

EAST AYRSHIRE COUNCIL

GOVERNANCE AND SCRUTINY COMMITTEE – 28 APRIL 2011

AUDIT SCOTLAND REPORT - AN OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND 2010

Report by the Executive Director of Finance and Corporate Support

1. PURPOSE OF REPORT

- 1.1 To provide the Governance and Scrutiny Committee with a summary of Audit Scotland's Overview Report on issues arising from Scottish local authority audits in 2010, to highlight key issues for East Ayrshire Council, and to propose a response to the key action points for councils and key questions for councillors outlined within the Overview Report.

2. BACKGROUND

- 2.1 Each year, the Controller of Audit presents an annual overview report to the Accounts Commission, this draws on the main issues arising from Audit Scotland's local government audit work during the preceding year and draws on a range of sources to highlight strengths and areas for improvement, and examine the challenges and risks faced by local authorities in 2011 and beyond.

3. THE 2010 OVERVIEW REPORT

- 3.1 The Commission notes the relatively stable financial position across Scotland in 2009/10 and welcomes the commitment shown by councils to improve financial planning and overall resource management. 31 out of 32 councils achieved clean audit certificates on their financial statements.
- 3.2 Specific improvements were also noted in relation to:-
- Councils' continuing commitment to respond to Best Value and provide good quality outcomes for local citizens;
 - evidence of significant developments by councils – such as corporate improvement programmes to review existing, and explore alternative, ways of providing services;
 - improved strategic workforce planning by councils; and
 - improvements in asset management.
- 3.3 The report highlights the financial challenges facing the Scottish Public Sector and the significant budget reductions faced by councils in the medium term at a time when authorities are already under pressure from reduced income and increasing demand for services, particularly in Social Work. In view of the tightening financial position, it is appreciated that it is unlikely that councils will be able to maintain and improve performance across all services and that Elected Members therefore face difficult choices in prioritising the level and quality of services to provide.

3.4 The report is organised into two parts: Part 1 reports on how resources were managed by councils in 2010. This provides an indication of the basis from which councils will deal with the challenges ahead. Part 2 highlights challenges for councils in 2011 and beyond. This looks ahead and identifies key issues for councils as they prepare for the future. The Key messages arising from the report are summarised below:-

Part 1. Managing resources in 2010

- The audited accounts for 2009/10 show a relatively stable financial position, with the overall level of reserves similar to last year. Capital expenditure continued to increase and financing patterns are changing, with more borrowing and less funding from capital receipts and grants.
- Clean audit certificates were issued on the 2009/10 accounts, except at Shetland Islands where the auditor again qualified the opinion on the accounts because the group accounts did not include the Shetland Charitable Trust.
- There is evidence of improving resource management, with better planning for finances, workforce and assets, and with better connections across resource areas.
- Councils have some way to go before they can demonstrate Best Value through improved procurement practices.

Part 2. Challenges for 2011 and beyond

- Councils are faced with reducing finances and increased demands on their services. The scale of the challenge is significant. Councils are taking the financial challenge seriously and are planning to reduce budgets in 2011 and beyond.
- When considering alternative ways of providing services, councils should consider all options, including working with other parts of the public sector, private sector and third sector. There is scope to make better use of partnership working.
- Sharing services offers potential for efficiencies. But progress to date has been slow and is unlikely to yield substantial short-term savings.
- Service users and citizens are central to planning service delivery. Councillors need good information about service users' and citizens' current and future needs to make informed decisions about priorities.
- The financial position requires a clear focus on budgets alongside councils' continuing requirement to achieve Best Value. This includes: considering the impact of service changes on different groups; their wider responsibilities in relation to equalities; and sustainability and the longer term impact of service changes.
- Councils that have made most progress in embedding strong performance management and governance are best placed to deal with the challenges ahead.
- Strong leadership, in which senior officers and councillors work together, for the good of an area, is crucial.
- The councillor role is key. Their effectiveness will have a significant bearing on how well councils cope with tough budget decisions, and on how well they perform in delivering vital public services to local communities.
- The chief financial officer role is particularly important in the current context and is fundamental to ensuring sound financial management and in establishing and maintaining strong financial controls.

