

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

12 June 2014

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT

OPTIONS APPRAISAL: ARE YOU GETTING IT RIGHT?

PURPOSE OF REPORT

1. To provide information on the Accounts Commission report *Options Appraisal: Are You Getting it Right?*

RECOMMENDATION

2. It is recommended that the Committee considers the report.

OPTIONS APPRAISAL: ARE YOU GETTING IT RIGHT?

3. A copy of the Accounts Commission report *Options Appraisal: Are You Getting It Right?* has already been circulated to all Audit and Scrutiny Committee Members. The report is the seventh in a series of publications prepared by the Commission on *How Councils Work* which draw on existing audit work to identify common themes and aim to stimulate change and improve performance. The Members who are leading on the review of this particular report are Councillor Wallace and Councillor Grant. In accordance with arrangements established by the Committee for dealing with such reports, the Chief Executive has provided comments on it. A copy of the feedback is attached to this report (see Appendix).

RECOMMENDATION

4. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

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Background Papers Accounts Commission report on *Options Appraisal: Are You Getting It Right?*

AUDIT AND SCRUTINY COMMITTEE

Thursday 12 June 2014

Report by Chief Executive

EXTERNAL AUDIT REPORT ON OPTIONS APPRAISAL: ARE YOU GETTING IT RIGHT

PURPOSE OF REPORT

1. To present to the Audit and Scrutiny Committee the key findings of the Audit Scotland report '*Options appraisal: are you getting it right*' dated March 2014 and to present for consideration the local position as evaluated against the associated self-assessment checklist.

RECOMMENDATIONS

2. The Audit and Scrutiny Committee is asked to note the Council's position in relation to the key findings of Audit Scotland's report entitled "*Options appraisal- are you getting it right*".

BACKGROUND

3. This is the seventh report in the "*how councils work*" series produced by Audit Scotland for the Audit Commission. This series of reports aims to stimulate change and improve performance. Topics are based on the recurring themes and issues from the Best Value audit work, the work of local auditors and the annual overview report.

4. The Audit Scotland report '*Options appraisal: are you getting it right*' highlights the importance of councils using rigorous options appraisals to deliver efficient and effective services to local communities showing they are achieving Best Value. The report is intended as the first of two reports on options appraisal. A follow-up report will consider existing practice in councils on how they undertake options appraisals.

REPORT

5. The report highlights that in order to manage financial pressures and the increasing demands on services, one of the previous key recommendations from the Accounts Commission report *Responding to challenges and change: An overview of local government in Scotland 2013* was that councils should 'ensure rigorous and challenging appraisal of options for delivering services.'

6. The main findings of the "*Options appraisal- are you getting it right*" report are:

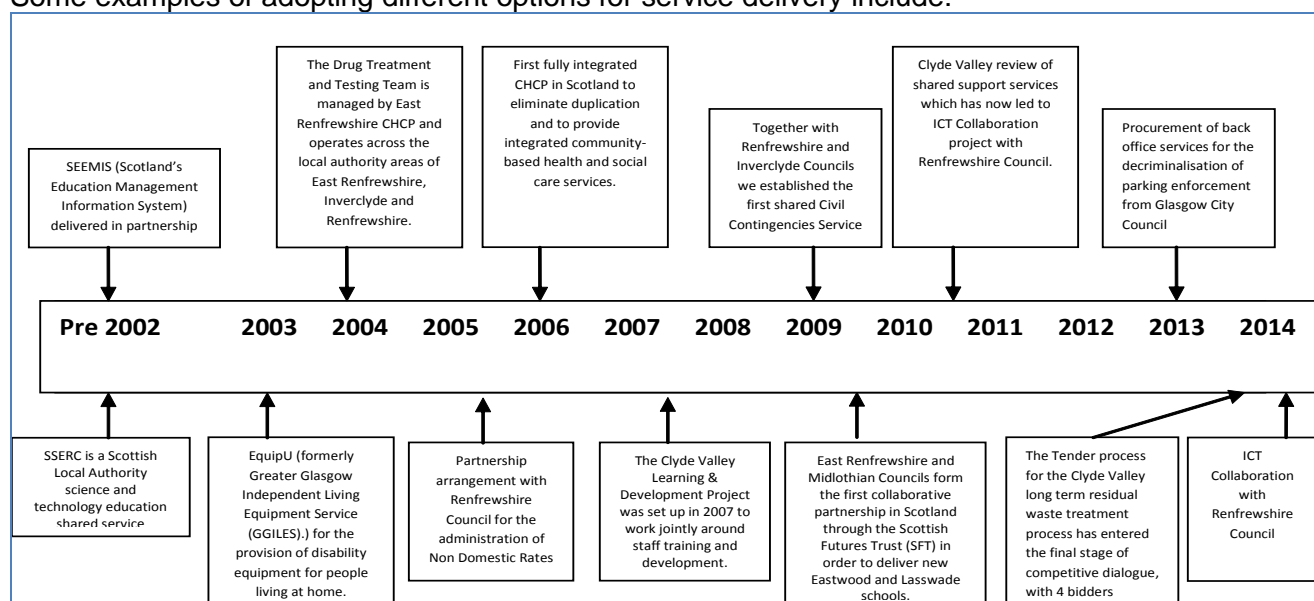
- Some council services are more prescribed in legislation than others but councils retain substantial discretion on how services are delivered and by whom.
- Councils need to consider a wide range of options when considering what services to provide and how to deliver them. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.

