

## PERTH AND KINROSS COUNCIL

## STRATEGIC POLICY AND RESOURCES COMMITTEE – 11 JUNE 2014

## AUDIT SCOTLAND OPTIONS APPRAISAL REPORT

## REPORT BY DEPUTE DIRECTOR (THE ENVIRONMENT SERVICE)

**ABSTRACT**

This report provides a summary of 'Options Appraisal: Are you getting it right?' published by Audit Scotland in March 2014. Appendix 1 and 2 to this report provides a number of self-evaluation questions for Councillors and Officers.

**1 BACKGROUND/ MAIN ISSUES**

- 1.1 In March 2014 Audit Scotland published the report 'Options Appraisal: Are you getting it right?' as part of the 'How Councils Work' series of reports. The purpose of the series of reports is to stimulate change and improve performance. Audit Scotland selects topics based on recurring themes and issues from their Best Value audit work, the work of local auditors and their annual overview report.
- 1.2 The Audit Scotland report is the seventh in the How Councils Work series and highlights the importance of Councils using rigorous options appraisal to deliver efficient and effective Services to local communities and show they are achieving Best Value. This Audit Scotland 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 appraisal. The report highlights that the most pressing challenge facing Councils is the need to manage financial pressures and the increasing demands on Services. The report highlights the legislation impacting the Council and the level of discretion Councils have on delivering and by whom. The report advises that both Councillors and officers need to be open to considering a broad range of options in delivering Services. A full copy of the report is included in Appendix 3.
- 1.3 This report provides a high level summary of findings from the Audit Scotland report and an update on the Council's position with regard to options appraisal. Appendices 1 and 2 to this report includes a number of self-evaluation questions for Councillors and officers to help apply good practice.

**2 ACCOUNTS COMMISSION KEY FINDINGS**

- 2.1 The report highlights that there are many challenges facing Councils, the most pressing being the need to manage financial pressures and the increasing demands on Services. 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. One of their key recommendations was that Councils should 'ensure rigorous and challenging appraisal of options for delivering Services.'

- 2.2 The Accounts Commission explains that Councils need to consider a wide range of options when considering what Services to provide and how to deliver them. Some Services are more prescribed in legislation than others, for example the collection of council tax and business rates. For other Services, Councils have a lot of discretion on the level of Service provided, how Services are delivered and by whom.
- 2.3 The report requires that Councils must assure themselves that the Services they are delivering are providing value for money, are efficient and effective and demonstrate Best Value through continuous improvement. This can be done by critically assessing current arrangements for Service delivery and by looking at how Services are provided by other Councils and other organisations.
- 2.4 Councillors and officers are asked to be open to considering a broad range of options for delivering Services. This might involve providing Services in a different way, or even not providing some Services at all. These are difficult decisions to make as they affect residents and customers, partner organisations and Council staff. 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 to ensure that decisions are transparent and based on solid information.
- 2.5 The report states that it is vital that Councils clearly define the objectives of any options appraisal process which may be to provide Services in a different way to better meet the needs of residents, to make existing Services more effective or to make savings to provide resources for other higher-priority areas. When deciding on the objectives, a Council needs to ensure that the possible outcomes of any options appraisal are consistent with its strategic policy objectives.
- 2.6 The Accounts Commission also makes the point that options appraisal needs to be resourced properly to ensure that it works well. This involves devoting the appropriate time, money, skills and experience to ensure that sound decisions are made. The process needs to be proportionate to the significance of the decision to be made.

### **3 PERTH AND KINROSS COUNCIL – CURRENT POSITION**

- 3.1 Perth and Kinross Council has an improvement culture that encourages staff to challenge the way things are done, focusing on making Services better for the people who use them. Services are open to change and continually check and adjust the way Services are delivered to make sure that the Council is making best use of public resources and meeting customer needs.
- 3.2 The Council takes a proactive approach to improvement through self-evaluation. How Good is Our Council ensures Services take ownership of improvement, driving change across all activities in a systematic and comprehensive way. The approach requires Services to consider performance across all areas, conducting a light touch review of Service

delivery to identify options for improvement. Options for improvement arising from How Good is Our Council are considered further in the development of Service Business Management and Improvement Plans. The Council's Business Management and Improvement Planning process and performance management system enables Services to continually review their core Services to identify change options that are required to improve day to day business.

- 3.3 Conducting a review is a way of stepping back from making lots of small changes to explore what big changes, if any, might be needed to improve the Service. Service reviews dig deeper to identify the root of any performance issues and consider major options for improvement. A review might lead the Council to deliver the existing Service differently, build a case for more investment, or try a more innovative approach. The process allows Services to consider how they work with other Council Services or partner organisations to make a difference to local people's quality of life. It is in these areas where there is a real opportunity to make a 'step change' in the effectiveness of what the Council is doing.
- 3.4 The Council has in place a Transformation Programme to redesign Services and achieve efficiencies which contains a large number of projects across all Council services. The Transformation programme applies Best Value principles to make a significant saving. Services also plan and carry out Best Value Reviews which are not monitored as part of the Transformation Programme. The primary focus of Best Value Reviews which are not part of the transformation programme is not to make a saving, but to improve Service delivery. In addition, the Council's Capital Programme delivers a wide range of major infrastructure projects.
- 3.5 Option appraisal is a fundamental aspect of transformation projects, Best Value reviews and capital projects. The task for the project team is to assess the evidence gathered and how it points them towards the most appropriate option for recommendation to elected members and senior managers. The project team uses option appraisal to determine which option would come closest to fulfilling the Council's vision and strategic objectives as well as deliver the optimum balance between economy, efficiency and effectiveness of Service delivery.
- 3.6 The Council's corporate guide to carrying out Best Value Reviews contains detailed advice and information on conducting an options appraisal. The guide requires the review team to clearly define the objectives of the options appraisal process and determine option appraisal criteria at the scoping stage of the review. The scoping report should include the business case outlining why the spend/ save proposal is worthwhile.
- 3.7 During the options appraisal stage of the review, a detailed analysis of each of the options is made against the criteria agreed at the scoping stage. The guide includes a weighting and ranking technique to assist Services to carry out this process in a systematic way. The table below includes a broad range of options that Services are asked to consider.

Option	Key evidence to support
Improved in-house Service	No alternative can provide a better value balance between cost and quality
Reconfiguration	Can be a form of in-house provision but making structural changes
Joint working	Willing partners, common objectives, and sustainability across the public sector
Market testing	Review evidence is not clear about whether the in-house team is competitive
Partnership	Willing partners, common objectives, and sustainability with the private sector
Externalisation	The marketplace offers better value than the in-house Service could
Transfer	The Service or activity can stand on its own feet
Cessation	The Service is wasting public money
Hybrid	Mixed evidence from the review. Mixed requirements from the local authority and local communities

- 3.8 There are many examples of how the Council is giving consideration to alternative ways of working and delivering Services. For example: the structural changes made as a result of the libraries review; joint working between Education and Children's Services and Housing and Community Care through the transitions within the communities project; working in partnership with NHS Tayside on health and social care integration; and working with local communities through the Highland Perthshire Older People's Project. The challenge provided through these projects ensures that Services remain relevant, efficient and effective.
- 3.9 Projects and reviews use up valuable resources so they are carried out only where Services have confidence from the outset that they will result in recommendations for change that will deliver measurable improvements in quality and/or efficiency that far outweigh the cost of the review. Benchmarking is a tool that the Council uses to find out what has worked or has not worked elsewhere to identify options for alternative ways of working and new ways of delivering Services.
- 3.10 When a review is carried out a final report is produced for consideration by the Service Management Team, Executive Officer Team, the Modernising Governance Member Officer Working Group and finally the relevant Service Committee. To support clear and transparent decision making, the corporate guidance on carrying out a Best Value Review requires reports to:
- Explain what work has been undertaken to assess whether there are better options available on either quality and/or cost
  - Provide detailed consideration of all alternative options and briefly cover the arguments for and against
  - Include the results of any weighting assessment against criteria used to compare the different options
  - Specify recommended option
- 3.11 Monitoring of the selected options in terms of implementation and benefits realisation feeds back into the Council's overall strategic planning and performance management framework.

#### **4 KEY AREAS FOR IMPROVEMENT**

- 4.1 It is proposed that the Council's guidance on conducting options appraisal will be incorporated in the corporate Project Management Toolkit to provide a single point of reference for project managers.

#### **5 CONCLUSION AND RECOMMENDATION**

- 5.1 The Audit Scotland Report on Options Appraisal highlights the importance of Councils using rigorous options appraisal to deliver efficient and effective Services to local communities and show they are achieving Best Value. It is the first of two reports on options appraisal. A follow up report will be produced by Audit Scotland to consider existing practice in Councils and how they undertake options appraisal.
- 5.2 It is recommended that the Strategic Policy and Resources Committee:
- I) notes the findings of the 'Options appraisal: are you getting it right?' report at Appendix 3;
  - II) agrees the key areas for improvement at Section Four of this report; and
  - III) considers the questions for Councillors and Officers at Appendix 1 and 2 of this report.

#### **Author**

<b>Author Name</b>	<b>Designation</b>	<b>Date</b>
Michelle Cochlan	Partnership and Improvement Manager	28 May 2014

#### **Approved**

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Barbara Renton	Depute Director (Environment)	28 May 2014

**Date of Report:** 28 May 2014

**Appendix 1:** Questions for Councillors

**Appendix 2:** Questions for Officers

**Appendix 3:** Options appraisal: are you getting it right? Audit Scotland, March 2014

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>None</b>
Workforce	<b>None</b>
Asset Management (land, property, IST)	<b>None</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>None</b>
Strategic Environmental Assessment	<b>None</b>
Sustainability (community, economic, environmental)	<b>None</b>
Legal and Governance	<b>None</b>
Risk	<b>None</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>None</b>

### 1.1 Strategic implications

This report supports the delivery of the Strategic Objectives within Community Plan/ Single Outcome Agreement 2013-23 and Corporate Plan objectives, 2013-18.

