

Best Value

Fife Council



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
February 2025

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Accessibility

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Key facts

	512	Square miles
	371,340	Population
	Approximately 15,750	Workforce (FTE)
	75	Elected members 19 Labour, 34 SNP, 13 Liberal Democrat, 8 Conservative & Unionist, 1 Independent (Labour minority administration)
	£46.5m	Cumulative funding gap forecast for three years to 2027/28
	£1,024.4m	Net revenue expenditure 2023/24
	£242m	Capital investment 2023/24

Commission findings

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

- 1** Fife Council has demonstrated competent financial management over the years and has achieved a positive outturn position without having to make significant savings. But the council has reached a turning point and is now managing significant in-year pressures and forecasting a cumulative gap of £46.5 million by 2027/28. The Commission was particularly concerned about the following issues highlighted in the annual audit report:
 - The Fife Strategic Assessment shows that the region continues to face key challenges including worsening inequalities; and slowing performance improvement has been identified in areas such as children's services and adult social care despite limited savings.
 - There were large overspends in Fife's Integration Joint Board (IJB) in 2023/24 and the same is being projected for 2024/25 due to ongoing and increasing demand-driven spend.
 - The Housing Revenue Account is under pressure with urgent plans now required, in consultation with tenants, to meet financial gaps and enable future investment in much needed affordable housing.
 - Significant levels of reserves were utilised in 2023/24, and uncommitted general fund balances dipped below the council's rolling three-year target of two per cent.

These issues will continue to impact the council's finances, so it is now critical for its Medium-Term Financial Strategy to set out how it will respond.

- 2** The council is demonstrating awareness of these issues and the work it must do in partnership to address not only the ambitions in the 'Plan for Fife', but the immediate service pressures in areas like health and social care. All services are now preparing three-year change plans (due by end March 2025) focused on longer-term financial sustainability. The Commission regards these plans as especially important in providing clear evidence that the right leadership, culture

and capacity (including in relation to digital) are in place to significantly accelerate the scale and pace of delivering the transformation and change now required. The Commission expects the council's Medium-Term Financial Strategy to be updated to take into account the impact of the change plans, and to provide transparency about future intended use of reserves.

- 3** The Commission is encouraged to see improvements in performance reporting arrangements in response to challenging audit recommendations in 2022/23. The next key step is robust evidence of how the council is using this improved reporting framework to drive continuous improvement. The council should evidence that its new change plans are having a positive impact on services performance and outcomes for communities.
 - 4** The Commission welcomes the minority party's leadership in fostering the joint arrangements required to make effective decisions. As well as a range of structures to support strong cross-party working, mandatory training has been developed for elected members to support their work on boards and committees. A range of tools and techniques are embedded to engage with communities, including area committees and well-established processes around community asset transfer, although further work is needed to encourage and support groups to manage assets in the most deprived areas. The council will need to ensure that these engagement structures support meaningful conversations between elected members and communities on the challenging fiscal reality, ensuring that they are equipped and able to take the tough decisions that lie ahead and implement the necessary service changes that have been delayed up until now.
 - 5** The council should be commended for innovative work in relation to its workforce, much of which is driven by recruitment, retention and capacity challenges. Its 'Life Chances' model (focused on employability and poverty reduction), apprenticeships, 'Grow your Own' schemes (in areas like environmental services), and a focus on flexible working and wellbeing are all initiatives that should be shared with other councils. While processes are in place for tracking implementation of its workforce strategy, the Commission expects evidence of regular reporting to be prioritised to measure the impact of initiatives and maintain a focus on continuous improvement.
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Controller of Audit report

Introduction

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.

Pace of continuous improvement

3. Fife Council (the council) shows a commitment to Best Value principles, although the pace and depth of improvement has been difficult to assess due to a period of significant change which has included:

- a review of the council's organisational structure
- refresh of the Plan for Fife 2024-2027
- development of three-year service change plans
- a review of decentralisation and area committee roles
- a review of the approach to elected member training and development.

4. All initiatives were completed in 2023/24 except for work on service change plans, something which had been the subject of a recommendation in the [Best Value Assurance Report \(BVAR\) in 2018 \(paragraph 7\)](#).

5. The council now needs to focus on delivery of improvement and ongoing change necessary for the realisation of its priorities and the sustainability of its services. Effective financial management and scrutiny will be increasingly important as will greater transparency around the way the council plans to use reserves, make savings and transform services.