3.4 The report concludes by setting out a series of action points for councils and key questions for councillors. Details of the key action points for councils and key questions for councillors, together with information on the current arrangements in place within this Council to address these issues, and any future plans, are provided at Appendices 1 and 2 of this report respectively.

4. FOLLOW UP BY EXTERNAL AUDIT

4.1 As has been established practice with recent National Audit Reports, our External Auditors have advised that the impact of this report at a local level will be the subject of follow up by External Audit. Accordingly, in order to strengthen our arrangements for responding to such National Audit Reports, and to ensure that all Elected Members are made aware of the publication of the 2010 Overview Report, a copy of the Overview Report will be made available to all Elected Members via the dedicated Members' Portal.

5. FINANCIAL / LEGAL / POLICY IMPLICATIONS

5.1 There are no direct financial implications arising from this report. There are no new policy implications arising from this report. The arrangements that the Council has in place to ensure an effective response to the issues raised within Audit Scotland's Overview Report highlight the Council's commitment to continuous improvement and its ability to demonstrate economy, efficiency and effectiveness in the delivery of its services, all in accordance with the statutory Best Value responsibilities contained in the Local Government in Scotland Act 2003.

6. RECOMMENDATIONS

6.1 It is recommended that the Governance and Scrutiny Committee:-

- (i) note the publication of Audit Scotland's Report providing an Overview of Local Government in Scotland 2010;
- (ii) note the key findings of the Audit Scotland Overview Report as summarised in this report;
- (iii) note the key action points for councils as outlined in Appendix 1 of this report and consider the Council's current and planned response to these questions;
- (iv) note the key questions for councillors as outlined in Appendix 2 of this report and consider the Council's current and planned response to these questions;
- (v) agree to the proposed arrangements for ensuring that all Elected Members are made aware of the publication of Audit Scotland's Report providing an Overview of Local Government in Scotland 2010 as outlined in section 4.1 of the report; and
- (vi) otherwise note the contents of this report.

Alex McPhee
Executive Director of Finance and Corporate Support
1 April 2011

LIST OF BACKGROUND PAPERS

1. An Overview of Local Government in Scotland 2010 – Audit Scotland Report prepared for the Accounts Commission (January 2011).

Any person wishing to inspect the above background paper or seeking further information should contact Jim Farrell, tel.: (01563) 576223, or James Lally, Tel.: (01563) 576148.

Implementation Officer: Jim Farrell, Performance, Development and Projects Manager

Appendix 1.

Key action points for councils

The following table lists the key action points for councils to consider, East Ayrshire Council's current response and any further action proposed.

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
Demonstrate that they have tested the longer-term impact and equalities aspects of workforce reduction plans.	An Equalities Impact Assessment (EQIA) of all savings measures, including any workforce reductions, has been undertaken.	EQIAs will continue to be used as part of our normal arrangements.
Provide assurance that they are not being compromised by a loss of experience from those staff (particularly long-standing staff) that they release.	Risk assessments of all savings measures, including any workforce reductions, have been undertaken.	Risk assessment will be a key requirement of the ongoing programme of management reviews across the Council.
Carefully balance the cost of retaining physical assets against the short-term expediency of selling them, to ensure that they achieve Best Value.	<p>As set out in the Council's Asset Management Strategy, option appraisals require to be carried out in advance of any decision being taken regarding the disposal of assets.</p> <p>Arrangements in relation to disposal of surplus property or land are set out in Accounting Policy Bulletin APB 21.</p>	
Do more to fully integrate the planning of the use of all types of council assets, including property, roads, ICT and vehicles.	<p>The Asset/Property Management and IT functions of the council have been brought together under a single Head of Service. These new management have encouraged joint planning and integrated service delivery arrangements within these respective services.</p> <p>A wider review of transport and the council's property portfolio has been undertaken as part of the Council's Efficiency Strategy to rationalise the number of council vehicles and buildings and optimise the use of our assets.</p>	