### 1.2 Consultation

The Team Leader (Change Management), Chief Accountant and Executive Officer Team were consulted in the preparation of this report.

## 2. BACKGROUND PAPERS

The background paper referred to within the report is:

[Options appraisal: are you getting it right? Audit Scotland, March 2014](#)

## 3. APPENDICES

Appendix 1	Questions for Councillors
Appendix 2	Questions for Officers
Appendix 3:	Options appraisal: are you getting it right? Audit Scotland, March 2014

## Questions for Councillors

ISSUE
<b>On the options for delivering Services :</b>
Are there any restrictions, for example legal or financial, to providing this Service in a different way?
<p>Am I considering all of the options on how Services might be delivered?</p> <ul style="list-style-type: none"> <li>• Does the current Service provider: <ul style="list-style-type: none"> <li>– deliver economy, efficiency and effectiveness?</li> <li>– have the capacity and capability to sustain good performance?</li> <li>– generate sufficient funds or make the required savings ?</li> </ul> </li> <li>• Does the Service directly contribute to the Council's objectives?</li> <li>• Am I clear about what the full range of alternatives are for providing this Service? <ul style="list-style-type: none"> <li>– Are there alternative providers for the Service?</li> </ul> </li> <li>• Is the risk of failure so high that risks are better managed in-house?</li> <li>• Are the potential benefits of other options outweighed by the costs of implementation?</li> <li>• Are there opportunities to: <ul style="list-style-type: none"> <li>– develop an effective 'mixed economy' of approaches for achieving the Council's objectives?</li> <li>– share the risks and benefits with partner organisations?</li> </ul> </li> <li>• Would the Service benefit from: <ul style="list-style-type: none"> <li>– economies of scope (by providing a more specialised Service)?</li> <li>– economies of scale (by being bigger)?</li> <li>– innovation and investment?</li> <li>– increased productivity?</li> <li>– access to investment?</li> <li>– an opportunity to stimulate or influence market development?</li> </ul> </li> <li>• Is there a demand for the Service?</li> </ul>

<b>On the options appraisal process :</b>
Am I clear about what the options appraisal is trying to achieve?
Does my council have a robust process in place to help me decide on the options?
<p>At the start of the process:</p> <ul style="list-style-type: none"> <li>• Have we set clear objectives?</li> <li>• Am I clear about why we are considering the options?</li> <li>• Are those objectives consistent with the Council's strategic objectives and policies?</li> <li>• Have we set out clear roles and responsibilities?</li> <li>• Have we agreed a clear plan which identifies what decisions need to be made and by whom?</li> <li>• Have we identified the key stakeholders who need to be consulted?</li> </ul>
<p>During the process:</p> <ul style="list-style-type: none"> <li>• Am I getting regular updates on progress?</li> <li>• Am I involved at the appropriate decision points?</li> <li>• Is the process progressing to plan?</li> <li>• Am I getting the support I need from officers?</li> </ul>
<b>On making sound decisions :</b>
<p>Am I getting the information I need to make the decision?</p> <ul style="list-style-type: none"> <li>• On the performance implications?</li> <li>• On the financial implications?</li> <li>• On the risks?</li> <li>• Is there a clear business case?</li> <li>• Is the decision consistent with the Council's strategic objectives?</li> <li>• Have stakeholders contributed to the options appraisal process and what are their views?</li> <li>• Am I clear about how I balance my personal and political views with my statutory duty of Best Value?</li> </ul>
<b>On implementing the decision :</b>
<p>Am I getting the information I need to be assured that:</p> <ul style="list-style-type: none"> <li>• the decision is being implemented effectively?</li> <li>• it is having the desired effect?</li> </ul>



## Questions for officers

ISSUE	QUESTIONS FOR OFFICERS	ASSESSMENT / ACTIONS
<b>Defining the objectives</b>	Are the main reasons/drivers for considering other delivery arrangements clear? – performance – financial – risk – strategic priorities.	Transformation projects and Best Value Reviews are the key methodologies used by Council Services to consider major changes to delivery arrangements. In selecting an area for review, the corporate guidance requires Services to consider the following criteria to ensure they are clear on the drivers for change: <ul style="list-style-type: none"> <li>• Are we currently providing the right service?</li> <li>• Are current levels of service adding the best value to local communities?</li> <li>• Are we delivering in the most appropriate and efficient way?</li> <li>• Does the service contribute to the council achieving its long and medium-term objectives?</li> <li>• Are we working in the most joined up way?</li> <li>• Is the service making best use of public money?</li> <li>• Is the service making efficiency gains?</li> <li>• Has the service been identified as an area which is securing continuous improvement?</li> </ul>
<b>Defining the objectives</b>	Am I clear about how the options relate to the Council's corporate priorities?	The terms of reference for Transformation Projects and Best Value Reviews includes the aim and objectives of the review and options which will be investigated as part of the review. The terms of reference makes links to the relevant strategic objectives outlined in the Corporate Plan 2013-18.
<b>Agreeing the process</b>	Have the elected members approved a robust options appraisal process?	Elected members approve the scoping reports of Transformation Projects and Best Value Reviews at the Modernising Governance Member Officer Working Group and, where relevant, the Service Committee. The corporate guidance on carrying out a Best Value Review requires scoping reports to outline the review methodology, including options appraisal, and draft project plan.
<b>Agreeing the process</b>	Is everyone aware of the roles and their responsibilities in the options appraisal framework being used?	The scoping report of Best Value Reviews and Transformation Projects identify and describe the roles and responsibilities of each contributor of the review. This involves highlighting any specialist,

ISSUE	QUESTIONS FOR OFFICERS	ASSESSMENT / ACTIONS
		technical and other support requirements. Good project management techniques utilised by Review managers will ensure that all members of the team are aware of their roles and responsibilities throughout all stages of the review process.
<b>Agreeing the process</b>	Have I developed a clear plan for the process and identified: – timescales? – resource implications? – roles and responsibilities? – skills and expertise? – governance arrangements?	The scoping report for Best Value Reviews and Transformation Projects include information on the resource implications of the review in terms of time and money. As explained above it also includes information on the review team. The scoping report is explicit about the key deliverable and timescales of the review. The governance arrangements for the review are also included, detailing the reporting requirements.
<b>Identifying and filtering options</b>	Am I confident that I am identifying the full range of options? – 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?	Comparing performance with organisations providing similar Services is a key stage of a Transformation Project and Best Value Review. This benchmarking process provides a pointer to how good Services are in comparison to other Councils and the private sector and how much scope there might be for improvement.
<b>Identifying and filtering options</b>	Am I clear about the relative merits of the options? – 'Strategic fit' with the Council's objectives – Impact on the quality of Service for the customer – Financial implications (costs and savings) – Legal implications – Risk assessment – Impact on other Council Services	At the beginning of the review process, it is likely that there will be many ideas about changes which could be made to the Service or area under review. It is not productive to investigate all of these ideas unless it is suitable, acceptable and feasible to do so. Therefore it is necessary to go through an initial 'weeding out' exercise. This involves testing each idea or option against a set of Option Appraisal Criteria (strategic fit, impact on quality etc.) in order to eliminate any impractical options early in the process.
<b>Assessing and analysing options</b>	For the 'shortlist' of options have I considered: – all of the costs and benefits? – legal and financial implications? – risks? – practical implications of the options?	The shortlisted options are agreed by senior management and elected members prior to being subject to a greater level of analysis and investigation. The Option Appraisal Criteria will be used again later in the review to evaluate whether the options investigated are as feasible as initially thought.

