

The Highland Council
Resources Committee – 28 May 2014

Agenda Item	11
Report No	RES/ 09/14

Audit Scotland National Report – Options Appraisal: are you getting it right?

Report by the Director of Finance

Summary

This report refers to the publication of a recent Audit Scotland national report and considers the main points arising from this review and the extent to which the Highland Council follows best practice.

1. Background

- 1.1 The Audit Scotland report, Options appraisal: are you getting it right? was published in March 2014 and can be found at http://www.audit-scotland.gov.uk/docs/local/2014/nr_140320_hcw_options_appraisal.pdf. The report is the seventh in the series of “how councils work” reports and is intended as the first of two reports on options appraisal. A further report will include a study of existing practice in councils in how they undertake options appraisals.
- 1.2 The report is summarised in sections 2 to 4 below. Section 5 refers to some examples of options appraisals performed within Highland Council and Section 6 sets out some broad action points.

2. Key Messages

- 2.1 The key messages are provided below:
- (i) The Accounts Commission report, *Responding to challenges and change: An overview of local government in Scotland 2013* highlighted that demand and resource pressures continue to build for councils. On that basis, one of their key recommendations was that councils should “ensure rigorous and challenging appraisal of options for delivering services.”
 - (ii) For many services, councils have a lot of discretion on the level of service provided, how these services are delivered and by whom.
 - (iii) Members and officers need to consider a wide range of options when considering what services to provide and how to deliver them. They must ensure that the services provide value for money and can demonstrate Best Value by continuous improvement. This can be undertaken by assessing the current arrangements and looking at how services are provided by other councils and other organisations.
 - (iv) Members and officers need to be open to considering a broad range of options for delivering services. This might involve providing services in a different way or not providing some services at all. A robust options

appraisal helps councils make these important decisions and provides assurance that the relevant issues have been considered. It also helps to ensure that decisions are transparent and are based on solid information.

- (v) It is vital that councils clearly define the objectives of any options appraisal process and also ensure that the possible outcomes are consistent with its strategic policy objectives.
- (vi) As with any process, options appraisal needs to be resourced properly to ensure that it works well. Also, the process needs to be proportionate to the significance of the decision to be made.

3. Role of Members in Options appraisal

3.1 Part 1 of Audit Scotland's report refers to the importance of the role of Members in options appraisal that involve potential major shifts in how services are provided. This may include:

- Involving Members in determining the need for options appraisal.
- Considering the significance of the options being considered and ensuring that the options appraisal process is robust and proportionate.
- Agreeing the broad objectives of the options appraisal.
- Agreeing the framework to ensure a consistent and systematic approach.
- Weighing up the relative merits of the options.
- Taking decisions on which option to implement.
- Scrutinising the implementation of decisions and the subsequent impact on service delivery by monitoring performance.

3.2 An important consideration within the report is the need for Members to have the appropriate skills to scrutinise options appraisals in order to assure themselves that the appraisal is robust and that all of the relevant issues are being considered. In this respect, the report includes a checklist of prompt questions designed to help Members evaluate their role in options appraisal and assess how effective current arrangements in their council are.

4. The options appraisal process

4.1 Part 2 of the report is of a more technical nature. Although both Members and managers are encouraged to read this, its principal target is practitioners engaged in the preparation, implementation and review of options appraisals. The good practice headings are provided as follows:

- An options appraisal process is all about making well-informed decisions.
- Everyone involved needs to have clear roles and responsibilities.
- Defining clear objectives is critical for success.
- Good quality information informs good decisions.
- Consulting with stakeholders is a key to success.
- Critically appraising a wide range of options ensures the process is robust.
- The decision on selecting the preferred option needs to be transparent.
- Having a good business case supports effective decision-making and

accountability.

- Good governance arrangements underpin good decisions.
- It is important to monitor the implementation of the decision and what difference this is making to services.
- Reviewing the process can help decisions in the future.

4.2 The report provides a checklist of questions, predominantly aimed at practitioners, to ensure that the process followed is robust and in accordance with the good practice set out above.

5. Options appraisal within Highland Council

5.1 Where key strategic decisions need to be made, there are various examples of the Council involving Members in the options appraisal process. Some of these are referred to as follows:

(i) Capital Programme:

Following a report to the Budget Information Group in May 2009, the Council subsequently agreed a Capital Programme Review process and the use of options appraisal which was to be developed and implemented by the Capital Planning Officer Group. A further report to Resources Committee in August 2009 confirmed that this action had taken place, with the following completed:

- guidance and documentation to support the methodology.
- a scoring rulebook to aid consistency in scoring projects.
- a comprehensive template for Outline Business Cases.

