

## **EAST AYRSHIRE COUNCIL**

### **GOVERNANCE AND SCRUTINY COMMITTEE – 21 MAY 2010**

#### **AUDIT SCOTLAND REPORT - AN OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND 2009**

##### **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 2009 and to outline a response to the key questions for Elected Members outlined within the Overview Report to ensure an appropriate response to the challenging financial position anticipated over the next few years.

### **2. BACKGROUND**

- 2.1 Each year, the Controller of Audit presents an annual overview report to the Accounts Commission, which draws on Audit Scotland's local government audit work carried out in 2009 and other performance information published during that year. This report seeks to provide a summary of the key messages contained in the overview report, to highlight any specific issues relevant to East Ayrshire Council and to outline the Council's response to the key questions for Elected Members detailed within the Overview Report.

### **3. THE 2009 OVERVIEW REPORT**

- 3.1 The Commission notes the relatively stable financial position across Scotland in 2008/09 and welcomes the commitment to make trading operations profitable. The evidence of sound accounting performance and the substantial commitment that Councils have made in responding to their Best Value Duty to secure continuous improvement was also welcomed.

- 3.2 Specific improvements were also noted in relation to:-

- Targeting of Care Services,
- Working with partners to deliver addiction services, and,
- Consideration of shared services as an option.

- 3.3 The report summarises how effectively local authorities have managed their resources and comments on the general improvements in outcomes achieved. Key messages are summarised below:-

#### **Finance**

- The overall level of reserves fell for the first time in recent years and some councils are using capital reserves to support service expenditure.
- Councils still have some way to go in developing medium to long-term financial strategies which are based on good information about service costs and value for money.

- The average amount of council tax collected within the year it was due improved slightly from 94.2 to 94.3 per cent. Although half of all councils reported reduced collection rates during the year.
- Several councils required to make provisions for bad debt as a result of investments in failed Icelandic banks totalling £46.5 million (5 million in East Ayrshire).
- Specific mention is made to the financial position within East Ayrshire's Building and Works Service. The quick action taken by the Council to address failures in governance and internal controls was praised by Audit Scotland.
- Despite the growth in capital expenditure, slippage in delivering capital programmes is a recurring issue.
- Local government reported efficiency savings totalling £258 million under the national Efficient Government Programme.
- Councils consistently meet the statutory requirement to prepare accounts by 30 June.

### **Workforce**

- The number of staff employed by local authorities is gradually declining, and further significant reductions are predicted as councils respond to financial pressures.
- At least a third of councils have yet fully to develop workforce planning processes, but around half made progress in agreeing and implementing workforce strategies and plans during 2009.

### **Assets**

- The condition of council properties improved in 2008/09 but there is still a substantial maintenance backlog.
- More than half of councils have yet to adopt a corporate strategy for managing assets.

### **Procurement**

- Councils report that improved procurement practices led to £32 million efficiency savings in 2008/09.
- There is scope for further improvement including the development of procurement strategies and making more use of established contracts.

### **Outcomes**

- Councils work well with local partners in delivering specific projects and services.
- Joint working needs to be better coordinated and Community Planning Partnerships (CPPs) need a clearer focus on outcomes for local people.
- Partnership Single Outcome Agreements (SOAs) introduced in 2009 have provided councils and their partners with an opportunity to plan and manage the delivery of local outcomes in an integrated and more effective way.
- Public satisfaction with the quality of the key local services such as schools, public transport and health services is increasing, but many believe that councils can make better use of the money available and provide better services to meet the needs of local people

- Levels of educational attainment continue to show gradual improvement, although the gap between average attainment and that of the bottom 20 per cent of pupils has increased over the last ten years.
- Councils are providing good quality care services and targeting care services more effectively to meet needs. Expenditure on care, particularly for older people and for children in residential placements, is substantial and a growing burden for councils. The effectiveness of services to protect children varies significantly across Scotland.
- Councils and their partners still face significant challenges in addressing mental health problems and drug and alcohol-related issues, both of which are relatively high in Scotland when compared with the rest of the UK.
- Councils need to get better at assessing and monitoring the extent to which they are contributing to outcomes that meet the distinct needs of their diverse communities.
- Reported crime continues to fall, but the number of people killed or injured in road accidents across Scotland increased last year.
- Councils and their partners can strengthen joint emergency planning arrangements for dealing with major disruptions and events.
- Satisfaction with local neighbourhoods is generally high. Around a third of council houses currently meet the Scottish Housing Quality Standard (SHQS) target for 2015, highlighting scope for further improving local neighbourhoods through better quality council housing.
- The recession is affecting local neighbourhoods, with a slowdown in applications for new developments and more households becoming homeless and building up serious rent arrears.
- Unemployment has increased significantly, as has the demand for councils' money advice services.
- Councils have met the 2010 European target for waste sent to landfill, but they face a much greater challenge in meeting future targets after 2010.
- Air quality in Scotland is generally very good, but there are areas where it is at risk of failing to meet European and Scottish targets.