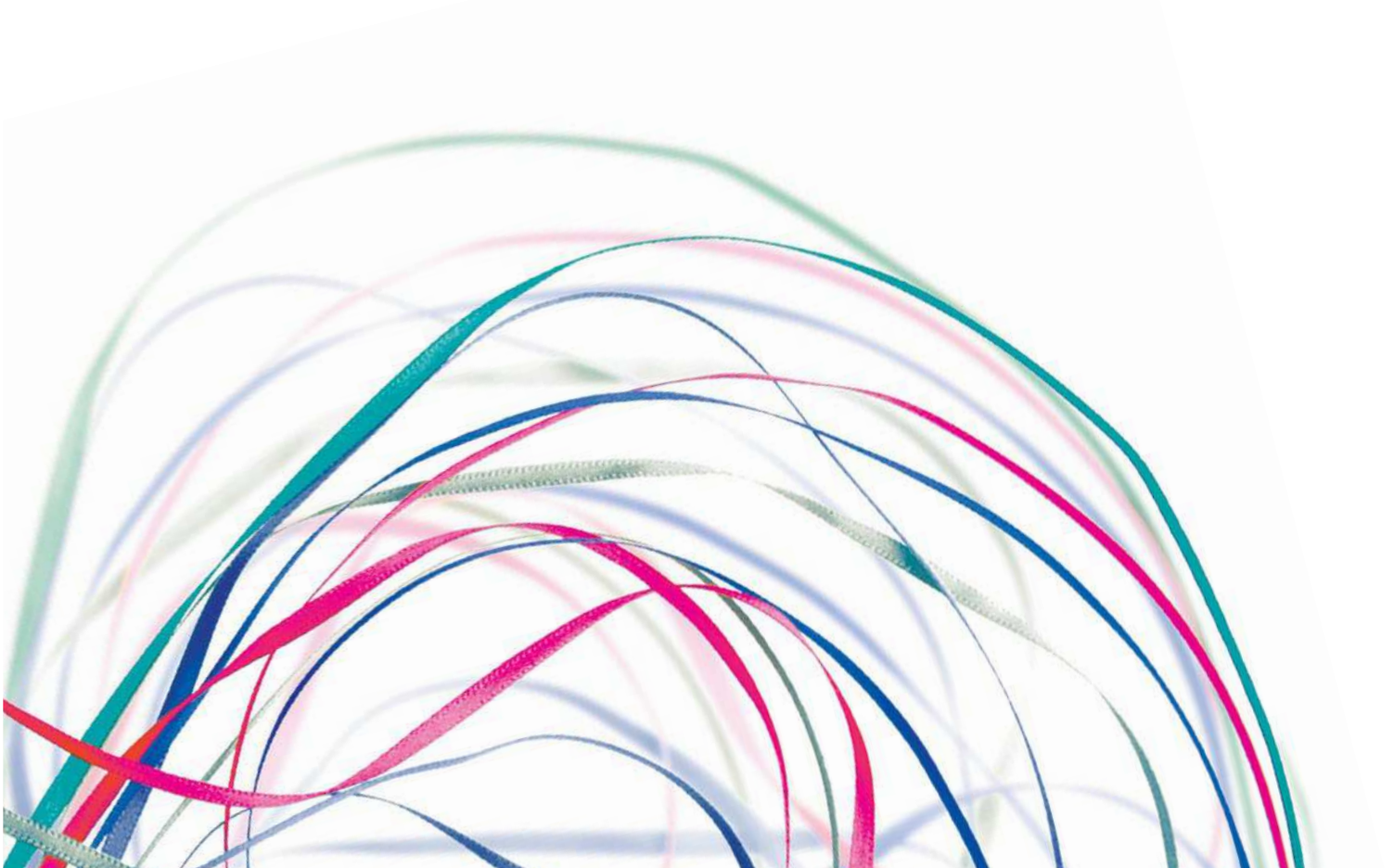
ISSUE	QUESTIONS FOR OFFICERS	ASSESSMENT / ACTIONS
<b>Assessing and analysing options</b>	Is there a robust process in place to help members take the decisions?	At the conclusion of the review, the findings must be reported in a Final Report to senior management and elected members for a final decision regarding the recommended service delivery option. Elected members approve the final reports of Transformation Projects and Best Value Reviews at the Modernising Governance Member Officer Working Group and the relevant Service Committee.
<b>Assessing and analysing options</b>	Have I clearly presented all of the information members will need to make the decision? – On current and projected costs, performance and risks – Business case(s) including assumptions.	The corporate guidance on carrying out a Best Value Review requires final reports to: explain what work has been undertaken to assess whether there are better options available on either quality and/or cost; provide detailed consideration of all alternative options and briefly cover the arguments for and against; include the results of any weighting assessment against criteria used to compare the different options; and specify the recommended option.
<b>Implementing the option</b>	Have I developed a clear action plan to implement the decision? – Timetable – Resources – Managing the risks.	Following approval of the Final Report the Service devises an implementation plan to action the improvements which have been identified as part of the review.
<b>Implementing the option</b>	Have I ensured that there are robust arrangements in place to monitor and report performance for the chosen option? – Contract – Service level agreement – Performance and financial reporting – Escalation arrangements if things go wrong.	Senior management and elected members are kept informed of progress with the implementation plan and are provided with a regular progress report as part of the Council's overall strategic planning and performance management framework. Progress reports may be provided to the Modernising Governance Member Officer Working Group and the appropriate Service Committee.
<b>Implementing the option</b>	Have I carried out a 'lessons learned review' to inform future options appraisals?	Ending the review properly is as important as beginning the review. Review Teams will get together at the end of a review to consider the success of how the review was carried out and any lessons for the future.



How councils work:  
an improvement series for councillors and officers

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# Options appraisal: are you getting it right?



Prepared by Audit Scotland  
March 2014



# 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.

Our work includes:

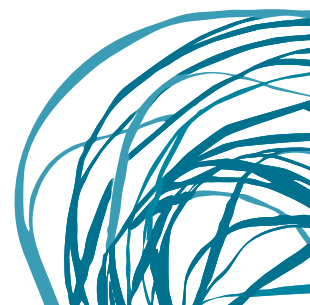
- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about/ac](http://www.audit-scotland.gov.uk/about/ac) 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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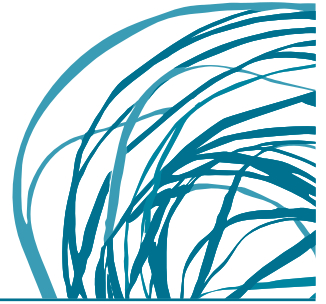
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# Background

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## Who is this report for?

### 1. This report is for:

- **Councillors** – who are responsible for setting strategic direction, taking policy decisions and scrutinising performance. [Part 1 \(page 9\)](#) focuses on the crucial role that councillors have in ensuring that a wide range of options are considered when deciding what services their council should provide and how they are delivered. Councillors also have a leadership role in the options appraisal process itself. Councillors must have the information and support they need to enable them to do this. [Appendix 2 \(page 31\)](#) offers a set of prompt questions which councillors should use to critically appraise arrangements in their council.
- **Chief executives and corporate management teams** – who are responsible for delivering the council's objectives and ensuring that councillors receive the information they need to make informed decisions.
- **Managers** – who are responsible for managing a robust options appraisal process.

**2. [Part 2 \(page 15\)](#)** is of a more technical nature. 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.

**3.** We want this report to stimulate discussion among councillors and managers and to support change and improvement. This is critical given the current financial climate and the need to challenge existing ways of doing things. The report supports councillors and officers by signposting sources of information and guidance. We have also included checklists that we hope councillors and officers will find helpful.

### 4. This report covers:

- The leadership role that councillors have in the options appraisal process.
- Identifying the main options for delivering services and critically assessing them.
- Implementing the decision and monitoring performance.
- Managing an options appraisal process.



## What do auditors say?



These boxes appear throughout this report. They have been drawn from Accounts Commission and Audit Scotland audit reports.

## Want to know more?



There is a wide range of guidance material available on options appraisal. We reference this material in the report where appropriate.

### About our 'how councils work' series

**5.** The Accounts Commission seeks to support developments in Best Value and how to manage resources such as people and finance. We recognise these as two components vital to successfully delivering council services.

**6.** Our 'how councils work' series of reports aims to stimulate change and improve performance. We select topics based on the recurring themes and issues from our Best Value audit work, the work of local auditors and our annual overview report.

**7.** This is the seventh report in the series. Previous reports have examined:

- [The roles, responsibilities and working relationships of councillors and council officers in achieving best value \(PDF\)](#) (August 2010).
- [The relationships between councils and their ALEOs \(arm's-length external organisations\) \(PDF\)](#) (June 2011).
- [The importance of good-quality cost information in policy decision-making and scrutinising performance \(PDF\)](#) (May 2012).
- [The importance of effective performance-management systems \(PDF\)](#) (October 2012).
- [Good practice guide for councils in managing major capital investment \(PDF\)](#) (March 2013).
- [Charging for services \(PDF\)](#) (October 2013).

**8.** All reports are available on Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) .

**9.** This report highlights the importance of councils using rigorous options appraisals to:


- deliver efficient and effective services to local communities
- show they are achieving Best Value.

**10.** We have worked with the Improvement Service in developing this report and we are grateful for their contribution. We also shared the draft report with some councillors from a number of councils and thank them for their comments.

**11.** This 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.

# Key messages

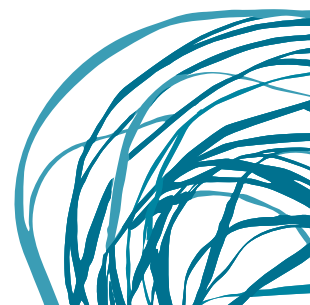


- 1** There are many challenges facing councils, the most pressing being the need to manage financial pressures and the increasing demands on services. The Accounts Commission report [\*Responding to challenges and change: An overview of local government in Scotland 2013\* \(PDF\)](#)  highlighted that demand and resource pressures continue to build for councils. One of our key recommendations was that councils should 'ensure rigorous and challenging appraisal of options for delivering services.'
- 2** Everything a council does has its roots in legislation. Some services are more prescribed in legislation than others, for example the collection of council tax and business rates. For other services, councils have a lot of discretion on the level of service provided. Even for those services where there is some prescription, it is relatively limited and councils retain substantial discretion on how services are delivered and by whom.
- 3** Councils need to consider a wide range of options when considering what services to provide and how to deliver them. They must assure themselves that the services they are providing are value for money, efficient and effective and demonstrate Best Value through continuous improvement. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.
- 4** Councillors 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 even not providing some services at all. These are difficult decisions to make as they affect residents and customers, partner organisations and council staff. 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 to ensure that decisions are transparent and based on solid information.
- 5** It is vital that councils clearly define the objectives of any options appraisal process. This might be about providing services in a different way to better meet the needs of residents, it might be about making existing services more effective or it may be about making savings to provide resources for other higher-priority areas. When deciding on the objectives, a council needs to ensure that the possible outcomes of any options appraisal are consistent with its strategic policy objectives.