Reference is made to the above process within the Council's Financial Regulations to further ensure that this is strictly adhered to.

Member scrutiny is provided by reviewing the officer appraisal and scoring exercise.

(ii) Fort William Office Rationalisation:

The above major office review project provided for options appraisals which were undertaken by the Corporate Property Asset Management team. The team proactively sought and involved the Senior Management Team, local Members and Administration leaders in the appraisal process, developing and agreeing review criteria and weightings, option scoping, scoring and shortlisting. Members scrutinised the outcomes and gave approval at the Finance Housing & Resources Committee, in November 2013, regarding the findings, recommendations and preferred options.

(iii) Inverness West Link Road:

In view of the complexity of the project a Stakeholders Group was established, comprising senior officials from: the Highland Council; Transport Scotland; British Waterways; Scottish Environment Agency; Historic Scotland and Scottish National Heritage. The 5 routes were presented for public consultation in December 2010, following which a

further 3 routes were taken forward to the options appraisal stage of the project in accordance with the Design Manual for Roads and Bridges and the Transport Scotland Appraisal Guidance.

In October 2011 the Council approved the formation of a cross party Member Working Group to consider the outcome of the options appraisal and make recommendations on the preferred route prior to further public consultation. In addition, the Council approved a timetable showing a further three stages to the options appraisal process, including further public consultation, with the final stage culminating in the Council being invited to select the preferred route which would be submitted for Planning Consent.

(iv) ICT Reprovisioning:

Since the completion of the last ICT procurement, Members have been sighted on the need to allow adequate time to understand and evaluate the options open to the Council for the delivery of ICT services before the end of the contract in April 2015.

The ICT Members Working Group (ICT MWG) agreed in 2012 to appoint external advisers (KPMG) to advise them. Subsequently, an initial report was produced in the Autumn of 2012 which examined the current service provision against benchmarks and described a range of options open to the Council. This was discussed both with the ICT MWG and at Finance Housing & Resources Committee.

A further piece of work was commissioned from KPMG to further advise Members by means of an Outline Business Case considering a reduced set of options. This was discussed with ICT MWG and presented to FHR in April 2013.

In April 2013, Members agreed a preferred approach guided by the work undertaken by KPMG and agreed to establish a reprovision team with appropriate governance arrangements. Member decisions relating to ICT reprovision will be taken at Resources Committee and to enable more detailed Member involvement and to advise Resources Committee an Members ICT Executive Board was established.

(v) Caithness Heat & Power

The Audit Scotland follow up statutory report, dated January 2014, on Caithness Heat and Power makes positive references to the Council undertaking options appraisal since it took over control of the company in August 2008. The report concludes that: *“over four years, from August 2008 to May 2012 (when houses were reinstated or connected to the current district heating system) the Council received regular reports and considered options with related information on costs, benefits and risks.”*

6 Points for action

- 6.1 In terms of section 3 above, Members are involved in options appraisal where key strategic decisions need to be made. In order to ensure that this role is carried out effectively, the checklist provided at appendix 2 to the Audit Scotland report should be used by Members as a valuable aide-memoire for future options appraisal exercises. In addition, the importance of the scrutiny role will be reinforced at the scrutiny training session for Members on 9th May.
- 6.2 In respect of section 4 above, guidance is in place for officers within the Council's Financial Regulations regarding the options appraisal process to evaluate and prioritise the projects for inclusion in the capital programme. In addition to this there is wider reference to options appraisals for "other significant projects", requiring that business cases be prepared taking cognisance of the appropriate guidance (e.g. Treasury Guidance or Office of Government Commerce) on options appraisal. In view of the Audit Scotland report it is recognised that Financial Regulations could be strengthened by signposting to the good-practice checklists provided within the report. The Regulations are currently being re-drafted and therefore this amendment can now be made with the intention of seeking approval to the revised Regulations at the Audit & Scrutiny Committee in June.

7. Resource, Legal, Equalities, Climate Change/Carbon Clever, Risk and Gaelic Implications

- 7.1 The report from Audit Scotland emphasises that a robust options appraisal process helps councils to ensure that all relevant issues and implications have been considered.

8. Recommendations:

- (i) Members are invited to consider the Audit Scotland report together with the response and the points for action.
- (ii) Members are asked to note the "Questions for Councillors" at appendix 2 to the Audit Scotland report which will assist in the scrutiny of future options appraisal exercises.

Designation: Director of Finance

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Author: Nigel Rose, Head of Internal Audit & Risk Management

Background Papers: None