- Councillors and officers need to be open to considering a broad range of options for delivering services. 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.
- Councils must clearly define the objectives of any options appraisal process and the outcomes must be consistent with its strategic policy objectives.
- The options appraisal process needs to be resourced properly to ensure that it works well and it should be proportionate to the significance of the decision to be made.

OUR RESPONSE

7. Since the establishment of East Renfrewshire Council there has been a proactive approach to engagement in shared services and partnerships that improve services, make business sense, deliver efficiencies and increase resilience and flexibility

Some examples of adopting different options for service delivery include:



8. The need to carry out an options appraisal process will usually arise from one of the following:

- a strategic service review as part of the council's transformation and change programme – Public Service Excellence.
- the outcome of a self-evaluation exercise
- the outcome of an external evaluation exercise
- budget proposals
- policy direction

9. There is a variety of option appraisal templates in use across East Renfrewshire Council. In some cases, the use of certain templates is dependent upon the significance of the project or the decision which has to be taken. In other cases, such as capital bids, a standard template is provided and all bids must include an explanation on the options that they have considered.

10. In the council's project management office (PMO) where staff co-ordinate the transformation and change programme, there is evidence of the use of a variety of option appraisal templates. These templates include assessments against strategic fit, impact on the quality of service for customer, financial and legal implications, market capability and equality impact. The PMO has developed a project management qualification which is now due for accreditation by the SQA. A cohort of 9 council staff have completed the qualification which covers the use of options appraisal throughout the various stages of the project.

11. As per the guidance in the *Green Book- Appraisal and Evaluation in Central Government- HM Treasury (2003)*, the range of options considered depends on the nature of the objectives. For a major programme, a wide range is considered before short-listing for detailed appraisal.

12. There is evidence of the Council's stance on different options being reported to Cabinet and Council e.g. shared services. On the Cabinet of 14 January 2010, East Renfrewshire's response to the Clyde Valley Partnership Review of Shared Services following Sir John Arburthnott's report stated that "the fundamental criteria for formulating East Renfrewshire's response has been, and will continue to be, the extent to which shared services can demonstrate improvements in performance and evidence clear reductions in costs. The Council's response makes it clear that business cases must be robust and capable of standing up to scrutiny. Decisions on sharing will only be made once the business case has been clearly established and elected members have had the opportunity to take a considered view". The Outline Business Case for sharing support services was submitted to the Council on 10 February 2011 and this included a full options appraisal.

13. Specialist external support is commissioned by the council when the options being considered are innovative or complex as per page 12 (bullet point 28) of the "*Options appraisal: are you getting it right*" report. A recent example is the use of consultants to determine the feasibility study of the transfer of council services to a trust (Cabinet report 24 October 2013).

14. It is important that elected members are given the necessary information on which to inform their decisions. A corporate reporting format for the main committee reports was approved by CMT in August 2009 and it states that ".officers should provide a summary of the option appraisal exercise carried out, giving details of all options considered and explain the reasons why these were discounted in favour of the one proposed."

15. In Annex 1 of this report, the Council provided an assessment against the checklist of the Audit Scotland's report entitled "*Options appraisal- are you getting it right*". It is clear from examining some of the past committee reports that there are some areas where further information on the options considered could have been included. This will be a recommendation for the future. In addition, officers will be reminded of the need to complete details of option appraisals in forms and to ensure that a wide range of options have been considered.

FINANCE AND EFFICIENCY

16. There are no specific financial implications arising from this report.

CONSULTATION

17. Various officers from across all departments in the Council were consulted to inform this response to the Audit Scotland's report.

CONCLUSION

18. The Council has a proactive approach to identifying options which will improve services, make business sense, deliver efficiencies and increase resilience and flexibility. There is clear evidence of the use of option appraisals in business cases and the results of option appraisals for significant projects are reported to Council or Cabinet.

19. There is scope for improvement in terms of ensuring that the list of options which were considered in significant projects is included together with a reference providing the location of the full options appraisal. Officers will also be reminded of the need to ensure that

detail on option appraisal exercises is included on all relevant forms. A wide range of options should always be considered for all significant projects.

RECOMMENDATIONS

20. The Audit and Scrutiny Committee is asked to note the Council's position in relation to the key findings of Audit Scotland's report entitled "Options appraisal- are you getting it right".