### **Financial Outlook**

3.4 In looking ahead, both the Commission, in responding to the findings of Audit Scotland's Overview Report, and the Controller of Audit, Caroline Gardner in her foreword to the Report, highlight the impact of the recession and the effects that it is already having in terms of reduced income and increased demand for some council services. Both also conclude that the future budget situation is expected to be substantially more difficult with anticipated real term budget reductions of between 7 and 13 per cent between 2009/10 and 2013/14.

3.5 In responding to budget cuts of this magnitude, it is recognised that an incremental approach to achieve savings and efficiencies will not be sufficient and the report encourages an urgent response from councils to address the challenging financial situation. The undernoted key issues were highlighted as being crucial to ensuring an effective response by councils:-

- there is a need for significant improvement in performance management and reporting;

- councils must have comprehensive baseline data on service outcomes and costs and should be able to integrate this within performance management systems;
- councils need to think radically about service design;
- councils need to improve the way they assess how they are contributing to the distinct needs of their communities;
- Elected members and senior officers have difficult decisions to make on allocation of resources.
- at the heart of decision-making should be robust option appraisal and effective scrutiny;
- councils need more effective:
  - Workforce planning,
  - Asset management, and,
  - Procurement.
- there is scope for progress on shared services, but equally for standardising, simplifying and streamlining services in order that councils can demonstrate value for money.

3.6 To assist Elected Members in assessing whether their respective authorities are prepared to meet the challenges faced by public services over the next few years, a list of key questions for Councillors is included as an appendix to Audit Scotland's Overview Report. As the findings of our own Best Value 2 Pathfinder Audit show, we already have a number of effective arrangements in place and/or have plans in place to ensure that the Council is well placed to respond to the challenges that lie ahead. These include:-

- Effective arrangement are in place to ensure that Service Plans are linked to objectives and available resources (workforce, assets and finance);
- The ongoing development of the Council's Electronic Performance Management System;
- Strong and effective financial and performance reporting and monitoring arrangements;
- The implementation of 22 Business Reviews;
- A comprehensive programme of Best Value Service Reviews and major Cross Cutting Reviews;
- The Strategic Review of the Revenue Budget (SRRB) and plans for SRRB 2 to better align resources with strategic priorities;
- An embedded culture of continuous improvement supported by a well established and comprehensive approach to self-assessment and review;
- Highly effective partnership working delivering improved services and through joint premises making more efficient and effective use of assets.
- Well developed arrangements for engaging with local communities including the recent budget consultation exercise which looked ahead to the challenges in 2011/12 and beyond; and

- Continuing work to improve asset management, workforce planning and long term financial management.

3.7 For ease of reference, a table providing details of the key questions for Elected Members, together with details of the current arrangements in place within this Council to address these issues and any future plans agreed is enclosed at Appendix 1 of this report.

3.8 It should be noted that many of the issues highlighted within Audit Scotland's Overview Report in relation to the financial pressures faced by the public sector are also covered by their report on Improving Public Sector Efficiencies, which was published at the same time as the Overview Report. This Report goes further in making recommendations in relation to priority based budgeting, improving performance information on productivity and improving collaboration and joint working. A separate report on the Council's response to Audit Scotland's Efficiencies Report will be presented to Members in due course.

#### **4. FOLLOW UP BY EXTERNAL AUDIT**

4.1 Discussions with our External Auditors have indicated that in future the impact, at a local level, of National Audit Reports such as this Overview Report 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 such Reports, it is proposed that all Audit Scotland National Reports relevant to Local Government be made available to Elected Members via the dedicated Members' Portal. Where appropriate, this arrangement will be augmented by a report to the appropriate decision making forum.

#### **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 which 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 ability to demonstrate economy, efficiency and effectiveness in the delivery of its services, all in adherence 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 2009;
- (ii) consider the key findings of the Audit Scotland Overview Report as summarised in this report;
- (iii) consider the key questions for Elected Members proposed by the Audit Scotland Report to assess whether authorities are prepared to meet the anticipated financial challenges over the forthcoming years;
- (iv) consider the Council's current and planned response to these questions, as outlined in Appendix 1 ;

- (v) agree to the proposed arrangements for ensuring that all Elected Members are made aware of the publication of all relevant National Reports by Audit Scotland 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**  
**20 April 2010**

#### **LIST OF BACKGROUND PAPERS**

1. An Overview of Local Government in Scotland 2009 – Audit Scotland Report prepared for the Accounts Commission (February 2010).