- 6 As with any process, options appraisal needs to be resourced properly to ensure that it works well. This involves devoting the appropriate time, money, skills and experience to ensure that sound decisions are made. The process needs to be proportionate to the significance of the decision to be made.
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# Part 1

## Councillors have a crucial role in options appraisal



### Why is options appraisal important?

**12.** 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.

**13.** Councillors have to make difficult decisions about where to focus the council's resources. In the current financial climate it is even more important that councillors are confident that the council is providing the right services in the right way. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations. They should then consider a wide range of options for delivering services and assess the relative merits of the options. A robust options appraisal process helps provide assurance to councillors and the public that these decisions are being made on a sound basis and by considering all of the relevant information.

**14.** In addition to the widely accepted benefits of 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.
- Services 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.

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am I  
considering  
all of the  
options on  
how services  
might be  
delivered?

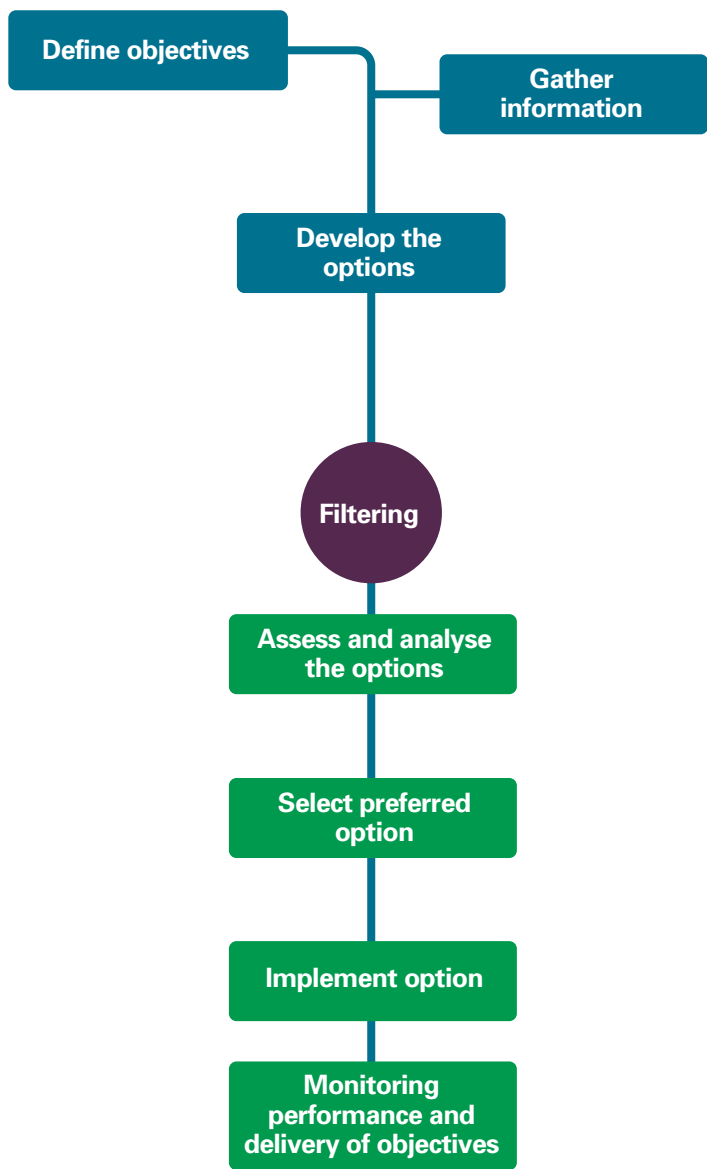
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### What is options appraisal?

**15.** An options appraisal is all about making well-informed decisions. The *Best Value – Making Choices, Volume One: A Manager's Guide to the Strategic Framework for Best Value, Procurement and Competitiveness* published by the Scottish Government in 2001 noted that, as with any decision-making tool, options appraisal provides support to the process, it does not provide the answers. The value of decision-making tools is that they take people through the process stage by stage, and they assist in making sure that everything relevant is taken into account.

16. The basic stages of an options appraisal process ([Exhibit 1](#)) were set out in our report [Arm’s-length external organisations \(ALEOs\): are you getting it right? \(PDF\)](#)  published in 2011.

**Exhibit 1**  
Basic stages of an options appraisal process



Source: *Capital Planning and Option Appraisal – A Best Practice Guide for Councils*, CIPFA Local Government Directors of Finance, October 2006, adapted by Audit Scotland


17. We have developed this further to highlight the role of councillors, the key reporting stages and the importance of consultation with stakeholders. This more detailed process map is shown in [Exhibit 2 \(page 16\)](#).

**18.** There is a wide range of possible outcomes from an options appraisal process. These include:

- delivering services in partnership (with other councils, with other public or voluntary organisations or with the private sector)
- setting-up an arm's-length organisation like a charitable trust
- outsourcing services to a private sector supplier
- retaining services in-house
- setting-up an employee-owned cooperative or mutual company
- deciding not to deliver a service at all.

**19.** In 2011, the National Audit Office published *Options Appraisal: Making informed decisions in government*. The report found that the quality of options appraisal varied within and between departments across government. It is reasonable to assume that this is also the case in the public sector in Scotland.

## What role does a councillor play in options appraisal?

**20.** Councillors have a crucial role in options appraisal. The Accounts Commission report [\*Responding to challenges and change: An overview of local government in Scotland 2013\* \(PDF\)](#)  recommended that councillors need to ensure rigorous and challenging appraisal of options is undertaken for delivering services.

## What do auditors say?



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.

Source: [\*Arm's-length external organisations \(ALEOs\): are you getting it right?\* \(PDF\)](#)   
Accounts Commission, June 2011

**21.** 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. At the outset, councillors should consider the significance of the options being considered and assure themselves that the options appraisal process being used to help them make the decision is robust and proportionate.


**22.** Councillors have an important role in ensuring strong corporate ownership of options appraisal. Councillors need to be involved in agreeing the framework, in effect they are agreeing 'the rules of the game' 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.

**23.** Weighing up the relative merits of the options is an important part of the process. Councillors may therefore have a role in setting the criteria which will be used to assess which options best fit the council's objectives. For example, if the priority is improving performance, this will feature strongly in the assessment criteria. In other cases achieving savings might be the priority, so that will feature more prominently. In any options appraisal, however, the criteria should include both quality and cost. The council also needs to consider the impact on equalities and sustainability.

**24.** The most important part of any councillor's role in an options appraisal is the decision on which option to implement. This can have far-reaching consequences on the services the council delivers, how it delivers them and ultimately on the users of those services.

**25.** Following the decision, councillors also have an important role in scrutinising the implementation of the decision and the impact it has on service delivery. This can be achieved by monitoring performance and the delivery of service objectives on a regular basis.

## Important considerations

**26.** In our 2010 report [\*Roles and working relationships: are you getting it right?\* \(PDF\)](#)  we 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.

**27.** It is essential that councillors have the appropriate skills to scrutinise options appraisals. Councillors have an important role in asking officers challenging questions to assure themselves that the appraisal is robust and that all of the relevant issues are being considered.

**28.** Careful consideration also needs to be given to resourcing options appraisal as the outcome may have far-reaching consequences for residents, customers and the council. Councils also need to consider whether or not the council has the necessary skills and expertise in-house to carry out the appraisal. Some of the options being considered may be innovative or complex and it may be that specialist external support is required.

**29.** The council also needs to consider the timing of options appraisals. Wherever possible the process should align with a council's planning and budgeting timetables, so that any important decision on service delivery can inform and be informed by these processes. Councils also need to consider the timing in relation to the political cycle, including local and national elections. Experience indicates that difficult decisions become far more problematic politically in the run-up to an election.

**30.** [Appendix 2 \(page 31\)](#) to this report includes a checklist of prompt questions designed to help councillors evaluate their role in options appraisal and assess how effective current arrangements in their council are.

## Potential barriers to an effective options appraisal

**31.** Options appraisal can be extremely challenging for councils, for councillors, for managers and for staff. Loyalties run deep in councils, councillors hold strong political beliefs and balancing competing interests is always difficult. But the duty of Best Value on making best use of public resources must always be paramount.



**32.** Councillors should be aware of things that might get in the way of an effective options appraisal. These include:

- **Unclear objectives:** a council needs to take the time and be clear about the reasons why services are provided in-house. There may be good reasons for this; it may be due to the specialist nature of the service, the vulnerability of the client group, the absence of an alternative provider or issues of equality and fairness. They need equally to be clear which services are open to alternative forms of service delivery through a rigorous options appraisal. We have seen examples, however, where councils have spent time and public money pursuing alternative service delivery options, only to withdraw late in the process.
- **The ‘Aye Bin’ principle:** change is never easy, it can be challenging for officers and for councillors to radically change the way a council has provided a service often over a lengthy period of time. Councillors might believe that options appraisal would be too difficult and fear that the alternatives seem too radical. Councillors may also be uncomfortable with alternatives given their personal and political sympathies and aspirations.
- **A short-term perspective:** focusing too much on the ‘here and now’ or on the short term can mean that the longer-term benefits are not fully considered.

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## What do others say?



Options should be appraised on their costs and benefits, not on personal preferences of key stakeholders or individuals.

Source: *Options Appraisal Workbook: Planning Advisory Service pilot projects*, Local Partnerships (jointly owned by HM Treasury and Local Government Association), 2012

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**33.** The Accounts Commission has previously reported that the savings made to date have mainly been achieved by reducing workforces, but that this is not sustainable in the longer term. Councils must therefore critically examine their current arrangements for service delivery through rigorous options appraisal. But to gain acceptance of the need for options appraisal, councils need to invest the time, effort, staff and money. This would help councillors, managers, employees and other key stakeholders understand the importance of options appraisal and the use it can have to deliver the council’s overall objectives. Councillors have a crucial role in ensuring that local communities understand this as well.

