

MEETING: 12 NOVEMBER 2020

REPORT BY: SECRETARY TO THE COMMISSION

BEST VALUE ASSURANCE REPORT: THE CITY OF EDINBURGH COUNCIL

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Best Value Assurance Report for The City of Edinburgh Council.

Background

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment and by Best Value being reported in annual audit reports.
3. The attached BVAR (Appendix 1) is on The City of Edinburgh Council. This is the first BVAR on the council and reports on the progress made by the Council since previous Best Value reporting. The Controller of Audit previously reported to the Accounts Commission on the Council in May 2013 and the Commission's findings were published in [May 2013](#) (set out in Appendix 2). The Commission required a progress report, which was published in [December 2014](#) (Appendix 3). A further follow-up report was published in [February 2016](#) (Appendix 4).

The Controller of Audit report

4. The BVAR is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
5. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
6. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.
7. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.

Procedure

8. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
9. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
10. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
11. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

12. The Commission is invited to:
 - a) consider the Controller of Audit's BVAR on The City of Edinburgh Council; and
 - b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
3 November 2020

BEST VALUE ASSURANCE REPORT: THE CITY OF EDINBURGH COUNCIL

See separate paper.

THE AUDIT OF BEST VALUE AND COMMUNITY PLANNING –
THE CITY OF EDINBURGH COUNCIL: COMMISSION FINDINGS

MAY 2013

1. The Commission accepts the Controller of Audit's report.
2. The Commission acknowledges a range of improvements since the last Best Value report in 2007. It welcomes improving performance in partnership working, both at a political level within the council and with community planning partners; economic development; children's services; and aspects of reducing inequalities.
3. The council demonstrates a good understanding of the challenges it faces and the need to restore public confidence, which has been damaged in light of high-profile issues such as the trams project and the statutory repairs service. These issues are substantial, and the Commission will continue to monitor progress. Overall, the Commission is concerned about the scale of the challenges that the council faces.
4. The council needs to develop a comprehensive workforce strategy; improve its information and communications technology (ICT); ensure it has effective risk management and internal audit arrangements; and improve a range of services including adult social work, waste management, and meeting housing need. It needs to ensure it has the capacity and skills to deliver its ambitious improvement and change programme, and embed the commitment of all staff to the need for change.
5. The challenge of reducing budgets is found in other councils, but the Commission considers there is a set of circumstances which makes Edinburgh's situation particularly challenging. The council decided not to proceed with alternative business models to provide services and achieve substantial savings. Currently, its four-year budget for 2014–18 requires recurring annual savings of £107 million by 2017/18 and is heavily dependent on improved procurement delivering recurring annual savings of £41 million by 2017/18. Assuming all elements of the savings plan are achieved including all the savings from procurement, the council will still require to find further substantial savings.
6. There are risks in whether the planned savings are achievable and in the reliance on the level of saving to be achieved from procurement. These risks are compounded by the unknown financial impact of fully resolving the statutory repairs problem which is unique to Edinburgh. There is an additional risk that not achieving the required overall savings will hinder the Council's ability to restore public confidence.
7. In light of these significant risks and uncertainties, the Commission urges the council to give absolute priority to ensuring that savings identified are both achievable and delivered.
8. The Commission has stated previously in its overview reports that a need for focus on finances in councils means that the statutory financial officer is increasingly important and must have the appropriate access and influence to perform this crucial role. Given the scale of the financial challenge facing the Council, the Commission would encourage the council to assure itself that this is the case.
9. The council is on a journey of improvement: it needs to complete that journey. The recent strong leadership needs to continue in order to translate plans into reality. To this end, the Commission asks the Controller of Audit to report on progress in around 18-months' time.

THE AUDIT OF BEST VALUE AND COMMUNITY PLANNING –
THE CITY OF EDINBURGH COUNCIL – A FOLLOW-UP REPORT:
COMMISSION FINDINGS

DECEMBER 2014

1. The Commission accepts this report by the Controller of Audit which it required as part of its findings on the council in 2013.
2. In its findings in 2013, in light of the risks and uncertainties in relation to the council's planned savings between 2014 and 2018 the Commission "urged the council to give absolute priority to ensuring the savings identified are both achievable and delivered". We note that in some instances savings have not been achieved or, in the case of procurement, have been scaled back. We have growing concern about the increased level of savings required by the council: our previous findings stated that the council needs to make recurring annual savings of £107million by 2017/18; now it is £138 million.
3. In 2013, the council reported that the gap between the savings required by 2017/18 and those already identified in council financial plans was £17 million; now it is £67 million. The means of closing the savings gap have yet to be fully identified. While the council has developed a transformation programme, this is still in its initial phase and it is too early to say that it will deliver its objective. Nor is it clear what alternative strategy, if any, the council would follow if the programme failed to deliver the necessary level of savings. The financial implications associated with the statutory repairs service also remain a substantial risk to the council.
4. In our last findings we highlighted the need for the council to develop a workforce strategy. This is not yet in place and represents a significant strategic failure by the council. A workforce strategy is essential in enabling the council to manage and plan its required savings. Also in our previous findings we advised that the council needed to improve its information and communications technology: this is fundamental to effective transformation and we note that this is an area that still requires improvement.
5. We acknowledge, however, that some important elements are now in place to help such a drive for improvement. We are particularly encouraged by the progress made by the council in embedding its governance arrangements, notably around elected member scrutiny of performance. Improved risk management and internal audit is also valuable, and we note the potential influential role of the Corporate Programme Office in making progress. Continuing improvements to communications with staff will also help facilitate staff awareness and buy-in of planned changes.
6. We identified in our previous findings some service areas where improvement is needed: in adult social work, waste management and meeting housing need. We are encouraged that all have seen improvements, but we recognise that all are subject to substantial pressure.
7. In the challenging circumstances facing the council the leadership of elected members will be crucial; equally will be a consistent corporate focus by the Corporate Management Team both in providing elected members with comprehensive and accessible information about the council's financial position and the transparent reporting of all alternative options for service redesign.
8. The scale of the challenge facing the council has substantially increased since our last findings. We therefore require the Controller of Audit to report to the Commission in a year. We expect the council to have made substantial improvement by that date.

THE AUDIT OF BEST VALUE AND COMMUNITY PLANNING –
THE CITY OF EDINBURGH COUNCIL – BEST VALUE AUDIT 2016:
COMMISSION FINDINGS

FEBRUARY 2016

1. The Commission accepts the Controller of Audit's report, which was required as part of the Commission's findings on the Council in December 2014.
2. The Commission is encouraged with the progress being made in those areas on which we expressed particular concern in our previous findings, namely that:
 - substantial progress has been made in meeting savings targets and identifying and planning further savings within a four-year budget framework
 - a high-level workforce strategy is now in place
 - various improvement activities have been consolidated in the council's ambitious Transformation Programme, some aspects of which have seen good progress made.
3. We underline, however, that uncertainties around future funding and service demands – faced by all councils – mean there will be continuing risks around progress and delivery of plans and improvement.
4. Clear leadership by members and officers, and a shared understanding between them of the challenges faced by the council, have been the basis of accelerated change. This is against a backdrop of continuing substantial change in the corporate leadership team.
5. We note the risks inherent in the Transformation Programme: many components remain in progress and it is largely too soon to see its effects on the delivery of services and on outcomes for communities. For example, effective management of ongoing organisational reviews, and their implications for staffing levels, is vital. It is essential that the council manages the risks by ensuring it has the necessary skills and management capacity to secure Best Value through successfully implementing the programme.
6. We will therefore maintain our interest in the council's progress, with the Controller of Audit monitoring progress through the annual audit process.