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 questions for elected members

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 to help identify how their council is dealing with these issues and where more action may be required.

Issue	Key Questions	Council's Response	Further Action Proposed
Longer-term planning	<ul style="list-style-type: none"> <li>• To what extent are we planning for services beyond 2010/11, taking full account of financial projections and other intelligence?</li> <li>• How robust are plans to achieve the savings required to meet our priorities?</li> <li>• To what extent do we have a clear plan for achieving the most appropriate size of workforce and skills needed to deliver our goals?</li> <li>• To what extent do we have a clear plan for ensuring that expenditure and investment in our asset base achieves value for money and most appropriately supports the delivery of our goals?</li> </ul>	<ul style="list-style-type: none"> <li>• Indicative financial projections have been calculated using planning assumptions in the CPPR Report with the calculations highlighting the impact nationally and locally for East Ayrshire. Elected members, staff and stakeholders are aware of the likely reduction in funding and the significant impact that this will have on the Council's budget and services.</li> <li>• 3 Yearly Service Plans linked to the priorities and actions within the Community Plan are in place for all services. These are subjected to annual review and focus on 3 key areas, Financial Resources, Workforce Planning and Assets.</li> <li>• 10 Year Capital Investment Strategy for General Services, which reflected the Council's key strategic objectives of educational attainment and regeneration, approved by Cabinet January 2009.</li> <li>• Elected Member led Annual Revenue/Capital estimates process – 3-year budgeting, with a cascaded coherent budget process.</li> <li>• 22 Business Reviews either completed or in progress</li> <li>• Services will continue to be required to highlight efficiencies.</li> <li>• Best Value Service Review Programme in place to</li> </ul>	<p>Four-yearly review of the Community Plan will implement a programme of outcome based planning linked to financial planning.</p> <p>Deliver SRRB2 – The Council's Efficiency Strategy. This will comprise of five key strands:-</p> <ul style="list-style-type: none"> <li>➤ Business Review Programme;</li> <li>➤ Budget Management and Review;</li> <li>➤ Fairer Scotland Fund Review</li> <li>➤ Budget and Performance Review; and</li> <li>➤ Workforce Planning Review.</li> </ul> <p>These reviews will be used to identify areas where expenditure savings can be achieved.</p>

		<p>ensure the comprehensive review of all Council Services.</p> <ul style="list-style-type: none"> <li>• All of the above are practices which are well founded in the Council and are considered to be robust and achievable.</li> <li>• Workforce Planning is an integral part of the Service Planning process and is reflected in individual Service Plans. Arrangements for managing the wider staffing implications anticipated to arise from the delivery of SRRB2 will be considered as a separate strand of the SRRB2 exercise.</li> <li>• Asset Management Strategy in place for all properties.</li> <li>• The Council's capital programme details the significant investment the council will make in the short and medium term. At present the programme includes significant investment in regeneration areas which will benefit the community both in terms of the creation of modern assets and also in undertaking major investment at a time of economic downturn.</li> <li>• Option appraisal techniques employed for each capital project ensure that value for money and other criteria are tested and that capital expenditure decisions are based on firm financial reasons and aligned to the priorities of the Council.</li> </ul>	
Decision-making and prioritisation	<ul style="list-style-type: none"> <li>• How clear are we about the priorities of local people?</li> <li>• How good is our information on performance and the costs of providing different levels and quality of services to assist us in setting priorities and taking decisions?</li> <li>• What action are we taking to prioritise</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive Community consultation including the Residents' Panel, Community and Voluntary sector, Local Community Planning Forums, Young People via Kilmarnock College and the Equalities Networks/Forums undertaken to inform the 4 yearly review of the Community Plan and Thematic Action Plans.</li> <li>• Community Planning Residents' Survey carried out every 3 years to inform service development and delivery.</li> </ul>	<p>Continue to involve and work with community groups and representatives in prioritisation process to inform future Council budgets.</p> <p>Building upon the capabilities of the Council's new Electronic Performance Management System, further develop arrangements for</p>

