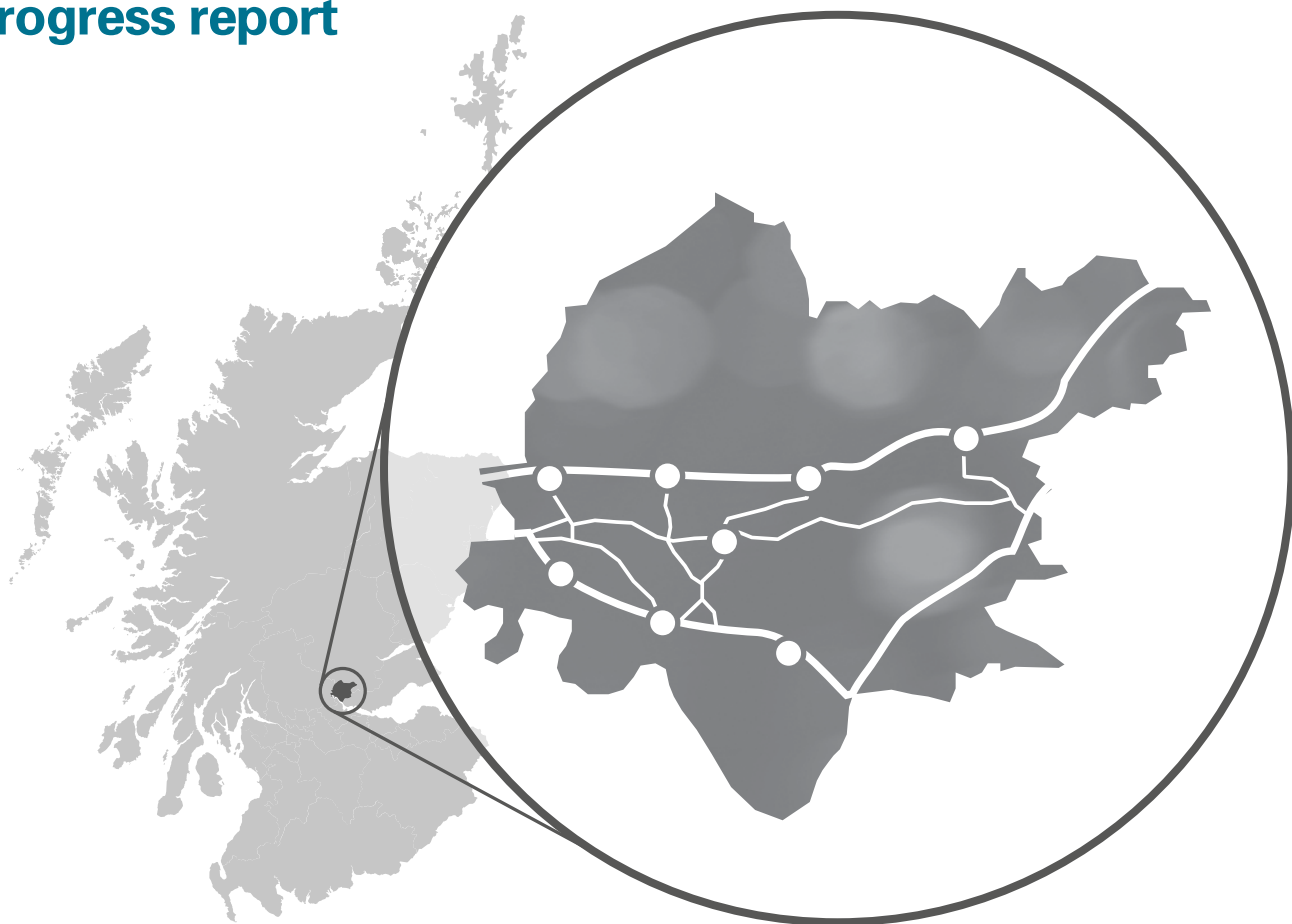


Best Value Assurance Report

# Clackmannanshire Council

Progress report



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
June 2019


# The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

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- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

