

## Purpose

1. This paper provides an update on the progress of Shetland Islands Council's Best Value Audit Report recommendations.

## Recommendations

2. The Commission is asked to:
  - Note the progress update for Shetland Islands Council
  - Consider any implications for the schedule of BV reports

## Background

3. The Best Value Assurance Report: Shetland Islands Council was discussed at the Accounts Commission meeting on 11 August 2022. At that same meeting the Commission approved the indicative programme for the new CoA Best Value which included a CoA BV report for Shetland Islands Council in year 3 (Oct 2025 to Aug 2026).
4. During the private discussion the Commission members had some concerns about the urgency of change and reflected this in the Commission findings which included the statement '*The progress required by Shetland Islands Council is urgent. We therefore require the Controller of Audit to report back to us within 18 months.*'
5. In the CoA reporting schedule, the '18 month' update on Shetland was planned for Jan 2024 with the statutory CoA BV report and AAR retained in year 3 of the schedule.

## Considerations

6. There is no set format for an 'update' from the Controller of Audit and it is not a statutory report.
7. The August 2023 Best Value Thematic report finds 'Overall, we assess that there is evidence of progress against last year's BVAR in most areas, but no area is fully complete yet.'
8. And specifically, in relation to a key concern area of the Commission, the council has prepared a **medium-term financial outlook** (MTFO) 2022-2027.
9. There has been no significant progress on developing a change **or transformation programme**. The change programme is not detailed in one policy document, it is however included as part of each of the 29 service plans in which all actions are aligned under one of the strategic plan themes. A significant number of the projects are at the early stages of implementation with the dates for completion being over the next three-year period, however progress has been made on each action.

- 10.** The council has been using **reserves** to balance its budget for over 20 years. Income from harbour activities continues to add to reserves, but increasing amounts are being used to support services and capital investment. ‘The total useable reserves decreased last year (2022/23) (£40 million) and the projected reduction in 2023/24 is £24 million) with amounts being used to support services and capital investment. If this continues, then the council reserves could run out in 15 years.’
- 11.** Not specifically raised by the Commission in the BVAR discussion, it should be noted that although **performance** remains relatively very strong (55 per cent of LGBF indicators are in the top two quartiles in 2021/22 and satisfaction levels remain high, with the exception of housing), the council does not fully comply with the **SPI Direction** as although information is readily available to the public, it doesn’t provide a balanced picture of performance and is not sufficiently focused on the priorities in the council’s strategic plan.
- 12.** The exhibit below summarises progress against all the Best Value recommendations.

BVAR Recommendation	Summary of progress
<p>The council should improve performance management and reporting by:</p> <ul style="list-style-type: none"> <li>• ensuring performance indicators are in place for plans and strategies at the time of their development</li> <li>• setting targets for its performance indicators as appropriate and in a timely manner</li> <li>• ensuring annual performance reporting is balanced, uses a mixture of qualitative and quantitative information (including recently agreed performance indicators) and clearly draws out areas for improvement and associated improvement actions</li> <li>• ensuring monitoring is in place for the council’s early intervention and prevention projects</li> </ul>	<p><b><u>In Progress</u></b></p> <p>The council has established a performance framework which aligns with its council plan priorities</p> <p>There are 118 indicators identified that align to the priority areas and this number of indicators may be excessive</p> <p>Performance targets have only been set one year ahead and only for 70 per cent of indicators</p> <p>The Council’s website has good, detailed action and performance data, but these are not clearly focussed on key priorities in Our Ambition</p> <p>Service plans are up-to-date and consistent with the Council plan</p> <p>Annual performance reporting against the council plan is available on the website, but is mainly narrative and focuses on achievements</p>
<p>Elected members should work with council management to set out how it will meet the estimated funding gap</p> <ul style="list-style-type: none"> <li>• The council should improve how it involves</li> </ul>	<p><b><u>In Progress</u></b></p> <p>The council approved a balanced revenue budget for 2023/24. The budget gap of £3.2 million for 2023/24, was addressed by continued use of the general fund</p> <p>The council continues faces a significant challenge in being able to set balanced budgets in the future. The central</p>