Best Value Assurance Report follow-up

- 6.** There has been ongoing management activity to address outstanding recommendations from the 2018 BVAR. One recommendation, relating to the roll out of the education attainment improvement methodology, was marked as complete in 2022/23, and another relating to delivery board plans was marked as complete in 2023/24.
- 7.** Progress has been made with the two remaining recommendations relating to the redesign of health and social care, and the development of service level plans. The transformation of health and social care is a key priority for the council. The council has moved to a three-year planning horizon to help ensure service change programme initiatives focus on redesign and transformation. Directorate and service visions have been developed and work is under way to identify the change required to make those visions a reality. The council aims to have agreed and settled change plans in place by the end of March 2025.

Leadership

- 8.** The local government elections held in May 2022 resulted in a change in council leadership from a joint administration to a minority Labour administration with Labour, Liberal Democrat and Conservative councillors voting together to introduce a cabinet style governance approach.
- 9.** A new chief executive was appointed in July 2023 and changes were also made to the council's organisation structure and senior leadership team. A new Place Directorate was established, the Education and Children's Services Directorate was remodelled to establish a focused Education Directorate and a 'reset' Communities Directorate, including Children's Services and Criminal Justice.
- 10.** Each council directorate is headed by an executive director who, together with the chief executive and the director of health and social care, collectively form the Council Executive Team (CET). The CET is supported by a senior leadership team which is a mature team comprising officers with many years of experience, who are skilled leaders and professionals.
- 11.** The council has committed within its Annual Governance Statement to further develop the leadership skills and capacity of officers during 2024/25 to ensure there is effective leadership to respond successfully to changing demands and risks.
- 12.** A revised approach to member development, including mandatory training was agreed. This focused on extending requirements to complete relevant training before sitting on relevant board/committees, and the scope of training areas designated as mandatory. The auditor concluded that the revised approach provides elected members with the information and platform to continue to discharge their responsibilities effectively.

13. Effective working relationships continue to exist between senior officers and elected members with positions of responsibility. Various structures promote collaborative working including a formal area committee work programme, ward meetings, elected member workshops, development of Local Community Plans, and directing spend of decentralised budgets.

14. In 2022/23, the auditor concluded that the council has in place appropriate arrangements to demonstrate best value in each of the areas covered by the 2022/23 Best Value thematic report on leadership.

15. There has been continuity of the vision for 'A Fairer Fife' throughout the period of change at the council, with a commitment from members and officers to the existing Plan for Fife (the combined Community Planning Partnership and council Local Outcomes Improvement Plan).

16. Recovery and renewal priorities in the Plan for Fife include reducing inequality and addressing climate change. Methods for consulting and involving citizens were found to be appropriate.

Community engagement

17. The council has embedded a culture of community engagement where engagement is a continuous process within services instead of being used for specific consultation purposes only. The council gives citizens a greater say in budgeting through participatory budgeting and has developed consultation and participation tools including a Local Development Plan, Place Plans and a Fife People's Panel.

18. The council has a robust and well-established policy framework in place to support community asset transfers (CATs) and 12 assets to date have been transferred. The 2023/24 annual report showed that two community asset transfers were successful in the year. The council has recognised that further work is required to encourage and support community groups to manage and own assets through CATs.

Effectiveness of performance reporting

19. In 2022/23, the auditor made recommendations for the improvement of performance reporting to ensure fuller compliance with statutory requirements and to better demonstrate the pace and depth of improvement at the council.

20. The council undertook significant work to strengthen performance reporting in 2023/24. An annual Best Value self-assessment was introduced setting out how the council is delivering on its Best Value responsibilities, further detail is provided in [paragraph 26](#). Improvements were also made to the presentation and availability of performance information for internal management and external publication.

21. The council intends to further develop the performance information made available online with a focus on improving the way plans, performance, project delivery, evidence of impact, and community news are linked.

22. The auditor is now satisfied that the council has made proper arrangements for preparing and publishing statutory performance information although the success of recent changes cannot be fully evaluated until a full cycle of service annual reporting has been completed.