**34.** Councils can address some of the perceived barriers by making sure that for any options appraisal, it has the right people involved, that those people have the right skills and that everyone has clear roles and responsibilities. Furthermore by putting in place clear governance structures at the outset of the options appraisal, this will ensure that the decisions on selecting the preferred options are transparent.

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## What do we mean by governance?



Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

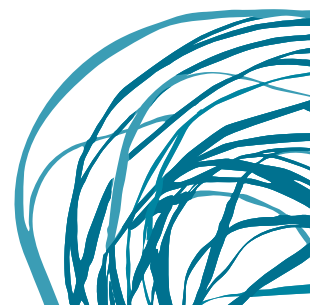
It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Source: *Delivering Good Governance in Local Government*, SOLACE/CIPFA, 2007

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# Part 2

## The options appraisal process



### **An options appraisal process is all about making well-informed decisions**

**35.** Options appraisal is a tool that helps to inform decision-making. As with any decision-making tool it provides support to the process – it does not provide the decision itself. Best Value review teams, senior managers and elected members still have to make judgements and it may be necessary to explain those judgements to others. The value of decision-making tools is that they take people through the process stage by stage and they assist in making sure that all the relevant factors are taken into account. A decision that has been carefully considered in discussion with others and informed by a robust process is more likely to be successful.

**36.** Options appraisal typically includes a number of key stages:

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

**37.** These stages are illustrated in [Exhibit 2 \(page 16\)](#) and we say more about each of them in the sections that follow.

**38.** The key stages of options appraisal can be used to help make decisions at a number of different levels, from strategic decisions about services to more specific decisions about projects or operational matters. 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 decision to be made.

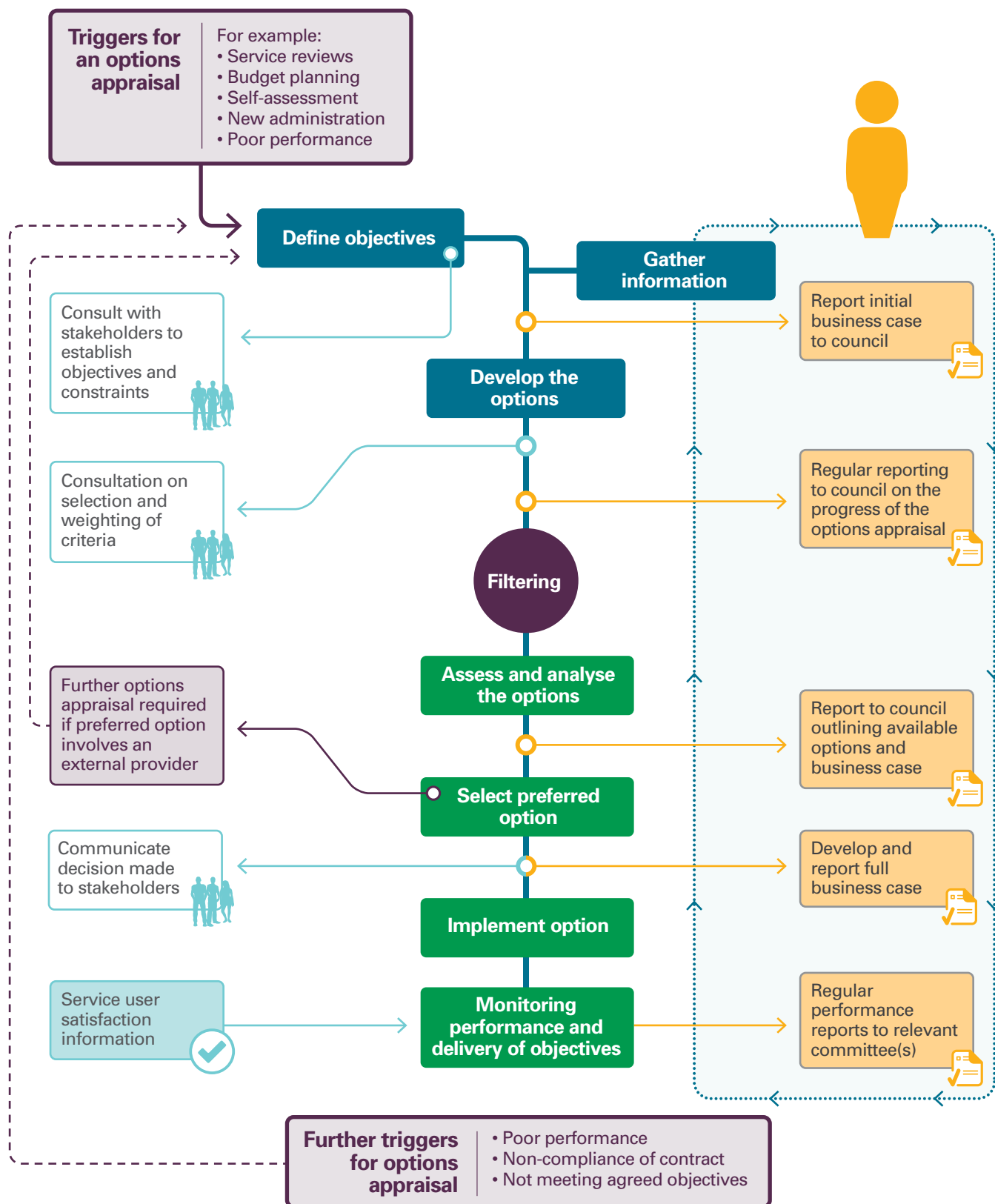
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**a decision that has been carefully considered in discussion with others and informed by a robust process is more likely to be successful**

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## Exhibit 2

### Stages of an options appraisal



Source: *Capital Planning and Option Appraisal – A Best Practice Guide for Councils*, CIPFA Local Government Directors of Finance, October 2006, adapted by Audit Scotland

## Everyone involved needs to have clear roles and responsibilities

**39.** It is important to be clear about who is accountable for the options appraisal and who will be involved in the work. It is also important that those involved keep an open mind and remain objective. A range of people may be involved in the appraisal depending on the significance of the decision being taken and at different stages in the process. These might include:

- Councillors – to agree the overall approach to options appraisal and indicate a willingness to consider a wide range of options.
- Senior officers – to oversee the process, critically appraise the options, make recommendations and implement the chosen option.
- Council officers within the service areas being appraised – to provide service-specific knowledge and expertise.
- Chief financial officers and other finance officers – to provide specialist financial skills to the appraisal team.
- Trade union representatives – to represent any staff who may be affected by the decisions taken.
- External advisers – to provide specialist advice and an independent perspective.

**40.** Councils may also consider involving staff from other service areas or organisations in an appraisal team to provide fresh perspectives and insights from their own experiences.

**41.** Council officers need to ensure training is made available to councillors and other staff involved in the options appraisal process so that they can each fulfil their respective roles effectively.

## Defining clear objectives is critical for success

**42.** The need to carry out an options appraisal process may come from a variety of sources. These 'triggers' might include:

- a strategic review of service delivery, for example as part of a council's transformation programme or improvement plan
- the outcome of a self-evaluation exercise
- the outcome of an external evaluation exercise
- poor service performance – highlighted by performance indicators and through benchmarking comparisons
- a new administration is formed
- budget imperatives
- policy direction.

**43.** It is vital that councils clearly define the objectives of any options appraisal process. When deciding on the objectives, a council needs to ensure that the possible outcomes are consistent with its policy objectives. In a practical sense this means checking the objectives with key strategic documents including the Single Outcome Agreement, the Corporate Plan and service plans.

### **Good-quality information informs good decisions**

**44.** Good decisions are made when they are based on good information. The information should provide decision-makers with what they need to fulfil their role effectively.

**45.** How much information is needed will depend on the significance of the decision being made. The information requirements are likely to become more detailed at each stage of the options appraisal process. For example, the final stages of a process involving competitive bidding will require detailed financial and quality information, and may require legal advice in some cases.

**46.** At various stages of the process those involved are likely to need information about:


- The current position
  - the context – the demands facing the service and the environment within which it operates
  - current performance and costs.
- The options
  - 'strategic fit' with the council's policy objectives
  - impact on the quality of service for the customer
  - financial implications (both costs and savings) and value for money
  - legal implications
  - risk assessment
  - impact on other council services and partner organisations.

**47.** Councils should invest sufficient time to gather the relevant information. This leads to a more constructive challenge from the outset, provides for a more rigorous options appraisal process overall and therefore a well informed decision.

### **Consulting with stakeholders is a key to success**

**48.** The size, nature and subject of the options appraisal will determine who the key stakeholders are. At the outset it is useful to do a stakeholder analysis to identify:

- who the stakeholders are
- what their interest and contribution to the process might be
- how and when to consult with them.

**49.** In our report [\*Major capital investment in councils \(PDF\)\*](#)  published in March 2013, we highlighted that engagement with a wide range of stakeholders is an important part of any project. While this related to major capital projects, it is equally applicable to the options appraisal process.

## What do auditors say?




Every project has stakeholders. These can cover a range of different groups including local residents, businesses, employees, service users, suppliers and public sector bodies such as health boards. Engaging and consulting with stakeholders is essential in achieving a successful project outcome. Stakeholders' interest in a project can have both positive and negative effects on its progress. Their concerns may also create additional risks to a project's outcomes. Engaging with stakeholders effectively is therefore important and should be a vital part of project planning from the start. Consulting with stakeholders can often be a lengthy process. But it can shape the project at an early stage and help ensure a more successful outcome.