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
Continue progress in demonstrating Best Value in procuring goods and services.	The Council continues to make good progress against the Procurement Capability Assessment (PCA) with the sustainability agenda underpinning the Council's overall approach to procurement. A revised Corporate Procurement Strategy, including an improvement plan to address any outstanding issues within the PCA has been drafted for consideration by Cabinet.	A standardised suite of performance reports in respect of procurement issues is being developed and reported regularly to the Governance and Scrutiny Committee.
Regularly review financial plans to take account of changing national budgets and local actions.	Regular updates to financial projections take place in light of UK and Scottish Government announcements. Changes are reported to the CMT, Cabinet and Governance and Scrutiny Committee on an ongoing basis.	A small dedicated team will be created in the Finance restructure to further develop medium and longer term financial planning.
Ensure that medium-term financial planning includes evaluating the financial effects of different policy options, backed up by good quality information about service costs and value for money	Financial modelling is undertaken to analyse the impact of different options. Further development of unit cost data is seen as a key element in improving financial management in the Council. These issues are being addressed through the work of the Cross Council Budget and Performance Working Group which seeks to benchmark service cost, quantify added value and identify efficiency opportunities.	
Continue progress in taking into account environmental and long-term sustainability in financial planning	The sustainability agenda underpins the Council's overall approach to procurement. Energy efficiency, reduction in travel and a printing review are all part of the current Efficiency Strategy. These will ensure a more sustainable approach is taken to a range of council activities and will also generate cost savings. There are also specific examples of longer term strategic planning within the budget process for example the ongoing work around social work sustainability.	

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
<p>Consult fully with citizens and service users on short-term budget considerations, and in the longer term, on reshaping services for local areas, as an integral part of their wider approaches to engaging with their communities</p>	<p>As part of the 2011/12 Budget Consultation, a series of 18 Meetings were held with a wide range of external stakeholders, trade unions and departmental employee groups. Over 600 people attended these meetings and engaged in highly effective two-way communication with a wide variety of issues explored.</p> <p>In addition, over 1,500 messages were received through the budget mailbox and the Council's website recorded over 16,000 hits on the budget pages.</p> <p>The Community Plan Four-yearly Review 2010/11, involved wide-ranging engagement with Partner Agencies, Elected Members, the voluntary and business sectors, community groups and the wider public utilising a range of mechanisms, including seminars, focus groups, online surveys and a paper-based consultation. The results of the engagement informed the review and revision of the Community Plan and the associated Single Outcome Agreement (SOA), setting the strategic context for the delivery of services across East Ayrshire for the period 2011-15.</p>	<p>A review of the 2011/12 Budget Consultation process is being undertaken and the outcome will inform future exercises.</p> <p>Ongoing engagement through Local Community Planning Forums, the Federations of Community Groups, the Equalities Forum, the Children and Young People's Forum and other local mechanisms such as Community Councils and the Tenants and Residents Federation will ensure that East Ayrshire's citizens are consulted comprehensively.</p> <p>The triennial Residents Survey will be used to track service user satisfaction.</p>
<p>In fulfilling their equalities obligations, better understand and demonstrate the impact of their activity on different groups</p>	<p>Where appropriate, Equality Impact Assessments are carried out on Council policies and budget proposals.</p>	

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
Better meet the requirements of Public Performance Reporting	<p>Details of the Council's performance in 2009/10 was published in a revised and improved Annual Performance Report which was made available on the Council's website and in the form of a booklet and included:</p> <ul style="list-style-type: none"> • appropriate contextual analysis in respect of a number of indicators that are considered to be of specific interest to the general public; • a summary of the main audits and inspections that have been carried out by external bodies in the previous year; • a high level summary of the Council's income and expenditure; and • links to web pages containing more detail on both audits and inspections and the Council's financial accounts for 2009/10. 	
Consider more transparent ways of reporting their accounts and financial performance	<p>Detailed budget reports (Finance and Service Strategy Report FSSR) are regularly reported to Cabinet and are made available via the Council's website.</p> <p>A high level summary of the Council's financial performance is included in the Council's Annual Performance Report and both this, and the Annual Accounts are published and made available via the Council's website.</p>	<p>In view of the increasing complexity of the annual accounts following implementation of IFRS, a summary of financial performance will be produced and published via the Council's website.</p>