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BACKGROUND PAPERS

Appendix 1 Excerpt from the Audit Scotland's report entitled "Options appraisal- are you getting it right".- officer checklist.

KEY WORDS

This report provides the Audit and Scrutiny Committee with the Council's position in relation to the key findings of Audit Scotland's report entitled "Options appraisal- are you getting it right".

Appendix 3

Questions for officers

- References found within the councillor part of the report.
- References to more detailed information which can be found elsewhere in the report.

East Renfrewshire self-assessment

Reference	Questions for officers	Yes/No	Action
Defining the objectives			
<ul style="list-style-type: none"> ■ Paragraphs 42-43 	<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? 	YES	<p>Options appraisal templates include an assessment against these criteria.</p> <p>There are clear examples of previous Cabinet/ Council reports where the options considered are evaluated in the context of strategic fit with the council's priorities. Capital project assessment forms include a section to be completed on how the proposal fits with council plans and objectives.</p>
Agreeing the process			
<ul style="list-style-type: none"> □ Paragraph 21 ■ Paragraphs 39-41 	<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? 	YES, IN MOST CASES	<p>As per the scheme of administration, decisions to be made about significant projects/ reviews are reported to Council or Cabinet and the options to be considered are discussed. Decision notices are sent out following the meeting and non-cabinet members can call in decisions. Another meeting will be held to discuss the decision.</p> <p>Guidance is given to officers on the need for option appraisals. The council's project management office is a central place for all projects to be evaluated and governed. Training is given to officers via the project management qualification.</p> <p>There are clear governance arrangements set up to manage significant projects such as the PSE Board or ICT Capacity Board.</p> <p>Where specialist expertise is required, this is identified early on in the process and progressed under the procurement rules e.g. trust funds.</p>

Reference	Questions for officers	Yes/No	Action
Identifying and filtering options			
<ul style="list-style-type: none"> □ Paragraph 18 ■ Paragraphs 42-52 	<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? 	YES	<p>All Council/ Cabinet reports are discussed at the CMT. In addition, any significant service reviews or projects will be submitted as a CMT report for discussion.</p> <p>The PSE programme submits regular reports to the CMT. These reports will outline the key options being considered. Benchmarking is a key focus for the Council and departments must show how they compare in terms of performance across all their services. This is evaluated at mid and end year via performance meetings with the Chief Executive.</p> <p>All service reviews include benchmarking with other local authority and private sector organisations.</p> <p>There is also evidence of using specialist services to assist with options appraisal and they will identify the latest best practice in the industry.</p>
<ul style="list-style-type: none"> □ Paragraph 18 ■ Paragraphs 42-52 	<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. 	YES IN MOST CASES	<p>Most of the templates/ business cases used by the Council include an assessment against all of these criteria. Officers will be reminded to ensure that these criteria are included in all templates especially forms.</p>
Assessing and analysing options			
<ul style="list-style-type: none"> ■ Paragraphs 53-69 	<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 	YES IN MOST CASES	<p>There are examples where the Council has used prioritisation to shortlist e.g. capital project bids. The project management office has introduced cost/benefit analysis for their projects. The corporate reporting format approved in August 2009 provides information on what officers should include in cabinet or council reports. It states that officers should "provide a summary of the option appraisal exercise carried out, giving details of all options considered and explain the reasons why these were</p>

Reference	Questions for officers	Yes/No	Action
	<p>make the decision?</p> <ul style="list-style-type: none"> - On current and projected costs, performance and risks - Business case(s) including assumptions. 		<p>discounted in favour of the one proposed."</p> <p>There are examples where the business case which includes the full options appraisal has been presented to Council (<i>Outline Business Case for sharing support services Council 10 February 2011</i>)</p> <p>However, it is recommended that officers are reminded of the need to list the full options that were considered in reports which are submitted to committees and to provide references to the full business case or options appraisal.</p>
Implementing the option			
<p>■ Paragraphs 74-77</p>	<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? 	<p>YES</p>	<p>Once an option has been decided upon, a project plan will be produced which will provide the timetable and resources required to successfully deliver the project. Projects which are managed by the project management office will go through a series of stages (similar to PRINCE2 methodology) and regular updates will be reported to the steering group and the CMT. Each project must provide an update on their status and these reports are called "flash" reports. This means that issues are escalated regularly to senior management.</p> <p>Performance and financial monitoring is embedded in the council. A finance business partner works alongside the project management office to monitor costs and benefits throughout the project.</p> <p>Officers are encouraged to meet with contract/ service level agreement providers on a regular basis to discuss progress and ensure that risks are identified and opportunities are maximised.</p> <p>The corporate procurement team provide advice to officers on ways to effectively manage contracts.</p> <p>There are examples where the council has used past experience (lessons learned) to inform future options appraisals.</p>