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# Commission findings

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- 1** The Commission accepts the Controller of Audit's report on the progress made by Clackmannanshire Council against the previous report on Best Value in the council in January 2018. We endorse the recommendations set out by the Controller in his report and expect the council to act upon them.
- 2** We required a further report by the Controller of Audit because we were seriously concerned about the council's financial position. We stressed the need for urgent action, improved capacity and better leadership to address required savings.
- 3** We are pleased to note that action has been taken that has led to a positive momentum and increasing pace of change. However, the scale of the challenge to be met remains significant, as does the urgent need to implement change to address the council's financial position.
- 4** The council has responded positively to our findings, most notably in achieving savings, and in members working constructively with each other and with officers. We welcome the council's commitment to collaborating with partners. Improving the capacity for change, both in a new senior management team and in securing external assistance, is also a positive development. We encourage the council to engage staff and local communities as it progresses its programme for change and long-term savings.
- 5** Implementing the new corporate plan and taking forward the required transformational change, based upon these new arrangements, will remain very challenging. We therefore remain seriously concerned about the financial position and the need for key decisions and action to be taken over the next few months. Our auditors will maintain a close interest in progress and the Controller of Audit will keep us updated as appropriate.

# Controller of Audit report



The council's financial position remains very challenging. Against that backdrop, it is making the investment necessary to create the conditions for change. The pace of change has increased significantly since August 2018 and the council is taking steps to secure the capacity it needs to maintain this momentum. The council still has much to do to implement and embed the changes required for service and financial sustainability.

**1.** The council made limited progress in the period from the Best Value Assurance Report (BVAR) in January 2018 up to August 2018. This was due mainly to the delay in recruiting the new chief executive and appointing the council's new senior management team.

**2.** The pace of change has increased significantly since August 2018. The council has responded positively to the Accounts Commission's findings and has:

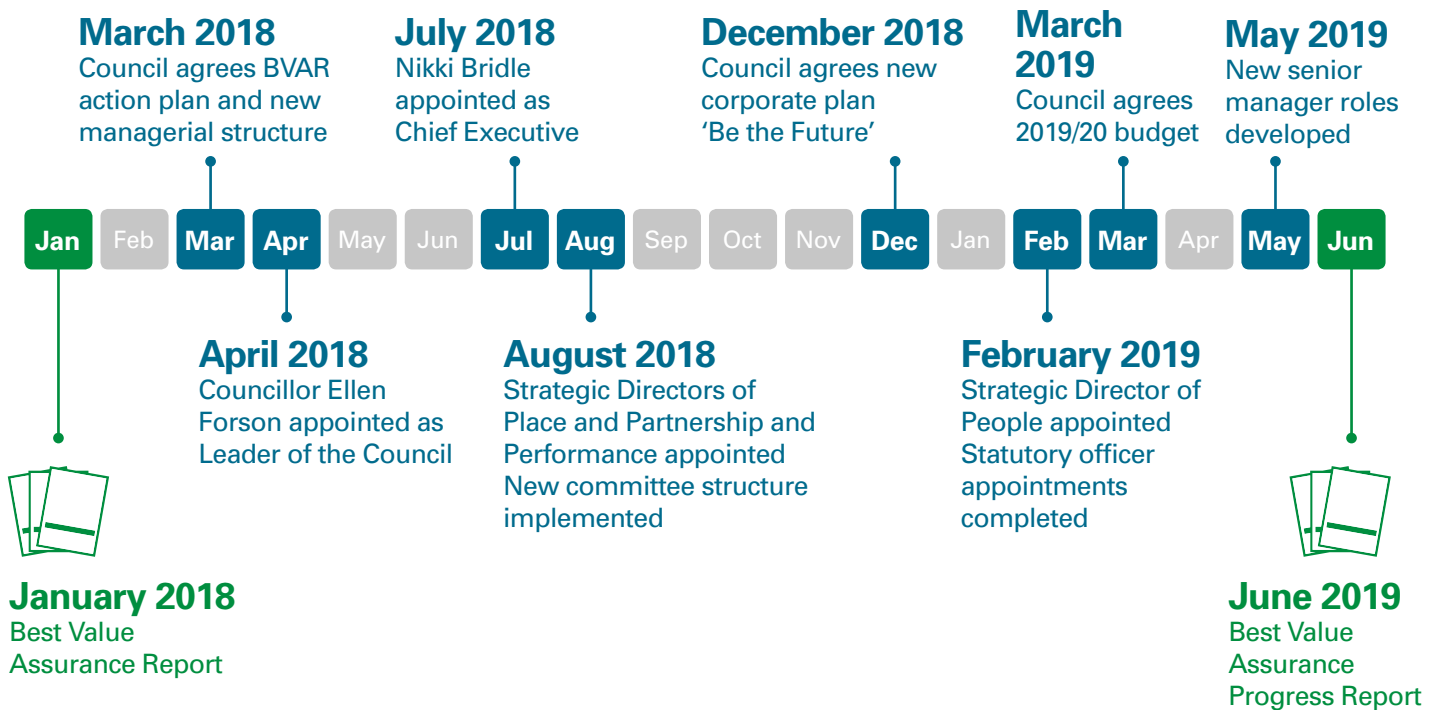
- achieved savings to improve its financial position
- agreed a new corporate plan which provides a clear focus for improvement based on collaboration, inclusive growth and innovation
- developed arrangements for debate and scrutiny of options, involving councillors and officers and more cohesive leadership of change through its change programme board
- made progress in securing capacity for improvement through the appointment of a new senior management team and statutory officers
- secured a range of external assistance to support improvement, including leadership training and development
- explored alternatives for delivering services, recognising that working with other councils must be part of its approach to financial sustainability.