Source: Major capital investment in councils: Accounts Commission March 2013

## Critically appraising a wide range of options ensures the process is robust

**50.** At an early stage of the process, councils should develop a 'long list' of options. This long list should include those which might be considered radical, for example ceasing to provide a service. This is to ensure that all options are considered, so that, even if they are then ruled out, this is done by design rather than oversight.

**51.** Those involved in the options identification stage need to be open-minded and creative in thinking what the options might be. The 1999 Accounts Commission report [\*Better together? Making improvements by reconfiguring services\* \(PDF\)](#)  highlighted the importance of 'thinking radically about options'. It suggested this be done right at the beginning of the process, generating ideas by, for example, benchmarking and looking beyond current boundaries and practices. This might include looking at good practice elsewhere in the public sector, the private sector and what happens more widely in the UK and internationally.

**52.** There is a range of possible outcomes from an options appraisal process and many different ways to deliver services. These include retaining services in-house, delivering services in partnership, outsourcing services or even choosing not to deliver a service at all. Some of the key features of these broad options are illustrated in [Exhibit 3 \(page 20\)](#). The exhibit is designed to be illustrative rather than comprehensive as there is a huge range of options a council can consider.

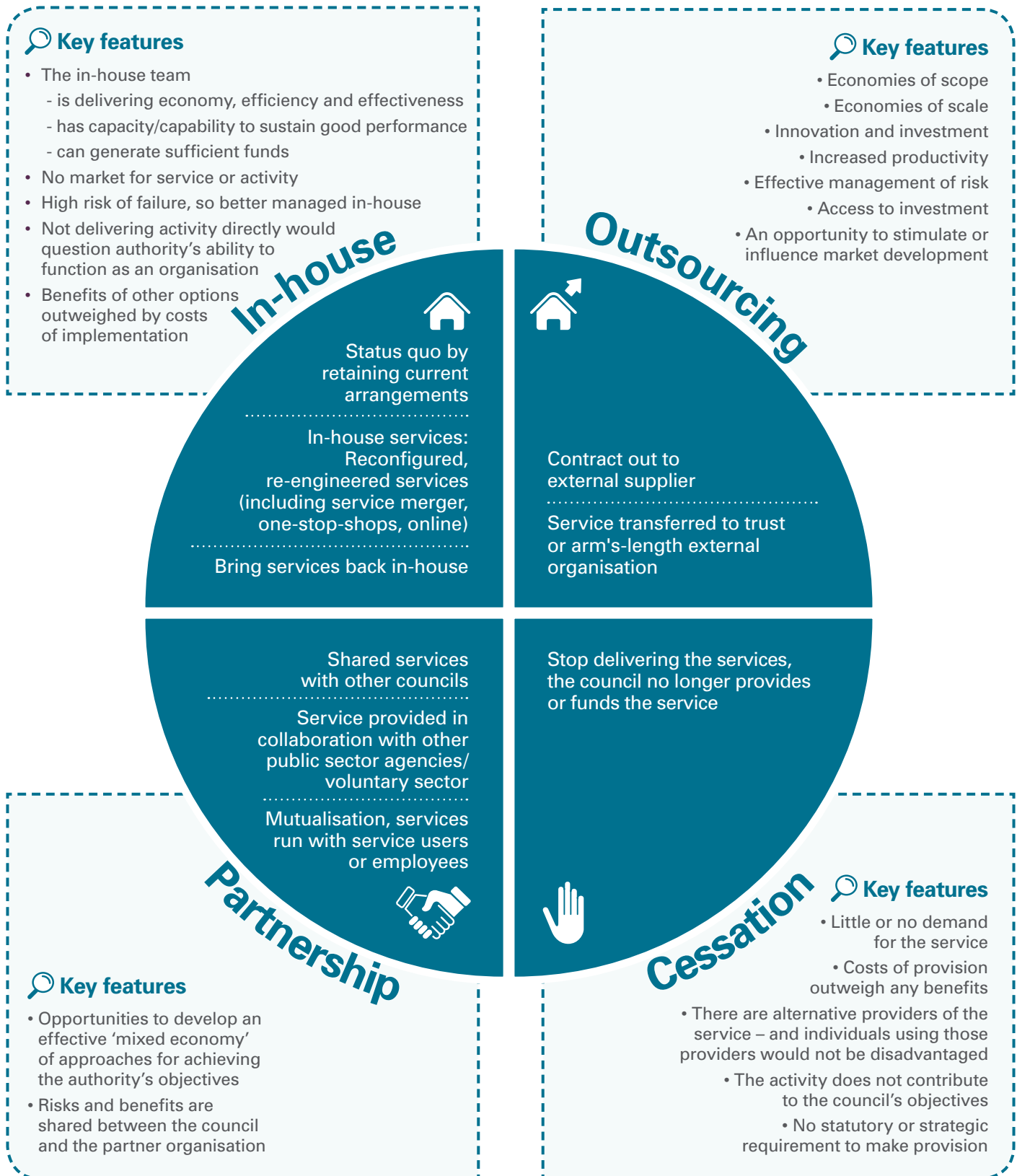
## Filtering options

**53.** The next stage is filtering the 'long list' of options into a shorter list which will be the subject of more detailed analysis and assessment. To do this, councils need to agree a set of criteria. The criteria and the decision made to 'rule in' or 'rule out' options at this stage should be recorded. This is important for accountability and transparency.

**54.** This stage of the process shares many of the characteristics of the later, more detailed stages of assessment of the options ([Exhibit 4, page 21](#)).

### Exhibit 3

#### Possible outcomes from an options appraisal



Note: Economics scope – as commercial and not-for-profit organisations concentrate on their specialisms or areas of expertise. An organisation specialising in the care of elderly people may be able to deliver better value than one that delivers services to a range of client groups. Economies of scope may also come from the development of a team of specialists working with a number of different clients. *Best Value – Making Choices, Volume Two: A Practice Guide to Best Value, Procurement and Competitiveness*, Scottish Government, 2001

Source: Audit Scotland, 2014



## Exhibit 4

### The options appraisal process becomes more detailed as it progresses

At each stage the process of options appraisal can become more detailed and more focused on comprehensive, specially collected, data. In the early stages the process for options appraisal will be the guarantee of consistency of approach. At the final stages it will be both process and data that are important. If that final stage is one of tender evaluation in a competitive bidding process it will be possible to undertake sophisticated analysis of financial and quality data that simply did not exist at the early stages.

Source: *Best Value – Making Choices, Volume One: A Manager's Guide to the Strategic Framework for Best Value, Procurement and Competitiveness*, Scottish Government, 2001

**55.** Having developed a 'shortlist' the next stage is to carry out a detailed assessment. There is a range of ways to go about this.

**56.** At this stage, councils should refine the assessment criteria to help decide on the preferred option. The criteria will depend on what service or project is being considered, but will typically include three main areas:

- Performance appraisal.
- Financial appraisal.
- Risk appraisal.

#### Performance appraisal

**57.** In assessing the relative merits of options, decision-makers will need to consider what effect each of the options will have on service performance. This should include an assessment of current performance (to provide a 'baseline') and what the anticipated effect each option would have on future performance. The performance appraisal should include a mix of both quantitative and qualitative measures. These might include an assessment of:

- customer experience and satisfaction
- contribution to the council's policy objectives and outcomes, including equalities and sustainability
- changes to the services, including when they are available and what services are offered.

**58.** This kind of appraisal is most effective when it uses a broad range of performance criteria and where data and projections include comparisons:

- over time
- against targets
- with other organisations.

## What do auditors say?



The characteristics of good performance information is that it is:

- accurate
- timely
- meaningful (but not overly detailed)
- relevant
- high quality
- well presented.

Source: [Managing performance: are you getting it right? \(PDF\)](#) Accounts Commission, October 2012

### Financial appraisal

**59.** A robust financial appraisal is another important part of an options appraisal process. In developing a financial appraisal of the options, councils will need to consider:

- initial set-up/transfer costs associated with each option
- operational costs/savings
- staff costs/savings
- tax and non-domestic rates implications
- central/recharge costs/savings.

## What do auditors say?



As with other performance measures, it is important that councils understand the key assumptions on which any unit costs are based to ensure that any comparisons are relevant and that any differences are understood. For example, when comparing costs, councils must be clear about what overheads are included in the make-up of a unit cost. If this is not clear there is a risk that councils are not comparing like with like. This is particularly important when councils are using cost information to inform an options appraisal process. For example, if comparing the costs of an external supplier with an 'in-house bid', councils must ensure that the cost information is comparable to ensure that the bids are being assessed consistently.

Source: [Using cost information to improve performance: are you getting it right? \(PDF\)](#) Accounts Commission, May 2012

**60.** The assessments of costs and benefits should also include adjustments for 'optimism bias' and assess risks and uncertainties. Optimism bias is the tendency for appraisers to be over-optimistic about estimates of costs, timescales and benefits. As a result councils should build in appropriate allowances to estimates to take account of this, for example by increasing the cost estimates, decreasing the projected benefits or extending the timescales over which costs and benefits are being considered. *The Green Book – Appraisal and Evaluation in Central Government* by HM Treasury (2003) has further guidance on addressing optimism bias and provides an adjustment procedure to help address 'systematic optimism that historically has afflicted the appraisal process.'

