial strategy risk register is produced. The financial strategy risk register has been identified as an area of good practice. It details risks over the five years of the revenue plan, the associated cost of these risks materialising and links this with unearmarked reserves.

13. The 2023/24 budget included planned savings of £8.4 million and brought forward savings from 2022/23 of £3.1 million giving a total of £11.5 million, which the council achieved in year. A total of £6.6 million (58 per cent) of savings were achieved on a recurring basis.

The council should continue to ensure that future savings are made on a recurring basis to support financial sustainability.

14. Total capital expenditure in 2023/24 was £90 million against a revised budget of £96.9 million. While there was an underspend of £6.9 million on the planned budget, there was still a significant increase in capital investment from 2022/23 when £63.5 million was spent. The council's capital investment plan is primarily focused on economic regeneration and the learning estate, with £454 million of capital investment planned over the next ten years. The council recognises the revenue implications of borrowing and ensures borrowing is in line with prudential indicators detailed in the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities 2021. In 2023/24, the council noted the higher interest rates in the UK and sought advice from its treasury management specialists. As a result, the council undertook short-term borrowing and used existing cash balances for capital investment.

15. The council's Fit for 2024 transformation programme, which was established in 2019, reported on its conclusions in February 2024. The council set out to generate £30 million of permanent savings during this period and reported permanent (recurring) savings of £37 million. They also reported that the five key themes of Fit for 2024 had been met: service reviews, enhanced community engagement, physical assets, digital investment and process improvement. Fit for 2024 also included a review of each directorate and service. This led to the restructuring of services including HR and the Council Management Team. The council has reported that many of the savings have come from improvements to back office functions, which has protected frontline services. Going forward there is a sector-wide need for

innovative transformation of service delivery to support future financial sustainability.

16. The council's transformation work was refreshed in February 2024 under the SBC Way programme, which has nine workstreams and an increased focus on future service delivery. Although this programme is embedding, it needs to move with pace to deliver the required transformation to support the council's priorities. Ongoing projects from SBC Way include the transformation of culture and leisure services to improve performance and financial sustainability and work to develop care villages. There is detailed information regarding the culture and leisure services available within committee papers and minutes and information about the care villages on the council website. There is more limited public information regarding the detail of SBC Way as a whole and the expected milestones and benefits to be achieved from the transformation programme.

Reporting of transformation could be enhanced so that progress against defined measurable milestones and achievements from the SBC Way workstreams are more clearly reported to the community.

17. In April 2024, the council undertook a review of its Strategic People Plan (SPP) outlining the progress made by the council since the SPP was set in 2016. It sets out the council's strategic approach to ensuring it has the right people with the right skills through its talent management, succession planning and learning processes. The SPP does not provide an assessment of what the council's future workforce requirements and profile will be in the medium to long term. The council monitors the progress of its workforce initiatives, and each service has its own performance indicators, but it is not clear how the council intends to assess performance and what metrics it will use to measure the impact of the SPP. The council recognises that further work is required to fully align the SPP with the council's future operating model, council and financial plans to take account of the changing strategic and operational landscape, performance and evolving priorities.

18. The council has good examples of using digital technology to improve workforce productivity and improve services. Given the rural and disparate population, the use of technology will provide significant benefits for the council and its workforce. The council has an established approach to agile working, which it monitors and continues to evolve. Like many local authorities, workforce is a key challenge and staff recruitment and retention remains a recognised risk. The council has implemented, and had success with, several workforce initiatives to try and address some of these challenges. The council operates a shared centralised model for services including finance, payroll and property, integrated joint services with NHS Borders and has arrangements with

City of Edinburgh Council to provide insurance services. It is currently exploring shared service arrangements with its sports and leisure trust, Live Borders, as well as opportunities for working with Dumfries and Galloway Council.

19. The council is aware of the challenges around climate change, including the risk of flooding in certain localities. The Council Plan 2023/24 and strategic vision for 2033 have an outcome relevant to tackling climate change, and which it reports progress against quarterly and annually.

20. Inequalities are incorporated into the Council Plan. The council has published a progress report against its Equality Mainstreaming report 2022-2025. This includes Equality Outcomes Performance Data, Employment Data and Equality Impact Assessments. Relevant reports are available on the council's Equality and Diversity/Fairer Scotland Duty web pages. The council is implementing actions across its equalities mainstreaming report and anti-poverty plans and it has tailored its measurement framework to suit local needs.

21. The 2023/24 annual audit noted that appropriate performance reporting arrangements are in place. The BVAR in 2019 recommended the council embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking. The council responded by implementing a revised Performance Management Framework (PMF) which now measures performance in three ways; actions in the council plan (milestones), performance indicators, and comparison with other councils. The revised PMF was published in early 2022 and looks to place a greater emphasis on the use and management of performance information to drive continuous improvement and deliver Best Value.

22. Quarterly reporting on key performance indicators (KPIs) is shared with the Executive Committee and is readily available on the council's website. The council has established a suite of KPIs to help monitor progress against the outcomes detailed in the Council Plan and Community Plan. There is ongoing work to continue to build the suite of indicators including introducing new indicators for 2024/25 in safer communities and carbon usage.

23. The council reports on a series of annual performance measures in its Annual Performance Report. It summarises the performance indicators and trends for the year, but there is limited information on longer trends in the report. The council uses the Local Government Benchmarking Framework (LGBF) to highlight performance related to its family group and across Scotland as a whole. LGBF information is detailed across the six council plan outcomes, but it is not always clear how these link to the council priorities and the council's own KPIs.

Performance reporting can be enhanced by giving more detail and clearer linkages to actions being taken to address areas for improvement identified in the quarterly and annual performance reports.

24. The council has reported that they were able to maintain service performance levels with some improvements in education indicators and recycling. Challenges exist in indicators relating to looked after children and complaints handling and completing freedom of information (FOI) requests within the statutory deadline which have both declined in year. The council is making changes to its FOI process to address the statutory deadlines not being met, and there is a focus for improvement for looked after children being progressed via the Children and Young People Planning Partnership.

Appendix 1.

2022/23 and 2023/24 Annual Audit Reports

These reports summarise the findings from the 2022/23 and 2023/24 annual audits of Scottish Borders Council.

Each Annual Audit Report comprises:

- significant matters arising from the audit of the council's Annual Accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
 - Financial management
 - Financial sustainability
 - Vision, leadership and governance
 - Use of resources to improve outcomes.



2022/23 Annual Audit Report
Scottish Borders Council
 September 2023



2023/24 Annual Audit Report
Scottish Borders Council
 September 2024



Appendix 2.

Best Value

The Local Government in Scotland Act 2003 introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Best Value

Scottish Borders Council



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: info@audit.scot

www.audit.scot

ISBN 978 1 915839 56 5