

**A REPORT BY THE CONTROLLER OF AUDIT TO THE ACCOUNTS COMMISSION
UNDER SECTION 102(1) OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973
WEST DUNBARTONSHIRE COUNCIL: PROGRESS REPORT**

Introduction

1. In July 2009 the Commission considered a Best Value Progress Report on West Dunbartonshire Council. This report provides an update on the progress made by the council in response to that report. It also draws Commission members' attention to risks identified through the shared risk assessment process and the annual audit report.
2. The first audit of Best Value and Community Planning for West Dunbartonshire Council was carried out in 2006 and, following a public hearing, the Accounts Commission published its findings in February 2007. The Commission found that the council was not in a position to deliver best value.
3. I made a further report on the council's progress and the Commission's findings in response to this were published in January 2008. In its findings the Commission acknowledged the council's increased commitment to continuous improvement and the progress made by the council within a fairly short timescale. It urged the council to move forward as quickly as possible on the areas where limited progress had been made. Priority was to be given to continuing to develop member/officer relationships, establishing arrangements to demonstrate the competitiveness of its services, developing robust financial planning and improving community engagement.
4. A second progress report was published in July 2009. The Commission found that services continued to demonstrate good levels of performance and recognised that some progress has been made in other areas, including improved corporate working, the commitment of staff and increased capacity at senior officer level. However, the Commission also found that the council had made insufficient progress against key improvement priorities identified in the 2008 report, citing political conflict among elected members as having a negative effect on the operation and development of the council. Elected members across the political spectrum had not demonstrated the corporate leadership required. There had also been limited progress in developing working relationships between elected members and senior officers. These issues were seen to be inhibiting improvement.
5. The Commission went on to note that other councils that had experienced difficulties in implementing best value had benefited from external assistance from the local government community and elsewhere and recommended that the council secure appropriate external support from peers for both members and officers. The Commission also noted that, having published 32 Best Value audit reports and nine follow-up reports, the council was the only case where a follow-up report and findings had led the Commission seriously to criticise the lack of progress.
6. The Commission stated that the issues highlighted in the report should feature strongly in the shared risk assessment process and required a further progress report from the Controller of Audit 'in early course' at which point they would 'give consideration at that point to any further measures that need to be taken'.

Progress on responding to the Best Value Progress Report

Progress on responding to the issues highlighted in the most recent Best Value Audit Progress Report has been slow. Though some progress has been made, the impact of the work to date has yet to be demonstrated and significant challenges remain.

Leadership

It is not clear to what extent strategic leadership in the council has improved and staff confidence in leadership remains low.

7. During 2009 there was uncertainty over the position of the Chief Executive. Over the summer the Chief Executive submitted a request for early retirement and gave a press interview explaining how the behaviour of elected members was having a detrimental effect on the council. Following discussions with the council, the Chief Executive withdrew his request and now intends to remain in post until the end of his fixed term contract which expires on 31 October 2011. It is too soon to judge the full impact of the uncertainty over the Chief Executive's position and whether he and elected members will be able to build the effective working relationship required to deliver the improvement agenda.
8. Members have not been sufficiently engaged with the improvement agenda. The council established an Improvement and Efficiency Executive Working Group (I&EE) in February 2008 to improve the coordination of the council's Best Value Improvement Plan, but the I&EE has not been operating effectively. In a report to council on 30 September 2009 the Chief Executive noted that, 'the I&EE has been meeting quarterly and receiving formal written reports from the five workstreams prior to each meeting. However in effect it has operated more like a formal Committee dealing mainly with the scrutiny of progress within each individual strand rather than also providing strategic direction and undertaking self-assessment. Lack of attendance and participation by members has made it difficult to drive forward a strong improvement framework, focus on future plans, and influence the pace of change.' The report goes on to note, 'until now, attendance by Elected Members at the I&EE has been patchy. If the I&EE is to adopt a more focussed and challenging role, then it is essential that all members attend on a regular basis'.
9. In December 2009 the Chief Executive reported that member attendance at the I&EE had improved and it is important that this continues if members are to contribute effectively to leading improvement in the council.
10. Staff morale, and staff confidence in the leadership of the council, remains problematic. On 25 November 2009 the council considered a report summarising the results of a staff survey carried out in June 2009 by an external research company. The report noted that, 'overall the survey results illustrate an improving picture for the Council with positive points emerging in most areas. However, the Council's baseline is relatively low in many areas and, whilst there is an upward trend, the overall results in key areas such leadership, staff feeling valued and overall staff morale still remain low.'

Best Value Improvement Plan

In December 2009 the council agreed an improvement plan in response to the July 2009 BV progress report, but the development process has been slow.

11. The process of developing an action plan has been slow. On 30 September the council considered a report on 'Developing the new BV Improvement Plan'. The report proposed new governance arrangements to focus and coordinate improvement work. In October the council considered a report updating members on the progress made and had intended to agree an improvement plan at its meeting in November. In November the council noted that the report was not yet available as the I&EE were continuing to consider it and therefore considered the action plan in December.
12. While it is important that the improvement plan is fit for purpose and has commitment from members and officers, the lengthy development process means that there is a risk of ongoing uncertainty and that the pace of delivering improvement is compromised.
13. The action plan contains four main workstreams each of which are supported by working groups. The workstreams cover; strategic leadership, competitiveness, organisational culture and community engagement. The working groups have met on a number of occasions to develop detailed action plans and performance measures.

Member and officer relations

It is not clear whether the working relationships between members and officers have improved. The Chief Executive believes that there has been recent evidence of closer working between members and officers to respond to difficult issues, for example the agreement to increase charges for services in mid 2009.