	<p>spending?</p> <ul style="list-style-type: none"> <li>• How aware are we of the relative risks and rewards associated with our decisions, and how well placed are we to manage identified risks?</li> </ul>	<ul style="list-style-type: none"> <li>• Community Planning Residents Panel with a membership of almost 1,000 people and Geographic Focus Groups established to provide a vehicle for consultation with East Ayrshire residents.</li> <li>• Extensive community consultation including a budget workshop used to inform the 2010/11 budget and to assess priorities for future financial years in recognition of anticipated financial pressures. This generated over 1,000 responses from community and voluntary sector representatives.</li> <li>• Annual Finance and Service Strategy in place. This provides a framework to monitor revenue and capital expenditure linked to service performance. Executive Directors and Heads of Services are assessed on budget, staffing and performance through this report. Monitoring and Budget outturns are reported to Cabinet and subject to scrutiny and challenge at Governance and Scrutiny Committee.</li> <li>• Comprehensive review of performance indicators across all service areas completed and used to populate the Council's new Electronic Performance Management System (EPMS). Performance Scorecards developed for Chief Executive and all Executive Directors.</li> <li>• Strategic Review of the Revenue Budget Stage 1 completed. Expenditure reductions and redistribution spending proposals in line with Service Plans agreed and consolidated into the Council's Revenue Budget Strategy for 2008/9 to 2010/11.</li> <li>• The Council's Service Planning arrangements ensure that Council expenditure is aligned to Community Planning priorities and the Council's key strategic objectives.</li> <li>• Risk Management Strategy reviewed to ensure</li> </ul>	<p>involving Elected Members in the scrutiny of performance.</p> <p>Further develop performance measures on cost of service and arrangements for benchmarking performance in this respect.</p> <p>A key remit of the SRRB2 project will be to review budget against performance and highlight areas where further review is necessary and where expenditure reduction measures can take place without adversely impacting on service delivery.</p> <p>SRRB2 which will incorporate the Business Review Programme will identify the core areas for Council spend in the years ahead and enable re-prioritisation and transition arrangements to be made where this is appropriate.</p> <p>Complete Equality Impact Assessments and Strategic Environmental Assessments in respect of the updated Community Plan and related Action Plans to ensure that risks in these respective areas are appropriately managed.</p>
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		<p>compliance with best practice. Corporate Risk Advisory Group supported by Departmental Risk Management Groups established to oversee Corporate and Departmental Risk Registers.</p> <ul style="list-style-type: none"> <li>• All major Council decisions are taken following detailed discussions with senior officers and Elected Members. All Council Committee reports detail the risks attached to their recommendations and these are monitored by the implementation officer to ensure that risks are controlled and minimised.</li> </ul>	
<p>Outcomes</p>	<ul style="list-style-type: none"> <li>• To what extent are we considering the impact of the recession on our service outcomes and our commitments in our Single Outcome Agreement?</li> <li>• How are we comparing our service outcomes with others, for example by benchmarking?</li> <li>• What evidence do we have that our service outcomes represent best value?</li> </ul>	<ul style="list-style-type: none"> <li>• Single Outcome Agreement developed, updated and linked to the overall priorities of the Community Plan.</li> <li>• First SOA annual performance report approved by Cabinet and the Community Planning Partnership Board provided details of the challenges presented by the economic downturn and outlined specific action taken by Community Planning Partners to address these challenges.</li> <li>• Dedicated Elected Member and CPP Board review sessions carried out on SOA progress during the first year. The impact of the recession on outcomes and action taken to mitigate risk was considered as part of these workshops.</li> <li>• SOA Improvement Plan developed which details improvement actions agreed to impact upon future outcomes, some of which are currently being adversely affected by the economic recession.</li> <li>• In line with other Council's in Scotland, East Ayrshire is using the data contained within the report compiled by the Centre for Public Policy for the Regions at the request of the Society of Local Authority Chief Executives. This report projects the public sector funding based on growth and other targets. On this basis the Council has identified</li> </ul>	<p>As part of SRRB2, progress the work plan of the Cross Council Budget and Performance Working Group to benchmark comparative spend and performance and use this information to drive efficiencies and reduce costs by adopting best practice approaches identified.</p> <p>Monitor progress of the implementation of the SOA Improvement Plan actions and their impact of SOA Outcomes.</p>

