

Audit Scotland Report: Options appraisal: are you getting it right? (Audit Scotland, March 2014)**Report By: Gary Fairley, Head of Finance and Integrated Service Support****1 PURPOSE**

1.1 To provide Audit Committee with a summary of the Audit Scotland report, '*Options appraisal: are you getting it right?*' and the proposed actions to be taken by the Council in response.

2 BACKGROUND

2.1 ***Options appraisal: are you getting it right?*** (March 2014) is the latest (seventh) in the Audit Scotland series of 'How Councils Work' reports for councillors and officers which aim to stimulate change and improve performance. The topics selected are based on the recurring themes and issues from Best Value audit work, the work of local auditors and the Accounts Commission annual overview report. The report is in two parts and highlights the importance of councils using rigorous options appraisals to deliver efficient and effective services to local communities and show they are achieving Best Value:

- **Part 1** looks at why options appraisal is important, what it is and the role that councillors play in options appraisal.
- **Part 2** is of a more technical nature and looks at the options appraisal process. Both councillors and managers are encouraged to read it, but its principal target is practitioners engaged in the preparation, implementation and review of options appraisals.

2.2 The Audit Scotland report highlights the leadership role that councillors have in the options appraisal process; the main options for delivering services and critically assessing them; implementation of decisions and monitoring performance and managing an options appraisal process.

2.3 One of the key recommendations in the previous Accounts Commission Report, Responding to challenges and change: An over view of local government in Scotland 2013, was that councils should ensure rigorous and challenging appraisal of options for delivering services.

2.4 This report is intended to be the first of two reports on options appraisal. A follow-up report will consider existing practice in councils on how they undertake options appraisals.

3 AUDIT SCOTLAND REPORT OVERVIEW

Key findings and messages from the audit report are:

3.1 Whilst everything the Council does has its roots in legislation, some services are more prescribed in legislation than others, the council retains substantial discretion on how services are delivered and by whom. Councils need to consider a wide range of options when considering what services to provide and how to deliver them. Councils must assure themselves that the services they provide are value for money, efficient and effective and demonstrate Best Value through continuous improvement.

3.2 A robust options appraisal helps Councils make these important decisions and provides assurance that all the relevant issues, including quality, cost and risk have been considered. It also helps ensure that decisions are transparent and based on solid information. Councils also need to ensure that the possible outcomes of any options appraisal are consistent with its strategic policy objectives.

3.3 An Options Appraisal process needs to be proportionate to the significance of the decision to be made and resourced properly to ensure that it works well.

Part 1 - Councillors have a crucial role in options appraisal

3.4 The Local Government (Scotland) Act 2003 introduced the statutory duty of Best Value in local government. The duty of Best Value requires councils to deliver continuous improvement. The public are entitled to services which are efficient, effective and represent the best possible value for money.

3.5 In addition to the widely accepted benefits of a robust options appraisal process there are also significant consequences of not conducting a proper appraisal:

- Services may not be as efficient and effective as they could be
- Service may not be achieving value for money
- Resources may not be directed to priority areas, such as preventative expenditure, and the Council's strategic objectives may not be achieved
- The Council may face criticism from residents and customers
- The Council may face criticism from the Accounts Commission, auditors and other scrutiny agencies
- The Council will not be able to demonstrate that it is achieving Best Value

3.6 An options appraisal is about making well-informed decisions and whilst it provides support to the decision-making process, it does not provide the answers. In the current financial climate councillors have to be confident that the council is providing the right services in the right way. A robust options appraisal process provides assurances to councillors and the public that decisions being taken are made on a sound basis and by considering relevant information.

3.7 Councillors need to oversee options appraisals that involve potential major shifts in how services are provided. They have a key role, for example in agreeing the broad objectives of the options appraisal, in the appraisal process itself or in scrutinising the process and emerging proposals.

3.8 The report suggests that councils that involve councillors in determining the need for an options appraisal to be carried out have often been more successful in obtaining a good outcome. Councillors need to be involved in agreeing the framework to ensure that they have confidence in the options being presented to them. This also helps to ensure a consistent and systematic approach to options appraisal is used across the council.

3.9 Weighing up the relative merits of the options is an important part of the process and councillors may therefore have a role in setting the criteria to assess which options best fit the council's objectives. In any options appraisal the criteria should include both quality and cost and the council needs to consider the impact on equalities and sustainability.

3.10 The most important part of any councillors role in an options appraisal is the decision on which to implement as this can have far reaching consequences on the services the council delivers, how it delivers them and ultimately on the users of the service. Following the decision, councillors also have an important role in scrutinising the implementation of the decision and the impact it has on service delivery.

3.11 Previous reports (Roles and working relationships: are you getting it right? (2010)) highlighted that councillors need to be open to considering a wide range of options for providing services and that decisions must be transparent and evidence based, taking cost and quality into account.