14. The governance arrangements proposed by officers for the development and implementation of the improvement plan had only a limited role for elected members. Member involvement was focussed almost entirely through the I&EE to, 'emphasise dialogue between them and allow focus on providing strategic leadership and self-assessment with the possible utilisation of peer support'. This could have presented a risk, given the limited member engagement in the I&EE to date. In proposals made in September, even the Strategic Leadership Workstream Group was to be wholly made up of senior officers.
15. The December report to council noted that, "the four new BVIP workstreams currently involve a range of Council officers, and invitations have been extended to trade union representatives. In the case of the Community Engagement workstream, additional arrangements are also in place to involve Community Planning partners. Elected members on the I&EE had suggested that they may also have a role to play in the workstreams in addition to the role as members of the I&EE itself".
16. Discussions at the I&EE gave rise to a proposal for a 'flexible link role' for members to work with the lead officers for each workstream, to ensure that these members, 'were fully briefed and had the opportunity to input to the more detailed planning of the relevant activities.' At the council meeting in December elected members decided that two members should be appointed to sit on each of the four workstream groups. This indicates an increased appetite by members to be involved in the improvement agenda, but also a difference of views between members and officers on how best this might be achieved. I have been advised that, following the meeting, the Labour Group have chosen not to nominate members to attend the workstream groups.

Peer engagement/ external support

The council has engaged some peer support but this has not been systematic and it has involved only limited input from senior elected member peers to date. The council agreed revised proposals for external support in December 2009.

17. The December BVIP report describes the external support under three categories; support for the I&EE, support for the Chief Executive and the Corporate Management Team (CMT) and support for individual members and party groupings.
18. Support for the I&EE is being provided by the Improvement Service, whose Chief Executive has agreed to attend I&EE meetings, 'to offer advice on the general direction being taken and to suggest examples of good practice where these might be relevant'. The report also notes that the Improvement Service may have a role to play in advising the strategic leadership working group.
19. The Chief Executive and members of the CMT have identified options for 'one to one professional support, and have made contact with counterparts in other local authorities.'
20. Support for elected members is to be provided in three ways:
 - Using existing networks including regional meetings of political group leaders and COSLA leader meetings.
 - The development of a generic elected member support programme by the Improvement Service, to be piloted by West Dunbartonshire and possibly rolled out to other councils.
 - Setting up a local elected member discussion forum group to meet every six months or so chaired by COSLA to act as a 'critical friend'.
21. It remains important that the council makes effective use of the external support to support its improvement agenda.

Issues in the annual audit report 2008/09 and financial position

The council continues to face a challenging financial position.

22. In their findings on the January 2008 BV follow up report, the Commission highlighted that priority should be given to developing robust financial planning. On 30 September 2009 the appointed auditor, KPMG, issued an unqualified opinion on the Council's 2008/09 accounts, but in the annual audit report to Members and Controller of Audit, KPMG identified a number of concerns.

23. The report notes:

'The Council faces severe financial pressures. The result for the year was to increase the general fund balance by £1.7 million to £5.0 million (2008: £3.3 million). However, £4.8 million of the Council's reserves are earmarked for specific purposes, leaving the Council with free reserves of only £258,000. This remains significantly below the Council's approved prudential level target of £4.9 million.

The result for the year reduced the free reserves available to the Council by £2.0 million. This was as a result of three significant adverse movements which totalled £2.6 million which were not anticipated within the budget.' (These related to appeals

on council tax bandings dating back to 1993, costs associated with the imposition of the single status agreement and provisions arising from a review of the collection of bad debt.)

24. The report goes on to note:

'Excluding these items, the budgeted surplus for the year was £436,000 and the Council returned an actual surplus of £554,000. With such a low level of free reserves, however, the Council is exposed to any further unidentified costs and may thus have difficulty in achieving its objectives in 2009-10 and beyond.

The general services revenue budget has been agreed for 2009-10 at £243.9 million. The Council considered the impact of the current economic climate as part of the budget setting process. The financial strategy for 2009-10 to 2018-19 was approved by the corporate and efficient government committee on 30 September 2009, outlining proposals to address the forecast budget deficit of £8.7 million in 2010- 11, £21.4 million in 2011-12 and £34.2 million in 2012-13. The Council therefore faces significant pressures in achieving operational sustainability and financial stability in the current economic climate.'

25. The council continues to face a challenging financial position. A December revenue budget report to council covering the period to 15 November 2009 noted that:

'following the Strategic Finance Working Group on 25 August 2009 a freeze on the filling of vacancies, along with a freeze on all non essential spending on goods and services, was put in place on 4 September. Due to the concerns in relation to the overall budgetary position of the Council, both in the current year and looking ahead to 2010/2011, the CMT considered it necessary as a matter of urgency to take action to reduce expenditure in the remainder of this financial year.'

26. Given the Council's overall spending levels the amounts are not in themselves material but there would be an issue if movements in expenditure moved a surplus into a deficit.

27. The report goes on to state 'a reduction in expenditure of £1m was targeted to be achieved during the remainder of this financial year by the actions detailed above. This sum has been removed from departmental budgets and vired into the contingency fund' and projects an overspend of £0.450million for 2009/10. The approved budget for 2009/10 projected a surplus of £0.400 million to bring the non earmarked reserves up to £0.650 million. On 27 January the Council considered a further report on the probable outturn which projects an underspend of £0.162 million, but that forecast was made prior to the full effect of the recent extreme weather conditions being known.

Conclusion

28. The purpose of my report is to update the Accounts Commission's in relation to:

- Progress made by the council in responding to the last Best Value Audit Progress Report
- Risks highlighted in the 2008/09 annual members report, in particular the low levels of earmarked reserves at a time of financial pressure and uncertainty.

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