		<p>the anticipated shortfall although it is recognised that this is likely to change further following the General Election when the full three year spending review will be undertaken and publicised. Elected Members, Officers and the general public have been made aware of the anticipated shortfall at budget events. Having identified the shortfall the Council are undertaking a number of projects to bridge the gap and ensure that strategic objectives are not compromised as part of the national spending reduction.</p> <ul style="list-style-type: none"> <li>• The Council is proactive in benchmarking service costs and performance. A Cross Council Budget and Performance Working Group comprising North Ayrshire, South Ayrshire, Clackmannanshire, East Renfrewshire, South Lanarkshire, Inverclyde and West Dunbartonshire Councils has recently been established, the aim of which is to benchmark costs and performance with a view to replicating best practice identified. This will be taken forward as a key strand of SRRB2.</li> <li>• Participation in the ABC Benchmarking Group.</li> <li>• Service Benchmarking is a key component of all Best Value Service Reviews and EFQM Assessments.</li> <li>• Positive Best Value 2 Pathfinder Audit Report.</li> </ul>	
<p>Keeping informed</p>	<ul style="list-style-type: none"> <li>• How well are we kept informed of the impact of the recession on our finances and service performance?</li> <li>• How effectively are we monitoring and planning for changes in demand for services?</li> <li>• Are our training and development needs fully addressed?</li> </ul>	<ul style="list-style-type: none"> <li>• The Finance and Service Strategy reports highlight the impact the recession continues to have on specific income areas such a planning and building control fees. The reports detail the management action being undertaken by the Executive Director and management team to bring budgets back into line where this occurs. As previously highlighted the reports detail spend together with workforce planning and performance measures for each budget holder and how well they are in ensuring that the budget is managed affectively and that performance</li> </ul>	

		<p>remains high.</p> <ul style="list-style-type: none"> <li>• Social Work Sustainability Review undertaken to ensure available resources and appropriate service delivery arrangements are in place to respond to increasing demand for social work services.</li> <li>• Positive Best Value 2 Pathfinder Audit Report.</li> <li>• Annual review of Service Plans linked to budget process ensures that anticipated changes in demands for services are incorporated and reflected in Service Planning and Budgetary provision.</li> <li>• Elected Member training and Development Strategy agreed by Council on 23 April 2009.</li> </ul>	
Working with others	<ul style="list-style-type: none"> <li>• How well are we working with our partners and/or neighbours to deal with pressures caused by the recession?</li> <li>• Are we exploring all possible options for the delivery of local services?</li> <li>• What quantifiable efficiencies or improvements are resulting from working with others?</li> </ul>	<ul style="list-style-type: none"> <li>• Best Value Service Reviews include detailed option appraisals to ensure the most appropriate model is adopted by the Council for the delivery of the relevant services subject to review.</li> <li>• The Council has continuously demonstrated that it is making significant progress and is leading the way in terms of the volume of collaborative arrangements in place. The CoSLA Shared Services Position Statement issued in July 2009 reported that Local Government in Scotland has made significant progress on the Shared Services agenda in recent years. Almost 12% of the arrangements detailed in that report were attributable to East Ayrshire Council, the highest of any of the 27 respondents.</li> <li>• Under the banner of the Scottish Government's Shifting the Balance of Care Programme, the three Ayrshire Council's, together with NHS Ayrshire and Arran are currently participating in an Integrated Resource Framework pilot, the aim of which is to identify opportunities for a more local, integrated and effective</li> </ul>	<p>Ensure implementation of new and improved joint work arrangements between Health and Social Work anticipated to arise from the Integrated Resource Framework Pilot exercise currently being undertaken.</p> <p>Ensure that agreed actions arising from the Chief Officers' Session and the Strategic Alliance Shared Services Scoping event convened to explore opportunities for enhanced partnership working/activity in light of the recession are taken forward, as appropriate via a range of mechanisms, including, the review of Community Planning Operating Arrangements, the Single Outcome Agreement Improvement Plan, the Community Planning Thematic Action Plans, the Community Health Partnerships and SRRB2, as</p>

		<p>approach to partnership working. Four Service Areas are currently being examined:-</p> <ul style="list-style-type: none"> <li>➤ Older People's Services</li> <li>➤ Children with complex needs</li> <li>➤ Adults with complex needs</li> <li>➤ Chronic Obstructive Pulmonary Disease</li> </ul> <p>East Ayrshire is currently leading on the Adults with complex needs work stream. The focus of this work is to develop protocols that describe agreed and transparent methods to allow resources to flow between partners, following the patient to the care setting that delivers the best outcomes. early findings are expected to be reported in July 2010 with recommendations to be implementation from March 2011.</p> <ul style="list-style-type: none"> <li>• Dedicated Chief Officers' session convened to explore opportunities for enhanced partnership working/activity in light of the recession.</li> <li>• Strategic Alliance shared services scoping event held on 4<sup>th</sup> March with senior officers from 3 Ayrshire Councils and NHS Ayrshire and Arran Strategic Alliance currently identifying/ prioritising potential work streams and setting out an approach to progress the shared services agenda in Ayrshire and Arran through CHPs and other structures.</li> </ul>	<p>appropriate.</p> <p>Ensure that appropriate arrangements are in place to quantify efficiencies or improvements arising from working with others.</p>
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