3.12 In addition councillors need to have the appropriate skills to scrutinise options appraisals and play an important role in asking officers challenging questions to assure themselves that the appraisal is robust and that all the relevant issues are being considered. Some of the options being considered may be innovative or complex and may require specialist external support.

3.13 Wherever possible the process should align with the council's planning and budgeting timetables so that any important decisions on service delivery can inform and be informed by the process. Councils also need to consider the timing in relation to the political cycle, including local and national elections as experience indicates that difficult decisions become far more problematic politically in the run-up to an election.

Part 2 - The options appraisal process

3.14 Options appraisal is a tool that helps inform decision-making. It does not provided the decision itself. Options appraisal typically includes the following key stages:

- defining objectives
- gathering information
- identifying, filtering and challenging the options
- assessing and analysing the options
- selecting the preferred option
- monitoring performance and delivery against objectives

3.15 The report makes the important point that councils have choices about the size and scale of the options appraisal processes they use to ensure that it is proportionate to the

significance of the decisions to be made. There are a number of potential triggers for options appraisals:

- service reviews
- self-evaluation
- external inspection or evaluation exercise
- poor performance
- new administration
- budget planning or budget imperatives
- policy direction

3.16 Finally, the report highlights that there is a range of possible outcomes from an options appraisal which can be broadly categorised against the following options:

- retaining services in house
- delivering services in partnership
- outsourcing services
- choosing not to deliver a service

4 Midlothian Council Position

4.1 Audit Scotland's report on Options Appraisal aims to remind local authorities of the importance of using rigorous options appraisals to deliver efficient and effective service to local communities and show they are achieving Best Value. Midlothian Council incorporates the options appraisal process within its project management framework for service reviews and also as part of the Decision Matrix within the Council's Service Delivery Framework approved by council in January 2012. These tools used within the council are in line with the supporting appendices within the Audit Scotland report which identify relevant questions for both councillors and officers and are shown in Appendices 1 and 2 of this report.

4.2 The Assurance and Improvement Plan 2014-17 prepared by the Local Area Network, including Audit Scotland and the Council's auditors noted '*There continues to be very strong commitment from officers and elected members to improving the work of the Council.*

4.3 The Council is participating in several national benchmarking exercises based on priorities identified from the Local Government Benchmarking Framework.

4.4 To ensure that this remains a priority for the numerous service reviews currently being progressed as part of the Council's wider Financial Strategy and Transformation Programme presented to Council in February and updated in June, the 'Questions for Officers' appendix from the report will be circulated to all officers identified as leads for the various reviews noted in the single delivery plan monitored by the Business Transformation Programme Manager. In addition the 'Questions for Members' appendix within the report will inform a future refresh scrutiny session within the ongoing Elected Member Development Programme.

5 Report Implications

5.1 Resource

There are no direct resource implications as a result of this report.

5.2 Risks

There are no additional direct risks to be considered as a result of this report.

5.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

5.4 Key Priorities within the Single Midlothian Plan

Midlothian Council and its Community Planning Partners have made a commitment to treat the following areas as key priorities under the Single Midlothian Plan:-

- Early years and reducing child poverty
- Economic Growth and Business Support
- Positive destinations for young people

This report does not directly impact Midlothian Council's key priorities.

5.5 Impact on Performance and Outcomes

Whilst not directly impacting Midlothian Council's and wider partners performance and outcomes the report does ensure consideration is given to the wider strategic planning and objectives as part of Midlothian Council's response to the Audit Scotland's findings noted in the report.

5.6 Adopting a Preventative Approach

This report does not directly impact actions and plans in place to adopt a preventative approach.

5.7 Involving Communities and Other Stakeholders

This report does not directly relate to involving communities and stakeholders.

5.8 Ensuring Equalities

This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment.

5.9 Supporting Sustainable Development

The recommendations in this report support Midlothian Council's position in relation to Audit Scotland's findings in relation to Options Appraisal and therefore support ongoing sustainable development.

5.10 IT Issues

There are no direct IT implications arising from this report.

6 RECOMMENDATIONS

The Committee is asked to:

6.1 Note the Audit Scotland report and Midlothian Council's current approach to options appraisal.

6.2 Note that the 'Questions for Members' appendix within the report will be used to inform a future refresh scrutiny session within the ongoing Elected Member Development Programme

6.3 Note that the 'Questions for Officers' appendix from the report will be circulated to all officers identified as leads for the various reviews noted in the single delivery plan and that this will be monitored by the Business Transformation Programme Manager.