Reported performance

23. The council undertakes a 'Fife Strategic Assessment' every three years. The assessment tracks nine performance indicators that are intended to provoke discussion on whether the council is doing the right things and approaching them in the right way. The August 2024 report shows the trends and the gap between most and least deprived areas worsening for almost all outcomes tracked, including life expectancy and school attainment.

24. The Local Government Benchmarking Framework (LGBF) data available for the council shows that around 60 per cent of the indicators have improved over time (indicator base year to December 2024). However, for key service areas such as children's services and adult social work the proportion of indicators showing improvement is much lower at 50 per cent and 27 per cent respectively. Only around 20 per cent of indicators for these service areas are above average.

25. The council has identified that in overall terms around 40 per cent of LGBF indicators have improved, relative to the family group and Scotland averages with:

- Signs of slowing improvement in aspects of finance, children's services and adult social care, but that these are in line with national trends and increased pressure/demand. Other declines in relation to child poverty, education, business start-ups and recycling, for example, are being explored further alongside other data/assessments.
- Areas where performance has improved and/or are performing better than the Scotland average. These include aspects of financial sustainability, economic development, procurement, housing management and climate change.

26. The council's new annual corporate Best Value self-assessment includes 16 Best Value Performance Indicators (BVPIs) which help to assess how well the council is doing in delivering best value. The BVPIs are drawn from a range of best value themes including workforce, asset management, financial management, equalities, customer responsiveness, digital and climate. Assessing performance against target for 2023/24 shows nine of the core set of 16 best value indicators have a green RAG status, three are amber and four are red.

Workforce planning to deliver the council's vision

27. The Best Value thematic review of workforce innovation in 2023/24 found that the council works collaboratively with partners and has appropriate arrangements in place for building future capacity. A range of innovative schemes and initiatives have been developed across services to help produce a resilient workforce.

28. The council has a clear and comprehensive workforce strategy 'Our People Matter 2022-2025' (OPM) which supports the achievement of the Plan for Fife. Following the refresh of the Plan for Fife in 2023/24, work has started on the refresh of Our People Matter 2025-2028 and this was reported to Cabinet Committee in September 2024.

29. The refreshed OPM will reflect latest challenges facing the council and already incorporated in three-year budgets and the medium-term financial strategy. The refresh of the strategy will include development of a Corporate People Plan (to supplement service plans) to clearly set out the actions that are required to be taken at a corporate level to address the current and future gaps in workforce capacity and capability.

30. Appropriate arrangements are in place to enable the delivery of the council's digital strategy. However, work is still required in developing the leadership and culture of the organisation which will drive digital change and progress. A key challenge for the council is the creation of capacity within its workforce to enable the review, exploration and development of digital opportunities. If the council is to fully exploit and explore new opportunities, particularly in the emergence of data-driven approaches and AI and automation, this needs to be addressed.

31. There is a well-established blended office and home working approach with a strong culture of support for employee wellbeing and a team focus. However, most services operate through front-line staff for whom a blended working approach is not currently possible. The council intends to explore flexible working opportunities for front-line staff and develop productivity measures for each of the council's workstyles.

32. The council has developed a suite of performance indicators which directly link to the success measures within the OPM strategy, and which are reported in the OPM annual reports. Auditors have recommended that the council reviews the timeliness of workforce performance reporting, and a delayed report was considered by the Cabinet Committee on 12 September 2024.

Financial management and sustainability

33. There is a three-year approach to budget-setting and the council has a Medium-Term Financial Strategy (MTFS) which is regularly updated. In recent years the council has managed its budget without needing to make significant savings. The auditors concluded that the council has appropriate arrangements in place for financial management and the use of resources.

34. The use of one-off financial flexibilities and the receipt of additional non-recurring Scottish Government funding in 2022/23 enabled a contribution of £26.6 million to usable reserves. The overall usable reserves increased to £238.7 million at 31 March 2023. Significant levels of reserves were utilised in 2023/24 with overall usable reserves declining by £57.4 million to £181.3 million.

35. The uncommitted general fund balance at the end of 2023/24 was £13.6 million. This represents 1.3 per cent of budgeted net revenue expenditure which is below the council's rolling three-year target of two per cent. Key financial information is shown for recent years in [Exhibit 1](#).

Exhibit 1.