**3.** [Exhibit 1 \(page 6\)](#) outlines the key events and the decisions that have taken place since the BVAR in January 2018.

**4.** The work the council has done since January 2018, and particularly since August 2018, has laid the foundations for improvement. It still has much to do to implement and embed the changes required for service and financial sustainability.

## Exhibit 1

### Timeline



Source: Audit Scotland

5. This report updates the Accounts Commission following the [Best Value Assurance Report](#) in January 2018. I have prepared the report in response to the Commission's request for a further report on the progress made by the council in June 2019, or earlier if required.

6. In January 2018, the Commission endorsed the recommendations in my report ([Appendix](#)) and said it expected the council to act upon them. [Exhibit 2 \(page 7\)](#) sets out the Commission's findings at that time.

7. My report is based on audit work carried out in March and April 2019. It builds on the annual audit work reported by the external auditor in the September 2018 [Clackmannanshire Council 2017/18 Annual Audit Report](#). My report covers:

- the council's progress in securing its financial position
- how effectively councillors and officers are leading action to address the financial position, organisational change and transformation
- an assessment of the council's capacity for improvement, including its use of external assistance and partnership working.

## Exhibit 2

### January 2018 Commission findings

- 1 We are seriously concerned about the council's financial position. The Controller of Audit reports the need for savings of £29 million over the next three years, from an annual budget of £118 million. We underline the Controller of Audit's view that urgent and decisive action is needed by the council to address these required savings.
- 2 The council previously agreed a new strategic model for providing services and this now needs to be taken forward. In doing so, the council must consider carefully a balance between finding savings and ensuring it has the officer capacity and time to identify those savings and deliver change, while still maintaining the performance of its services.
- 3 To do so, clear political leadership is needed. This was not in evidence in the political instability in recent years. The duty of Best Value is the responsibility of the whole council: this needs to be fulfilled by members working collectively. Combined leadership between members and officers is also vital.
- 4 The need to ensure sustained effective leadership and improvement is substantial. The design and implementation of transformational change in a complex organisation is demanding, and more so when carried out under time and resource pressure. The task of securing the necessary changes to sustain services and demonstrate Best Value is urgent. It is our view that the council should seek external assistance of appropriate quality and experience.
- 5 The challenges faced by the council and its partners in improving outcomes and reducing inequalities for the people of Clackmannanshire are significant. The local outcome improvement plan provides an important vehicle for the council and its partners to help prioritise resources. We encourage the council to build on this partnership working, and its good record of engaging with communities, to deliver the required change.

Source: [Best Value Assurance Report Clackmannanshire Council](#) , Accounts Commission, January 2018

### **The council's financial position has improved but remains very challenging. It recognises its finances are not sustainable in the longer term without transformation and decisions on services**

8. In January 2018, the council was forecasting a three-year cumulative funding gap of £28.7 million. As a proportion of net expenditure this was among the highest funding gaps of any Scottish local authority.
9. The council regularly reviews its financial position. It has longer-term plans that include best, most likely and worst-case scenarios. Following its 2019/20 budget, it is now forecasting most likely funding gaps of £10.1 million, £6.7 million and £6.5 million for the three years to 2023. This is a cumulative gap of £23.3 million.