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
<p>Work with their community planning partners to recognise the potential of community planning structures in setting out the shape of future provision of services in their local areas</p>	<p>Two Chief Officer development events were convened as part of the Community Plan Four-yearly Review 2010/11. The first of these sessions in January 2010 kick-started the Review process and provided an opportunity for Community Planning Partners and senior staff from across the Partnership to:</p> <ul style="list-style-type: none"> • review the existing Community Plan strategic priorities and consider the priorities going forward; and, • consider the challenges presented to the Community Planning Partnership (CPP) and individual organisations by the wider economy, and reflect on the way forward, particularly in relation to how enhanced partnership working could help address these challenges. <p>Subsequently, informed by the wide-ranging engagement detailed above, a range of Strategic Priorities and associated Local Outcomes were identified and agreed by the Community Planning Partnership (CPP) Board in June 2010. Action by all partners to achieve the Local Outcomes is detailed within the four Community Planning thematic Action Plans and progress towards achieving them will be measured through the CPP Single Outcome Agreement.</p>	<p>Effective implementation from 1 April 2011 of the Community Plan thematic Action Plans 2011-15.</p>
<p>Get better at showing how various options of models of service provision are properly evaluated</p>	<p>Option appraisal is a key requirement of the Council's Best Value Service Review Programme.</p> <p>In addition, the Council's Efficiency Strategy has instigated a number of service reviews, which have considered and implemented a variety of new service delivery arrangements.</p>	<p>The Council's guidance on Best Value Service Reviews is being revised to reflect current financial pressures and to ensure a greater focus on the delivery of efficiencies through the consideration and implementation of all alternative service delivery arrangements.</p>

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
<p>Consider shared services as one option in an approach which considers the range of options of service delivery</p>	<p>At the second development session in December 2010, Chief Officers considered the current range of strategic Community Planning Shared Commitments, including a commitment to shared services with shared management arrangements.</p> <p>It was recognised that much progress has been made through working together to better plan, develop and jointly deliver local services. It was agreed that opportunities for shared services should continue to be identified and that, in particular, there should be an increased focus over 2011-15 on exploring further shared management arrangements.</p> <p>Since it was established in 2006, the Ayrshire Shared Services Group has achieved success in driving and delivering shared services. Current membership of the Group includes the Chief Executives and Leaders of the three Ayrshire Councils and the Chief Executive and Chair of NHS Ayrshire and Arran. A Project Board was set up in 2010 to drive forward the shared services agenda. The Board directs further work on services or parts of services which might be suitable for joint delivery.</p>	<p>As remitted by the CPP Board, the Community Planning Joint Officers' Group will drive forward an agreed Project Plan to further develop shared management arrangements.</p> <p>A jointly funded Shared Services Project Manager is soon to be appointed.</p>
<p>Make full use of the relationship with the third sector</p>	<p>The third sector is actively and effectively involved in the planning of local services through a range of mechanisms, including Local Community Planning Forums, Community Plan Action Plan Working Groups, the Federations of Community Groups and the Community Health Partnership's Public Partnership Forum.</p> <p>In addition, a wide range of third sector organisations participated in the consultation and engagement activity which underpinned the review and revision of the Community Plan and associated SOA. This is an example of the systematic involvement of the third sector in local planning and decision making.</p> <p>Support has been provided to the third sector in relation to the ongoing development of the Third Sector Interface.</p>	<p>Continue to ensure the effective involvement of the third sector in Community Planning.</p>