Appendix 1 – Options appraisal: are you getting it right? Questions for councillors

Appendix 2 – Options appraisal: are you getting it right? Questions for officers

7 BACKGROUND PAPERS

7.1 *Options appraisal: are you getting it right?*, Audit Scotland, March 2014

http://www.audit-scotland.gov.uk/docs/local/2014/nr_140320_hcw_options_appraisal.pdf

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Options appraisal: are you getting it right? - Prepared by Audit Scotland

Questions for councillors

Questions for councillors	Yes/No	Action
On the options for delivering services		
<p>Are there any restrictions, for example legal or financial, to providing this service in a different way?</p>		
<p>Am I considering all of the options on how services might be delivered?</p> <ul style="list-style-type: none"> • Does the current service provider: <ul style="list-style-type: none"> - deliver economy, efficiency and effectiveness? - have the capacity and capability to sustain good performance? - generate sufficient funds or make the required savings? • Does the service directly contribute to the council's objectives? • Am I clear about what the full range of alternatives are for providing this service? <ul style="list-style-type: none"> - Are there alternative providers for the service? • Is the risk of failure so high that risks are better managed in-house? • Are the potential benefits of other options outweighed by the costs of implementation? • Are there opportunities to: <ul style="list-style-type: none"> - develop an effective 'mixed economy' of approaches for achieving the council's objectives? - share the risks and benefits with partner organisations? 		

Appendix 1 – Questions for councillors

<ul style="list-style-type: none"> • Would the service benefit from: <ul style="list-style-type: none"> - economies of scope (by providing a more specialised service)? - economies of scale (by being bigger)? - innovation and investment? - increased productivity? - access to investment? - an opportunity to stimulate or influence market development? • Is there a demand for the service? 		
On the options appraisal process		
<p>Am I clear about what the options appraisal is trying to achieve?</p>		
<p>Does my council have a robust process in place to help me decide on the options?</p>		
<p>At the start of the process:</p> <ul style="list-style-type: none"> • Have we set clear objectives? • Am I clear about why we are considering the options? • Are those objectives consistent with the council's strategic objectives and policies? • Have we set out clear roles and responsibilities? • Have we agreed a clear plan which identifies what decisions need to be made and by whom? • Have we identified the key stakeholders who need to be consulted? 		
<p>During the process:</p> <ul style="list-style-type: none"> • Am I getting regular updates on progress? • Am I involved at the appropriate decision points? • Is the process progressing to plan? • Am I getting the support I need from officers? 		

Appendix 1 – Questions for councillors

On making sound decisions		
<p>Am I getting the information I need to make the decision?</p> <ul style="list-style-type: none"> • On the performance implications? • On the financial implications? • On the risks? • Is there a clear business case? • Is the decision consistent with the council's strategic objectives? • Have stakeholders contributed to the options appraisal process and what are their views? • Am I clear about how I balance my personal and political views with my statutory duty of Best Value? 		
On implementing the decision		
<p>Am I getting the information I need to be assured that:</p> <ul style="list-style-type: none"> • the decision is being implemented effectively? • it is having the desired effect? 		

Options appraisal: are you getting it right? - Prepared by Audit Scotland

Questions for officers

Questions for officers	Yes /No	Action
Defining the objectives		
<ul style="list-style-type: none"> • Are the main reasons/drivers for considering other delivery arrangements clear? <ul style="list-style-type: none"> - performance - financial - risk - strategic priorities. • Am I clear about how the options relate to the council's corporate priorities? 		
Agreeing the process		
<ul style="list-style-type: none"> • Have the elected members approved a robust options appraisal process? • Is everyone aware of the roles and their responsibilities in the options appraisal framework being used? • Have I developed a clear plan for the process and identified: <ul style="list-style-type: none"> - timescales? - resource implications? - roles and responsibilities? - skills and expertise? - governance arrangements? 		
Identifying and filtering options		
<ul style="list-style-type: none"> • Am I confident that I am identifying the full range of options? <ul style="list-style-type: none"> - Do I know how similar services are delivered by other councils in Scotland and in the UK? - Do I know how similar services are delivered in the private sector? 		

Appendix 2 – Questions for officers

<ul style="list-style-type: none"> • Am I clear about the relative merits of the options? <ul style="list-style-type: none"> - 'Strategic fit' with the council's policy objectives - Impact on the quality of service for the customer - Financial implications (both costs and savings) - Legal implications - Risk assessment - Impact on other council services. 		
Assessing and analysing options		
<ul style="list-style-type: none"> • For the 'shortlist' of options have I considered: <ul style="list-style-type: none"> - all of the current and future costs and benefits? - legal and financial implications? - risks? - practical implications of delivering the option? • Is there a robust process in place to help members take the decisions? • Have I clearly presented all of the information members will need to make the decision? <ul style="list-style-type: none"> - On current and projected costs, performance and risks - Business case(s) including assumptions. 		
Implementing the option		
<ul style="list-style-type: none"> • Have I developed a clear action plan to implement the decision? <ul style="list-style-type: none"> - Timetable - Resources - Managing the risks. • Have I ensured that there are robust arrangements in place to monitor and report performance, regardless of the option chosen? <ul style="list-style-type: none"> - Contract - Service level agreement - Performance and financial reporting - Escalation arrangements if things go wrong. • Have I carried out a 'lessons learned review' to inform future options appraisals? 		