**10.** The council has a track-record of managing its finances year-on-year. The council reported in its budget consultation document that it had made savings of over £43 million since 2011. In addition, it is forecasting it will achieve 86 per cent of the £7.2 million savings planned for 2018/19. The council's financial position has improved because it has sustained savings and because of wider changes in council funding. In particular, the Scottish Government provided councils with funding to cover increases in teachers' pay and pensions in its revised settlement in January 2019.

**11.** The council agreed a balanced budget for 2019/20 in March 2019. Councillors across political parties worked to form a budget which the majority of the council supported. It agreed a four per cent increase in council tax. Through the budget, the uncommitted general fund balance is maintained at £4.8 million, £0.8 million above the minimum set in the council's reserve strategy. The budget includes further recurring savings of £4.8 million and the council will use one-off savings and a contribution from its capital receipts reserve. The council knows this approach is not sustainable and accepts that the £10.1 million funding gap for 2020/21 is very challenging.

**12.** The combination of savings, ongoing organisational redesign, increased council tax, use of reserves and increased grant funding meant that the council was able to avoid difficult budget decisions. The budget consultation document clearly set out the challenges the council faces and the difficulty in finding savings that will not impact individuals and communities. Officers presented a range of savings proposals.

**13.** Residents raised concerns about the savings options. Petitions were presented to council committees objecting to proposed school closures, the ending of the Alloa Leisure Bowl contract, and stopping funding to the Citizens Advice Bureau. Councillors agreed not to proceed with these options. Earlier, in December 2018, the council reversed previously agreed changes to staff terms and conditions which would have resulted in savings of £0.4 million. The council's very challenging financial position means it cannot continue to avoid or defer difficult decisions about the services it can afford to deliver.

**14.** The council acknowledges that it needs to demonstrate better the link between decisions on how it uses its resources and its priorities. Actions include earlier consideration of savings proposals through the change programme board and more targeted engagement with individuals and communities which will be affected, as part of the council's wider commitment to community engagement.

**15.** Funding the Clackmannanshire and Stirling Integration Joint Board (IJB) is also creating uncertainty about the council's longer-term financial position. In April 2019, the council agreed to make an additional payment of £0.6 million to the IJB as its contribution to resolving the IJB's projected £2.5 million deficit. The IJB is considering the council's proposal.

**16.** The council is working with the University of Stirling to determine whether existing central government funding reflects the level of vulnerability in its area. The university considered indicators including childcare and education. It concluded that, relative to the levels of deprivation in its area, the funding the council receives is disproportionately low. The council is planning further research. The council has also agreed to create a funding officer post to identify sources of additional income and develop funding proposals.



## **The new corporate plan provides a clear focus for improvement, based on collaboration, inclusive growth and innovation. Councillors and officers are working together to deliver change**

**17.** The council agreed its new corporate plan 'Be the Future' in December 2018. The plan, which covers the period to 2022, sets out a clear vision for the council based on collaboration, inclusive growth and innovation. The plan aligns with the strategic outcomes of the Clackmannanshire local outcome improvement plan (LOIP).

**18.** The council consulted with residents and communities on its new priorities. Respondents generally agreed with the council's priorities of:

- inclusive growth, jobs and employability
- raising attainment
- empowering families and communities
- reducing child poverty
- sustainable health and social care
- organisational transformation.

**19.** The corporate plan is supported by the budget strategy, transformation programme, workforce plan and digital transformation strategy. The council's budget strategy is well established, and the digital transformation strategy was agreed by the council in April 2019. The council is working at an increased pace to develop its transformation programme and workforce planning initiatives. The council also consulted its staff during 2018 and worked with them to develop new corporate values.

**20.** There is evidence of improved working relationships between councillors and officers and a stronger commitment to work collectively in the best interests of the council. This is apparent in the way in which business is conducted at council meetings and further evidenced through the work of the change programme board.

**21.** The change programme board includes representation from each of the political parties and the council's senior management and first met in November 2018. The board oversees the council's transformation programme. It reviews and supports the development of business cases before these are referred to the council for approval.

**22.** There are signs that councillors and officers support a more collaborative approach and have a shared understanding of the need to do things differently. The party leaders have worked to develop more constructive working relationships and, along with their deputies, now meet monthly. These improved working relationships will be further tested as the council works to deal with its financial challenges and implement its transformation programme.