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
<p>Provide councillors with better information on service costs and quality, and user satisfaction</p>	<p>A range of cost and quality performance information is currently reported to Cabinet through the Finance and Service Strategy Report (FSSR) and is also reported to, and scrutinised by, Governance and Scrutiny Committee.</p> <p>Further development of unit cost data is seen as a key element in improving financial management in the Council. These issues are being addressed through the work of the Cross Council Budget and Performance Working Group which seeks to benchmark service cost, quantify added value and identify efficiency opportunities.</p> <p>Elected Members have received training on the Council's Electronic Performance Management System and have access to the Elected Members Scorecard which provides a range of service related performance information.</p>	<p>The style and content of the FSSR is under review to further develop the appropriateness and relevance of the information provided to members.</p> <p>Additional service cost Local Statutory Performance Indicators are also being developed in response to Audit Scotland's latest Direction.</p> <p>Information from the triennial Residents Survey will be presented to Members.</p>
<p>Make better use of comparative performance information and activities such as benchmarking</p>	<p>Development of robust unit costs is seen as a key driver to improving the linkages between these criteria.</p> <p>This is a key strand of the Council's Efficiency Strategy and is being taken forward by the Cross Council Budget and Performance Working Group which use Local Finance Returns and Performance Data to benchmark for improvement and drive efficiencies. Services reviewed to date include, Planning and Building Control, Libraries and Waste Collection and Disposal.</p>	<p>Continue to drive service improvements and deliver efficiencies by benchmarking cost and performance data through the work of the Cross Council Budget and Performance Working Group.</p>

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
<p>Work with community planning partners to improve their performance management, monitoring and reporting processes of partnerships</p>	<p>The Single Outcome Agreement (SOA) underpins the Community Plan and provides a robust performance management framework in this regard.</p> <p>Work has been undertaken to align performance reporting in respect of the Community Plan thematic Action Plans and the SOA in 2009/10 and 2010/11.</p> <p>The review and revision of the Community Plan thematic Action Plans and the SOA during the Four-yearly Review 2010/11 has included consideration of integrated reporting in respect of progress towards achieving the Local Outcomes and annual progress in achieving the associated actions and outputs.</p>	<p>Timely and effective reporting will continue on the Community Plan and the SOA</p>
<p>Use self-evaluation more routinely and systematically across all council activity, including testing competitiveness and efficiency</p>	<p>New and improved EFQM assessment arrangements have been piloted and are set to be rolled out across the Council. SWIA Performance Improvement Model and QMiE are used to facilitate self assessment in Social Work and Education.</p>	
<p>Make full use of the Accounts Commission report <i>How councils work: an improvement series for councillors and officers – Roles and working relationships: are you getting it right?</i> to explore ways of improving leadership and governance</p>	<p>A Report was considered by Governance and Scrutiny Committee on 14 January 2011. It was agreed that in order to ensure that the effectiveness of our arrangements in terms of responding to the issues covered by the Accounts Commission's report on Councillors and Officers' Roles and Relationships continue to be challenged, elements of the key questions checklists appended to the Accounts Commission's report be incorporated into the annual review of the Council's Corporate Governance arrangements and the annual Elected Members' needs assessment process.</p>	

Key Action Points - Councils need to:-	Council's Response	Further Action Proposed
<p>Make full use of scrutiny and audit to challenge performance and demonstrate value for money</p>	<p>A range of cost and quality performance information is currently included within the Finance and Service Strategy Report (FSSR) which is reported to and scrutinised by the Governance and Scrutiny Committee.</p> <p>The Council is also responsive to the wide range of External Audit and Inspection activity and has detailed arrangements in place through our Audit and Inspection tracking system to ensure an appropriate response to any improvement actions or recommendations made.</p> <p>In addition, a range of real time performance reports, including an Elected Members' and Chief Executive's Scorecard together with separate Executive Director and Heads of Service Scorecards are available on the Council's Electronic Performance Management System (EPMS). These are used to scrutinise performance on a regular basis on a cascade basis from the Chief Executive down.</p>	

Appendix 2.

Key questions for councillors

The report identifies a range of issues for councils to consider. The following table lists possible questions for elected members to ask in their councils, East Ayrshire Council's current response and any further action proposed.