BVAR Recommendation	Summary of progress
<p>elected members in budget-setting</p>	<p>scenario indicated a potential cumulative budgetary deficit of £106 million by 2026/27</p> <p>The Councils own BV action plan monitoring update notes that “budget seminars were delivered, and members’ feedback sought on savings proposals, council tax, rent levels and service reviews.</p> <p>For the 2023/24 budget the Council engaged with people on council tax increases as well as with tenants on rent increases. For the 2024/25 budget the Council plans to implement an engagement programme starting in August 2023 to build in community priorities</p>
<p>The council needs to fully embed its Change Programme by:</p> <ul style="list-style-type: none"> <li>• identifying, developing and aligning its supporting projects and activities</li> <li>• setting clear timescales</li> <li>• fully resourcing its work including the PMO Team ensuring there is a dedicated core hub for its work</li> <li>• creating a clear plan of how it will address savings identified in the MTFP</li> </ul>	<p><b><u>In Progress</u></b></p> <p>The Council’s own BV action plan monitoring update notes that SIC Change Programme Delivery Plan approved 23 November 2022. Hub and Spoke model agreed</p> <p>Progress reports on the change projects are reported to the policy and resources committee quarterly and the actions are given a red-amber-green status. The actions are spread over the 29 service plans and linked to the Our Ambition themes.</p> <p>A small resource is available to drive forward the change projects.</p> <p>The council needs to continue to develop its approach to driving forward the projects to ensure they are achievable within the resources available</p> <p>.</p>
<p>‘The council should align all plans and strategies under Our Ambition to meet its priorities, specifically:</p> <ul style="list-style-type: none"> <li>• workforce planning</li> <li>• the Asset Improvement Plan</li> <li>• financial planning</li> <li>• the Change Programme</li> </ul>	<p><b><u>In Progress</u></b></p> <p>Service plans are up-to-date and consistent with the Council plan. The council has developed three-year service plans for each of the five directorates. These are updated annually and last updated on 15 March 2023. The delivery plans are clearly aligned with the priorities in the Our ambition plan and demonstrates how each service will deliver its priorities.</p> <p>A council-wide workforce strategy and workforce plan exists, but both are being updated to align with Our Ambition. The council created a workforce strategy in December 2020 and a workforce in September 2021. An update on the workforce plan was taken to the Council in June 2023, which outlined the actions they are taking to address recruitment and retention issues</p> <p>The council has a five-year Asset Investment Plan (AIP) 2023-28, approved on 15 March 2023. There is still no clear link between the projects within the AIP and how they will help the council achieve its priorities set out in Our Ambition</p>

BVAR Recommendation	Summary of progress
	<p>The Council has prepared a medium- term financial outlook (MTFO) 2022-2027, which is refreshed annually ahead of the budgeting cycle. The latest update was September 2022. The MTFO is currently undergoing review and it is expected to be revised by September 2023</p> <p>The council has the change programme embedded within all other plans that it undertakes. The council's change programme is not confined to one policy document, it is however included as part of each of the service plans</p>
<p>In respect of community engagement, the council should:</p> <ul style="list-style-type: none"> <li>• engage communities on key strategic plans and developments, including the council plan and annual budget</li> <li>• demonstrate how the results of community engagement exercises have fed into plans and services</li> <li>• ensure locality plans are in place</li> </ul>	<p><b><u>In Progress</u></b></p> <p>A Community Engagement strategy has not yet been prepared. The Council plans to develop a community Engagement Strategy for Shetland, however there is currently no timetable for this</p> <p>The Council's Community Development department engaged in a series of Community Conversations with members of the community, community groups, third sector organisations and staff teams over the last year. In February 2023 the council, its partners, Hub North Scotland and Scottish Futures Trust (SFT) produced a report "Nort Natters." The report took a place-based approach. A series of community engagement events were undertaken</p> <p>The council is improving resident involvement in budget setting. For the 2023/24 budget the Council engaged with people on council tax increases as well as with tenants on rent increases. For the 2024/25 budget the Council plans to implement an engagement programme starting in August 2023 to build in community priorities</p>
<p>In respect of impact assessments, the council should:</p> <ul style="list-style-type: none"> <li>• develop a consistent approach in carrying out EIAs</li> </ul>	<p><b><u>In Progress</u></b></p> <p>The Council has reviewed current templates for Integrated Impact Assessments (IIA), ensuring all statutory requirements are covered for equalities. It also completed an IIA on the Council's 2023-2024 budget</p>

Source: Audit Scotland

## Conclusion

**13.** The report notes progress in all BVAR recommended areas but that none are yet complete.