## **The pace of change has increased significantly since August 2018. There are signs of progress and the council is taking steps to secure the capacity it needs to maintain this momentum**

**23.** The council appointed a new chief executive in July 2018. At that point, she started to implement the council's new strategic model which has three broad categories of service: people, place, and partnership and performance. The council appointed strategic directors for place and partnership and performance in August 2018. It appointed a strategic director of people in February 2019, on secondment from the Scottish Fire and Rescue Service.

**24.** The pace of change has increased significantly since August 2018. The council implemented a new committee structure to reflect its strategic model. Three service committees, for people, place, and partnership and performance were formed and are now well established. A new audit committee replaced the audit and finance committee and the scrutiny committee. The new committee is chaired by a member of the opposition, in line with accepted good practice. Councillors have contributed to the pace of change by supporting these new arrangements and working collectively to provide political leadership.

**25.** The new chief executive has had significant influence and is the driving force for change. She recognises the need to ensure the council has the necessary senior management skills and capacity to maintain the momentum and has prioritised the new management structure and leadership development. The extended senior leadership group includes the chief executive, strategic directors and the statutory officers for finance, legal, social work and education. This is designed to widen senior officer involvement in strategic decision-making and to increase the focus on managing risk alongside operational delivery.

**26.** The strategic directors have reviewed the range of services within their portfolios to identify opportunities for integrating services and models to sustain statutory and priority services. This resulted in proposals for new management structures in the partnership and performance and place portfolios. The council is consulting with managers and trade unions on these options. Redesign proposals for the people portfolio were delayed due to the later appointment of the strategic director. The strategic director of people has proposed a transitional model involving an evaluation of risk and sustained service delivery, and the redistribution of tasks to create capacity for change in her portfolio.

**27.** Alongside structural change and the review of portfolios, the council is working with external specialists to provide leadership development and training. The council also has plans for a corporate forum of managers to support capacity for further change across council services.

**28.** Organisational redesign includes the appointment of a transformation project manager, recruited in partnership with the Improvement Service. The manager's priorities are to promote visibility of change, provide cohesiveness across change initiatives and integrate City Region Deal activities. Taken together, these developments are intended to support further progress in the pace and depth of change.

**29.** As part of wider initiatives to develop additional capacity and support, the council has worked to re-establish its profile with external partners, including the Improvement Service, Scottish Enterprise and COSLA. For example, Scottish Enterprise is helping the council to develop a strategic framework for local tourism.

**30.** In summary, the council has taken steps to build the capacity needed to support organisational change and service redesign. Further work is required to secure the skills and capacity needed to maintain momentum and to embed change throughout the council.

**31.** We previously reported that over a period of budget reductions and service cuts, the council had maintained service performance and customer satisfaction in key areas but that the pace of improvement was slow in some areas and not evident in others. The Improvement Service's 2017/18 Local Government Benchmarking Framework (LGBF) data showed that this continued to be the case. Information is not yet available to measure the impact recent changes are having on council service performance. The council will need to monitor this closely. It is looking at how it can get real-time information on service performance. The council's focus is on maintaining performance in priority areas rather than across all services.

**32.** The council remains the worst performing local authority for teachers' and non-teachers' sickness absence according to the LGBF data. The council is taking a range of actions to look behind the data and to manage sickness absence, including holding all-staff events to explore the issue.

**33.** The council's October 2018 staff survey indicated that it was making progress in some areas but communicating the council's vision across the organisation was challenging. It is developing a joint action plan among management, trade unions and staff to address the issues in the staff survey. This was the first staff survey since 2014 and management will use the results as a baseline to assess the impact of the changes the council is implementing.

**34.** The Care Inspectorate and Education Scotland published inspection reports on the council in 2018. The Care Inspectorate produced a joint report with Healthcare Improvement Scotland on the effectiveness of strategic planning in the Clackmannanshire and Stirling Health and Social Care Partnership. The report focused on the partnership but found that the council has consistently performed at or above the Scottish average across several social care indicators. The report recommended that the partnership improves the effectiveness of collaborative working.

**35.** Education Scotland reported on the progress being made by the council in improving learning, raising attainment and closing the poverty-related attainment gap. It found that the council has a clear vision and well-defined set of priorities for this aspect of its work, but this has not yet reached all staff.