Key Questions	Council's Response	Further Action Proposed
<p>How are decisions made between competing priorities? What will success look like in relation to service delivery on the ground?</p>	<p>The Council's budget strategy for 2011/12 was governed by a number of key principles;</p> <ul style="list-style-type: none"> • The agreed priorities set out in the Community Plan and Single Outcome Agreement should not be compromised; • Management action should be taken to identify and secure efficiency savings wherever possible; • Management structures should be delayed and streamlined in all services; • Compulsory redundancies should be minimised; • Investment in Children and Family Services to deliver the agreed strategy should be maintained; • Financial Inclusion activities in all sectors should be fully coordinated; • Economic development activities should focus on business nurture and inward investment; • Local groups should be encouraged and supported to plan, fund and manage community assets and projects; and • The environmental impact of Council activities should be factored into budget decisions. <p>Success is determined against these principles and by ensuring, as far as possible within the current financial constraints, that service levels are maintained at current levels of performance or, where agreed, levels of performance are reduced in a planned way.</p>	<p>Monitor progress of the Improvement Service's outcome budgeting project and consider any new opportunities for utilising priority/outcome based budgeting to help inform the Council's future approach to budget setting.</p>

Key Questions	Council's Response	Further Action Proposed
<p>Is there sufficiently good information on the cost, quality and quantity of services to support evidence-based priority setting?</p>	<p>A range of cost and quality performance information is currently reported to Cabinet through the Finance and Service Strategy Report (FSSR), and is also reported to, and scrutinised by, Governance and Scrutiny Committee.</p> <p>Further development of unit cost data is seen as a key element in improving financial management in the Council. These issues are being addressed through the work of the Cross Council Budget and Performance Working Group which seeks to benchmark service cost, quantify added value and identify efficiency opportunities.</p>	<p>The style and content of the FSSR is also under review to ensure appropriate, relevant and timely information is provided to members.</p> <p>Information from the triennial Residents Survey will assist in tracking service user satisfaction.</p>
<p>What needs to be done to improve understanding of the links between spending, activities, performance and outcomes?</p>	<p>A greater understanding of the total cost of service provision is required. Development of robust unit costs is seen as a key driver to improving the linkages between these criteria.</p> <p>This is a key strand of the Council's Efficiency Strategy and is being taken forward by the Cross Council Budget and Performance Working Group which use Local Finance Returns and Performance Data to benchmark for improvement and drive efficiencies. Services reviewed to date include, Planning and Building Control, Libraries and Waste Collection and Disposal.</p>	<p>Continue to drive service improvements and deliver efficiencies by benchmarking cost and performance data through the work of the Cross Council Budget and Performance Working Group.</p> <p>Additional service cost Local Statutory Performance Indicators are also being developed in response to Audit Scotland's latest Direction.</p>
<p>What contribution beyond three per cent efficiency savings can be reasonably expected? What more could be done to improve understanding of productivity in public services as a basis for further action?</p>	<p>The 2011/12 budget included a range of measures that did not impact directly on the ability to deliver services. There was instead a focus on streamlining, for example, management arrangements. There has been an ongoing push to maximise efficiency savings in order to protect front line service delivery.</p>	<p>Key strands of the Council's Efficiency Strategy, including ongoing reviews of management structures, administrative and clerical support, energy efficiency, transport arrangements, etc will continue to ensure front line service delivery is protected as far as is possible.</p>

Key Questions	Council's Response	Further Action Proposed
<p>Is the balance right between short-term measures and long-term changes?</p>	<p>Organisational restructures will result in changes that will bring long term financial savings.</p> <p>There are specific examples of longer term strategic planning within the budget setting process e.g. social work sustainability.</p>	<p>Further develop the Council's approach to longer term financial planning to reflect anticipated service demand, financial restrictions and/or opportunities.</p>
<p>Is enough being done across sector and service boundaries to deliver efficient services that place the needs of users first?</p>	<p>There has been a strong will within Ayrshire to push aside the barriers to effective service delivery while maintaining, or indeed improving standards, and to build on the already sound Community Planning structures in the area.</p> <p>A Pan Ayrshire Group involving the Leaders and Chief Executives of North, South and East Ayrshire Councils, representatives of Scottish Enterprise, NHS Ayrshire and Arran, Strathclyde Police and Strathclyde Fire and Rescue together with relevant senior officers, has been in place since April 2006. A Work Plan has been developed which has been kept under review and prioritised as required.</p> <p>The group meets on a quarterly basis and has achieved considerable success in driving and delivering shared services to date and through its work programme has directed further work on services or parts of services which might be suitable for joint delivery.</p>	<p>A Project Board is in place to drive forward the shared services agenda and a jointly funded Shared Services Project Manager is soon to be appointed.</p>