Fife Council – key financial information

Budget-setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
Budget gap	1.5	11.5	8.2
Planned to be met via:			
• Savings/increase in fees and charges	-	-	0.8
• Use of reserves	0	1.6	0
• Council tax increase & additional funding	5.2 (3%)	11.1 (5%)	9.3
• Available for investment	(3.7)	(1.2)	(1.9)
Reserves position at year end			
Total usable reserves carried forward	238.7	181.3	Forecast
Of which: General fund	216.1	157.3	105.5
Uncommitted general fund balance	37	13.6	11.8

Source: Fife Council committee papers and accounts

36. There was no planned use of reserves to close a budget gap for 2024/25 when the budget was set, but recognition of a significant balance of earmarked reserves. Investment decisions made at that time were met from in year funding and the use of reserves. The expected use of earmarked and committed reserves is reported separately.

37. Since the 2024/25 budget was set, the council have encountered increased financial pressures and an overspend against service budgets is forecast. At the time the auditors reported in September 2024, a general fund overspend of £16.7 million was forecast. A proposal to de-commit balances was presented to Cabinet in September 2024 and executive directors were tasked to plan and implement corrective/mitigating actions to bring costs down to a more sustainable level in 2024/25.

38. The latest budget monitoring report in January 2025 shows an improved forecast with general fund overspend reducing to £10.7 million for 2024/25. The report also provides an update on the planned and agreed use of committed and earmarked reserves which is forecast to be £41.2 million for 2024/25. This would leave the overall general fund balance at £105.5 million with the uncommitted balance at £5.6 million. The council agreed to decommit £6.2 million of earmarked reserves in order to increase the uncommitted balances to £11.8 million, closer to the policy minimum.

39. Health and social care is a service area under particular pressure, having overspent significantly in 2023/24 and with the council's allocation of the Health and Social Care Partnership's forecast overspend in excess of £11 million for 2024/25. The council recognise that a partnership approach is required to mitigate the level of financial risk emerging, and monthly meetings with senior finance staff across the partnership have been implemented to allow for greater scrutiny of financial controls, financial management and any further significant movements in budget.

40. The council's MTFS, updated in September 2024, reported an indicative budget gap of £16.8 million for 2025/26, rising to a cumulative £30.6 million for 2026/27 and £46.5 million for 2027/28.

41. The council acknowledges that the use of reserves to close budget gaps is not sustainable, and that significant change and difficult decisions will need to be made. As set out in [paragraph 7](#) work is ongoing to bring forward change proposals. The council will need to ensure that it has mechanisms in place to enable these difficult decisions to be made.

Housing Revenue Account

42. The council's Housing Revenue Account (HRA), the account used to record landlord costs for council housing, remains under financial pressure with £2.1 million of reserves utilised in 2023/24. The closing balance on the HRA (which forms part of the general fund and total usable reserves in [Exhibit 1](#)) reduced to £5.3 million at 31 March 2024 following planned and agreed use of reserves.

43. Increased cost pressures on the HRA also resulted in a reduced contribution from revenue to support the capital programme for the second year in a row. If this pattern continues, then borrowing will increase further which could impact affordability of the HRA capital programme in the longer term.

Delivery of the capital programme

44. The council has developed a Capital Strategy and has a ten-year rolling capital programme that is reviewed every two years. The Capital Investment Plan 2023-33 was approved by the council in June 2023 and work has begun on a review of the Capital Strategy which will ensure it is in line with the refreshed Plan for Fife.

45. The council's capital investment plan is ambitious with increased investment in recent years. However, slippage in the delivery of the capital programme has also increased to £89 million, or 27 per cent of planned investment, in 2023/24. Slippage is particularly high in relation to affordable housing programmes, due to inflation and cost increases, resulting in delays in project start dates of some large projects.

46. The council is compliant with applicable regulations and codes relating to capital investment and treasury management and is aware of the potential affordability challenges which may arise in future years if costs continue to rise ahead of funding.

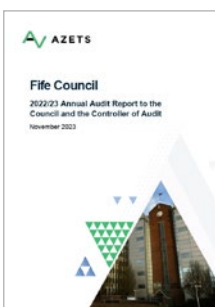
Appendix 1

2022/23 and 2023/24 Annual Audit Reports

These reports summarise the findings from the 2022/23 and 2023/24 annual audits of Fife 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 Fife Council November 2023



2023/24 Annual Audit Report Fife Council September 2024



Appendix 2

Best Value Statutory Guidance

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

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