### Risk assessment

**61.** Carrying out a robust risk assessment is also an important part of an options appraisal process. This is even more important when the options being considered are very different to the way things are currently done. However, even the status quo has associated risks which decision-makers need to take into account.

**62.** Those responsible for carrying out the options appraisal should identify any risks and uncertainties associated with each of the options. It is important that councillors are made aware of and fully understand the nature and degree to which any risks identified influence the appraisal results.

**63.** There are a variety of tools to support risk assessment processes, though these typically include an assessment of risk in terms of:

- strategic/commercial risks
- economic/financial/market risks
- legal/regulatory risks
- organisational/management/human resource risks
- political risks
- environmental risks
- technical/operational/infrastructure risks.

## The decision on selecting the preferred option needs to be transparent

### Scoring and weighting systems

**64.** Some of the costs and benefits cannot be valued in monetary terms, but they still need to be taken into account. These include environmental, social, political or legal considerations. It is important that these considerations are recorded and, where possible, quantified.

**65.** Scoring and weighting systems offer a way of systematically assessing a range of factors to assess the relative merits of the options. There is a range of guidance available on using scoring and weighting systems ([Want to know more?, page 29](#)).

**66. Exhibit 5** illustrates a scoring and weighting approach, using a simplified worked example.

## Exhibit 5

### Key stages in the weighting and scoring method

- Identify the various objectives/criteria/factors against which the options are going to be scored. These should relate closely to the project objectives.
- Give each of these objectives a weighting (a value within a certain range) to reflect relative importance. Good practice would be to consult or involve stakeholders in identifying the criteria and weighting their relative importance.
- Each option is then allocated a score to reflect how closely it meets the identified objectives.
- Multiply the weight of each factor by the relevant score and sum to find the total weighted score for each option. Generally the highest score against the criteria would be the best option.

		Option 1		Option 2		Option 3	
Criteria	Weight	Score	Weighted score	Score	Weighted score	Score	Weighted score
Criteria 1 – performance	40	2	80	4	160	3	120
Criteria 2 – cost/savings	30	5	150	1	30	3	90
Criteria 3 – policy fit	15	1	15	3	45	5	75
Criteria 4 – risk	15	2	30	1	15	3	45
	100						
<b>Total weighted score</b>			<b>275</b>		<b>250</b>		<b>330</b>

Source: Audit Scotland, 2014

## Having a good business case supports effective decision-making and accountability

**67.** Having a robust business case is vital for good decision-making, accountability and transparency. A clear business case will include a summary of the analysis done so far and set out the relative merits of the options clearly. The business case is a key document in an options appraisal process. [Exhibit 6 \(page 25\)](#) outlines what a good business case might include.

**68.** In our recent report [Managing Capital Projects \(PDF\)](#)  we found that business cases were not being used effectively enough.

## Exhibit 6

### The options appraisal process becomes more detailed as it progresses

A business case should:

- provide an assessment of whether spend/save proposal is worthwhile
- clearly communicate conclusions and recommendations.

An effective business case should help you answer three questions

- Have you taken into account all relevant factors in deciding what the project should be?
- Should you go ahead with the project?
- What is the best way to carry out the project?

Source: Options Appraisal training material, CIPFA, 2013

## What do auditors say?



Many councils do not have established processes for developing and using business cases. Where available, business cases are often short and highly summarised and do not all reflect good practice. Without good-quality and realistic business cases, particularly at the initial approval stage, key performance information on aims, cost, time, scope and risk may not be clearly defined. This may make it more difficult to hold decision-makers to account if problems arise on a project.

Source: [Major capital investment in councils \(PDF\)](#) Accounts Commission, March 2013

**69.** HM Treasury and the Improvement Service make reference to three types of business case:

- The preliminary or initial business case, which establishes the case for change and defines the strategic objectives of the options appraisal work.
- The outline business case, which sets out the options being considered, draws together the main findings of the appraisal and recommends a preferred option.
- The full business case will follow the selection of the preferred option and may lead to the selection of a preferred provider or procurement of a service.

## Good governance arrangements underpin good decisions

**70.** For an options appraisal process to be effective there needs to be strong governance arrangements in place. Any significant decision arising from an options appraisal is likely to be made within the council's existing governance arrangements, through its committees and full council.

## What do auditors say?



### Good Practice – managing capital programmes (options appraisal )

Put a clear and effective governance structure in place and ensure responsibilities are clearly defined, allocated and understood. The structure should provide scope for constructive challenge and effective scrutiny at all stages of the programme.

Source: [Major capital investment in councils \(PDF\)](#) Accounts Commission, March 2013

**71.** It is good practice to set out a clear reporting framework at the start of an options appraisal. Regular reporting on progress should be built into the process, so that senior officers and elected members are kept informed.

**72.** Reports should be clear and contain the most relevant information. They should be detailed enough, but avoid being unnecessarily long and overly complicated, as this risks diluting important messages. Reports should also avoid using technical jargon.

**73.** When considering difficult and potentially controversial options, it is important that the decision-making process is – *and is seen to be* – robust. The decisions must be open to public scrutiny, although there will be stages in the process where some information is managed carefully to respect commercial confidentiality.

## Implementing the chosen option and monitoring performance


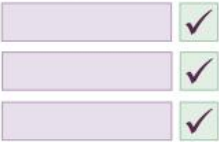

**74.** Councils need to monitor the implementation of the decision and what difference this is making to services. The 1999 Accounts Commission report [Better together? Making improvements by reconfiguring services \(PDF\)](#) highlighted the key factors to consider when implementing a chosen option. These factors are just as relevant today and focus on people, planning and performance ([Exhibit 7, page 27](#)).

**75.** The Scottish Government 'Making choices' guidance highlights that 'implementation must be properly managed and planned so the benefits of the proposed option can be achieved. Authorities should have a clear plan for implementing the changes proposed, with clear milestones for the completion of key stages.' This involves the careful consideration of transition arrangements including communicating with service users, resource management (budgets, staff and assets) and performance monitoring.

## Exhibit 7

### Success factors for implementing a decision

Attention needs to be paid to people, planning and performance management to implement change successfully.

<p><b>People</b></p> 	<p>Who will manage the project?</p> <p>Who else needs to be involved in running the project?</p> <p>Is a project sponsor needed - a councillor and/or member of the management team?</p> <p>Who will be affected by the change?</p> <p>How will we communicate with them?</p> <p>What training will be required?</p>
<p><b>Planning</b></p> 	<p>What budget approvals are required?</p> <p>What is the timetable for the work?</p> <p>What are the milestones?</p> <p>What needs to happen, and when, to meet the milestones?</p>
<p><b>Performance</b></p> 	<p>What are the objectives of change?</p> <p>What are the performance targets?</p> <p>What monitoring arrangements are there?</p> <p>What are the reporting arrangements?</p>

Source: [Better together? Making improvements by reconfiguring services \(PDF\)](#)  Accounts Commission, May 1999

**76.** Where a council has chosen to go into partnership or externalise a service it is important that this is supported by an appropriate contract or service level agreement (SLA). This should set out the services to be provided, the level of service required and the standards to be maintained throughout the duration of the agreement. The performance of the service provider should be monitored on a regular basis to ensure compliance with these conditions. Service level agreements should include:

- defined objectives
- roles and responsibilities (for both the council and the service provider)
- clear performance targets
- clear monitoring arrangements (including what information is to be supplied and when)
- escalation arrangements (which may be required if the service provider is not meeting the requirements of the agreement).

## What do auditors say?



...the council remains accountable for the funds used to deliver public services, regardless of the means by which the service is delivered. Consequently, it is important for the council to be able to 'follow the public pound' to the point where it is spent. This requires well-thought-through governance arrangements from the outset and action to ensure those arrangements are applied effectively in practice.

Source: [Arm's-length external organisations \(ALEOs\): are you getting it right? \(PDF\)](#) Accounts Commission June 2011

## Reviewing the process can help decisions in the future

**77.** In addition to monitoring the effectiveness of the new service delivery arrangements, councils should also review the options appraisal process itself. It should consider:

- How effective was the options appraisal process in delivering the stated objectives?
- Was the appraisal process itself delivered on time and on budget?
- What lessons have been learned which should inform future options appraisals?

## Further work










**78.** This report 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.



## Want to know more?



There is a wide range of guidance material available on options appraisal. Some of this is general in nature and some is more specific to particular circumstances or projects.

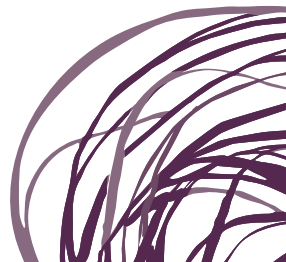
-  [\*The Local Government in Scotland Act 2003: Best Value guidance \(PDF\)\*](#), Scottish Government, 2003, Chapter 5
-  [\*Best Value – Making Choices, Volume One: A Manager's Guide to the Strategic Framework for Best Value, Procurement and Competitiveness \(PDF\)\*](#), Scottish Government, 2001
-  [\*Best Value – Making Choices, Volume Two: A Practice Guide to Best Value, Procurement and Competitiveness \(PDF\)\*](#), Scottish Government, 2001
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-  [\*Options appraisal: Making informed decisions in Government \(PDF\)\*](#), NAO, 2011
-  [\*Scottish Transport Appraisal Guidance – Best practice transport appraisal guidance\*](#), Transport Scotland, 2008
-  [\*Building Our Future: Scotland's School Estate \(PDF\)\*](#), Scottish Government, 2004
-  [\*Healthy Competition: How councils can use competition and contestability to improve services \(PDF\)\*](#), Audit Commission, 2007
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# Appendix 1

## What an effective council looks like

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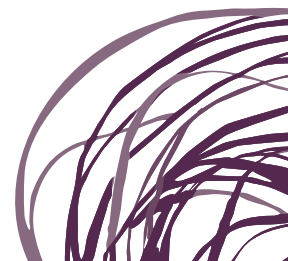


An effective council will:

- Consider a wide range of options for services:
  - what services it wants to deliver
  - how services are delivered (in-house, in partnership, by others).
- Have a robust process in place to:
  - define the objectives of any options appraisal process
  - identify options
  - analyse the options.
- Make clear and transparent decisions based on good-quality information.
- Implement the decision it has taken effectively.
- Have robust performance management arrangements in place to monitor service performance (regardless of whether the service is being delivered in-house, in partnership, or by another service provider).
- Review the effectiveness of its decision – to check that objectives are being delivered.