### **The council is prioritising collaborative working in its efforts to improve service and financial sustainability**

**36.** The council has secured a range of external assistance to support improvement. This includes its work with the University of Stirling on its finances and advice from the Improvement Service on setting-up its transformation programme management function. The council has also engaged external specialists to strengthen collective leadership of change and to support staff engagement. The council views collaboration as critical to achieving financial sustainability, consistent with its corporate plan.

**37.** The council has agreed that business cases for collaborative arrangements with local partners should be developed. It is in discussions with councils in Forth Valley, Fife and Tayside to explore opportunities to develop joint arrangements in areas including waste management, road services, facilities management and support services. The council shares a trading standards service with Stirling Council and is looking to extend the arrangement to include environmental health. The council also has a joint working agreement with Falkirk Council for internal audit services.

**38.** The chief executives and political leaders of the Forth Valley councils meet regularly to discuss options for collaboration, which is a constructive development. From a Clackmannanshire perspective, this is about what the council can both gain itself and offer others in terms of resilience and sustainability.

**39.** Digital transformation is a significant element of the council's transformation programme. The council aims to redesign its services to take advantage of digital technologies, to improve outcomes for residents and communities. In September 2018, it joined the Digital Office for Scottish Local Government, which leads and facilitates digital transformation for a partnership of 31 Scottish councils. The council has approached other councils to identify ways they can collaborate digitally.

**40.** The council recognises that to transform services it also needs to increase collaboration with community planning partners, third sector organisations and its communities. This includes developing and co-producing local solutions with communities that meet the needs of local people. The council engages with residents on major decisions, such as the corporate plan and budget, but it could do this earlier in the process and more clearly.

**41.** The City Region Deal involves Clackmannanshire and Stirling councils. They are working together to deliver the programme, with Stirling Council acting as the lead authority. A governance framework is in place, including a joint committee as the decision-making forum for all City Region Deal matters. The council is working with the University of Stirling to develop a significant City Region Deal project to develop an environment and innovation centre in Alloa. The council is managing the pressures on its capital programme associated with the City Region Deal projects.

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## Recommendations

- Councillors and officers should build on recent progress and work collaboratively to agree initiatives which secure transformational change, long-term savings, and service and financial sustainability.
  - The council should work urgently to finalise its new management structure and proceed with organisational redesign, and ensure that initiatives that are in train provide the necessary capacity to support and embed change.
  - The council should further develop its working relationships with local councils and others, and use these to secure efficiencies in services.
-

# Appendix

## January 2018 Controller of Audit recommendations and progress



### Controller of Audit recommendation



### Progress at the council

Councillors and officers should build on their constructive working relationships to provide the coherent, combined leadership necessary to secure the council's financial position.

There is evidence of improved working relationships between councillors and officers and a stronger commitment to work collectively in the best interests of the council.

[\(Paragraph 20\)](#)

There are signs that councillors and officers support a more collaborative approach and have a shared understanding of the need to do things differently.

[\(Paragraph 22\)](#)

The council should consider savings options and decide how best to direct resources to priorities. It should work with communities to develop options and prepare for the difficult decisions it has to make.

The council acknowledges that it needs to demonstrate better the link between decisions on how it uses its resources and its priorities. Actions include earlier consideration of savings proposals through the change programme board and more targeted engagement with individuals and communities which will be affected, as part of the council's wider commitment to community engagement.

[\(Paragraph 14\)](#)

The council should further develop its working relationships with community planning partners to ensure their combined resource is directed towards the strategic local outcomes.

The council recognises that to transform services it also needs to increase collaboration with community planning partners, third sector organisations and its communities.

[\(Paragraph 40\)](#)

The council should balance the drive for savings with the need for sufficient officer time and skills to support change. It should also consider how it could make more use of external assistance to support improvement.

The council has taken steps to build the capacity needed to support organisational change and service redesign. Further work is required to secure the skills and capacity needed to maintain momentum and to embed change throughout the council.

[\(Paragraph 30\)](#)

The council has secured a range of external assistance to support improvement.

[\(Paragraph 36\)](#)

# Best Value Assurance Report Clackmannanshire Council

## Progress report

This report is available in PDF and RTF formats,  
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ISBN 978 1 913287 03 0