# Appendix 2




## Questions for councillors















References found within the councillor part of the report.












References to more detailed information which can be found elsewhere in the report.

Reference	Questions for councillors	Yes/No	Action
<b>On the options for delivering services</b>			
 <a href="#">Key messages 2-3</a>	Are there any restrictions, for example legal or financial, to providing this service in a different way?		
 <a href="#">Paragraphs 18 and 23</a>	Am I considering all of the options on how services might be delivered?		
 <a href="#">Paragraphs 50-52 and Exhibit 3</a>	<ul style="list-style-type: none"> <li>Does the current service provider:               <ul style="list-style-type: none"> <li>– deliver economy, efficiency and effectiveness?</li> <li>– have the capacity and capability to sustain good performance?</li> <li>– generate sufficient funds or make the required savings?</li> </ul> </li> <li>Does the service directly contribute to the council's objectives?</li> <li>Am I clear about what the full range of alternatives are for providing this service?               <ul style="list-style-type: none"> <li>– Are there alternative providers for the service?</li> </ul> </li> <li>Is the risk of failure so high that risks are better managed in-house?</li> <li>Are the potential benefits of other options outweighed by the costs of implementation?</li> <li>Are there opportunities to:               <ul style="list-style-type: none"> <li>– develop an effective 'mixed economy' of approaches for achieving the council's objectives?</li> <li>– share the risks and benefits with partner organisations?</li> </ul> </li> </ul>		

Cont.

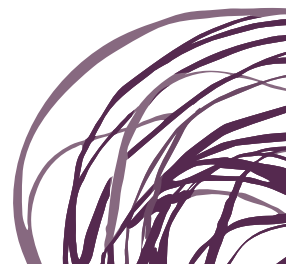
Reference	Questions for councillors	Yes/No	Action
<b>On the options for delivering services (continued)</b>			
 <a href="#">Paragraphs 18 and 23</a>  <a href="#">Paragraphs 50-52 and Exhibit 3</a>	<ul style="list-style-type: none"> <li>• Would the service benefit from:               <ul style="list-style-type: none"> <li>– economies of scope (by providing a more specialised service)?</li> <li>– economies of scale (by being bigger)?</li> <li>– innovation and investment?</li> <li>– increased productivity?</li> <li>– access to investment?</li> <li>– an opportunity to stimulate or influence market development?</li> </ul> </li> <li>• Is there a demand for the service?</li> </ul>		
<b>On the options appraisal process</b>			
 <a href="#">Paragraph 23</a>  <a href="#">Paragraphs 42-43</a>	Am I clear about what the options appraisal is trying to achieve?		
 <a href="#">Exhibit 2</a>	Does my council have a robust process in place to help me decide on the options?		
 <a href="#">Paragraph 43</a>  <a href="#">Paragraph 42</a>  <a href="#">Paragraphs 39-41</a>  <a href="#">Paragraphs 70-73</a>  <a href="#">Paragraphs 48-49</a>	<p>At the start of the process:</p> <ul style="list-style-type: none"> <li>• Have we set clear objectives?</li> <li>• Am I clear about why we are considering the options?</li> <li>• Are those objectives consistent with the council's strategic objectives and policies?</li> <li>• Have we set out clear roles and responsibilities?</li> <li>• Have we agreed a clear plan which identifies what decisions need to be made and by whom?</li> <li>• Have we identified the key stakeholders who need to be consulted?</li> </ul>		
 <a href="#">Exhibit 2</a>	<p>During the process:</p> <ul style="list-style-type: none"> <li>• Am I getting regular updates on progress?</li> <li>• Am I involved at the appropriate decision points?</li> <li>• Is the process progressing to plan?</li> </ul>		
 <a href="#">Paragraph 27</a>	<ul style="list-style-type: none"> <li>• Am I getting the support I need from officers?</li> </ul>		

Cont.

Reference	Questions for councillors	Yes/No	Action
<b>On making sound decisions</b>			
 <a href="#">Paragraphs 44-47</a>	Am I getting the information I need to make the decision?		
 <a href="#">Paragraphs 57-58</a>	<ul style="list-style-type: none"> <li>On the performance implications?</li> </ul>		
 <a href="#">Paragraphs 59-60</a>	<ul style="list-style-type: none"> <li>On the financial implications?</li> </ul>		
 <a href="#">Paragraphs 61-63</a>	<ul style="list-style-type: none"> <li>On the risks?</li> </ul>		
 <a href="#">Paragraphs 67-68</a>	<ul style="list-style-type: none"> <li>Is there a clear business case?</li> </ul>		
 <a href="#">Paragraph 43</a>	<ul style="list-style-type: none"> <li>Is the decision consistent with the council's strategic objectives?</li> </ul>		
 <a href="#">Paragraphs 48-49</a>	<ul style="list-style-type: none"> <li>Have stakeholders contributed to the options appraisal process and what are their views?</li> </ul>		
 <a href="#">Paragraph 31</a>	<ul style="list-style-type: none"> <li>Am I clear about how I balance my personal and political views with my statutory duty of Best Value?</li> </ul>		
<b>On implementing the decision</b>			
 <a href="#">Paragraphs 74-76</a>	<p>Am I getting the information I need to be assured that:</p> <ul style="list-style-type: none"> <li>the decision is being implemented effectively?</li> <li>it is having the desired effect?</li> </ul>		

# 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.

Reference	Questions for officers	Yes/No	Action
<b>Defining the objectives</b>			
 <a href="#">Paragraphs 42-43</a>	<ul style="list-style-type: none"> <li>Are the main reasons/drivers for considering other delivery arrangements clear?               <ul style="list-style-type: none"> <li>performance</li> <li>financial</li> <li>risk</li> <li>strategic priorities.</li> </ul> </li> <li>Am I clear about how the options relate to the council's corporate priorities?</li> </ul>		
<b>Agreeing the process</b>			
 <a href="#">Paragraph 21</a>  <a href="#">Paragraphs 39-41</a>	<ul style="list-style-type: none"> <li>Have the elected members approved a robust options appraisal process?</li> <li>Is everyone aware of the roles and their responsibilities in the options appraisal framework being used?</li> <li>Have I developed a clear plan for the process and identified:               <ul style="list-style-type: none"> <li>timescales?</li> <li>resource implications?</li> <li>roles and responsibilities?</li> <li>skills and expertise?</li> <li>governance arrangements?</li> </ul> </li> </ul>		
<b>Identifying and filtering options</b>			
 <a href="#">Paragraph 18</a>  <a href="#">Paragraphs 42-52</a>	<ul style="list-style-type: none"> <li>Am I confident that I am identifying the full range of options?               <ul style="list-style-type: none"> <li>Do I know how similar services are delivered by other councils in Scotland and in the UK?</li> <li>Do I know how similar services are delivered in the private sector?</li> </ul> </li> </ul>		

Cont.

Reference	Questions for officers	Yes/No	Action
<b>Identifying and filtering options (continued)</b>			
 <a href="#">Paragraph 18</a>  <a href="#">Paragraphs 42-52</a>	<ul style="list-style-type: none"> <li>• Am I clear about the relative merits of the options?               <ul style="list-style-type: none"> <li>– 'Strategic fit' with the council's policy objectives</li> <li>– Impact on the quality of service for the customer</li> <li>– Financial implications (both costs and savings)</li> <li>– Legal implications</li> <li>– Risk assessment</li> <li>– Impact on other council services.</li> </ul> </li> </ul>		
<b>Assessing and analysing options</b>			
 <a href="#">Paragraphs 53-69</a>	<ul style="list-style-type: none"> <li>• For the 'shortlist' of options have I considered:               <ul style="list-style-type: none"> <li>– all of the current and future costs and benefits?</li> <li>– legal and financial implications?</li> <li>– risks?</li> <li>– practical implications of delivering the option?</li> </ul> </li> <li>• Is there a robust process in place to help members take the decisions?</li> <li>• Have I clearly presented all of the information members will need to make the decision?               <ul style="list-style-type: none"> <li>– On current and projected costs, performance and risks</li> <li>– Business case(s) including assumptions.</li> </ul> </li> </ul>		
<b>Implementing the option</b>			
 <a href="#">Paragraphs 74-77</a>	<ul style="list-style-type: none"> <li>• Have I developed a clear action plan to implement the decision?               <ul style="list-style-type: none"> <li>– Timetable</li> <li>– Resources</li> <li>– Managing the risks.</li> </ul> </li> <li>• 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"> <li>– Contract</li> <li>– Service level agreement</li> <li>– Performance and financial reporting</li> <li>– Escalation arrangements if things go wrong.</li> </ul> </li> <li>• Have I carried out a 'lessons learned review' to inform future options appraisal?</li> </ul>		

# Options appraisal: are you getting it right?

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