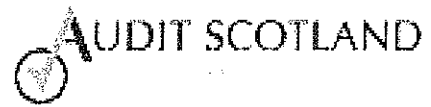


West Dunbartonshire Council 2005/06

Efficient Government –Position Statement

June 2006



Audit Scotland, on behalf of the Accounts Commission for Scotland, is responsible for:

- providing independent reports to the Commission and the wider public on how public money is spent, what it achieves and what improvements can be made
- providing independent reports to public sector bodies on their finances, their corporate governance and how they manage their performance and secure value for money
- providing an independent opinion on whether the annual financial statements of public sector bodies have been prepared in accordance with statutory requirements

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West Dunbartonshire Council has made some progress in addressing the challenge of the efficient government initiative. However a considerable amount of work is still required to develop effective arrangements for the delivery of efficient government to ensure successful delivery of the cost and efficiency targets. There is a need to secure more elected member involvement and commitment and clearer strategic direction.

The council needs to improve the project management of its efficiency schemes and to introduce robust mechanisms for monitoring the progress of projects and reporting efficient government issues to elected members. It is essential that a benefits tracking system is introduced to enable the council to demonstrate that claimed efficiencies have not impacted adversely on service provision.

Context

Introduction

1. The continuous improvement agenda has been a feature in Scottish local government for a number of years, but has been given added impetus by the Local Government in Scotland Act 2003 and the efficient initiative. The 2003 Act established Best Value as a statutory duty of local authorities, following a period of voluntary commitment. The efficient government initiative was launched by the Minister for Finance and Public Services in June 2004 and is a central part of a programme of investment, reform and modernisation.
2. The actions of local government are crucial to the challenge of creating sustainable communities. With this goal in mind, it is in everyone's interests (national, regional or local) to work in partnership to promote efficiency, getting the most from available resources to enhance services to local people.
3. A key feature of the efficient government initiative is that it focuses on the public sector as a whole, rather than individual organisations, with the intention of realising efficiencies through joining up. The primary objective is to deliver the same services with less money or to enable frontline services to deliver more or better services with the same money.
4. The efficient government plan sets targets to achieve £745 million of cash-releasing savings, and £300 million of time-releasing savings, by 2007/08. It is anticipated that local government as a whole will contribute £325 million in cash-releasing savings to the overall target, split as follows:

	£m
Assumed local government efficiency savings (top sliced)	168.3
Efficiencies in Supporting People programme (top sliced)	27.0
Modernising government & efficient government fund efficiency savings	40.0
Contribution to procurement savings	80.0
Fire service reform	1.5
Common police service	10.0

5. The Scottish Executive has anticipated that West Dunbartonshire Council's contribution to the total top sliced target of £168.3 million will be £3.323 million over three years equating to £1.085 million for 2005/06. Although this is a relatively small sum compared to the council's budgeted net revenue spend in 2005/06, it requires to be considered alongside other financial pressures facing the council such as costs associated with the single status and equal pay claims, increased pension costs resulting from the triennial actuarial review and the future investment required to improve the standard of those council houses planned to be retained by the council. The council also requires to contribute efficiencies towards the other targets outlined above.

6. All council activities and services should be explored to identify the scope for efficiencies. The Scottish Executive has also identified a number of key workstreams for review in 'Building a Better Scotland':
- procurement
 - asset management
 - streamlining bureaucracy
 - managing absence
 - shared service support

Key issues and risks

7. The efficient government initiative has now incorporated some assumed efficiency savings into annual financial settlements, presenting an immediate challenge as significant efficiency gains through service redesign are likely to take longer than one year to be fully realised. Failure to achieve the level of savings anticipated will increase financial pressures and may impact adversely on the quality of services provided. In order to claim an efficiency, councils need to demonstrate that service outcomes have been maintained or improved, presenting a real challenge to evidence the link between resources and performance measurement.
8. All local authorities need to embrace the efficient government agenda and establish a clear programme for delivering efficiency savings, ensure effective leadership throughout the process and monitor the effectiveness of change programmes. Councils need to consider:
- what services to deliver and whether these are the right services to provide;
 - whether current levels of services add the most (or 'best') value to local communities;
 - whether they are delivering these services in the most appropriate and efficient way (including consideration of the scope for joint working).
9. As part of a comprehensive programme of reviews, councils need to review services to identify opportunities for delivering improved efficiency and plan for efficiency gains every year while continuing to improve performance and making best use of resources in the longer term. This requires an approach which allows for easy or quick wins while simultaneously developing and delivering a strategy for the future. Underpinning this is a need for good baseline information on costs and service outputs and outcomes.

Audit approach

10. In accordance with our Audit Risk Analysis and Plan for 2005/06, we have undertaken an initial review of the risks and management arrangements within the council in relation to the efficient government initiative. The audit involved:
- discussion of the issues and risks identified in the 2005/06 Local Government Priorities and Risks Framework (PRF) with relevant officers. The PRF is an annual document which summarises the key national priorities and risks facing councils in the coming year. It is used as a tool by auditors, in conjunction with an assessment of local risks, to target audit work to key risk areas;
 - completion of a management arrangements diagnostic to provide baseline information across a range of efficient government related topics;
 - review of relevant documentation, including the council's submissions to the Local Government Improvement Service.
11. Some of the efficiency projects being considered by the council will take some years to produce tangible results. We also recognise that development of performance management systems to fully confirm and track efficiency savings will take time to develop and embed. As a result, auditors will track the council's progress on the efficient government initiative over the coming years.

The position across Scotland

12. The 2005/06 PRFs for local government, health and central government have all highlighted efficient government related matters as a key management challenge. With this in mind, Audit Scotland has developed a strategy for monitoring the achievement of efficiency savings across the public sector. The strategy aims to:
 - establish a clear and systematic approach to the audit of efficient government;
 - ensure Audit Scotland has 'real time intelligence' covering progress in implementing this important initiative;
 - join-up the audit across the public sector to inform client, sector and national reporting;
 - establish clear baseline information to highlight key risk areas and to inform considerations for further work;
 - provide benchmark information to enable high level comparisons between clients or sectors;
 - embed the audit of efficient government within the modernised audit approach to maximise efficiency in the audit process.

13. A management arrangements diagnostic is being completed for most public sector bodies and we intend to present benchmarking information to the council in early summer. This will assist the council to assess how it is progressing the initiative relative to other councils and public sector bodies and will enable the dissemination of best practice.

Audit Findings

Planned savings

14. The following table sets out the council's latest estimate of planned efficiency savings for 2005/06. Information on corporate wide initiatives derive from interviews with key council officers who monitor and report on specific efficiency workstreams, while departmental savings have been drawn from the council's 2005/2006 revenue budget papers. At this stage there was no information presented on non cashable savings.

	Projected Cashable Savings £'000	Projected Non Cashable Savings £'000	Total	Cashable Savings anticipated by SE £'000
Corporate Wide Initiatives				
Asset Management	2,563	0	2,563	
Managing Absence	150	0	150	
Streamlining Bureaucracy	440	0	440	
Shared Service Support	0	0	0	
Other Efficiencies	2823	0	2823	
Service Department Efficiencies	915	0	915	
Total (excluding procurement)	6,891	0	6,891	1,082
Procurement	135	0	135	0
				0
Total	7,026	0	7,026	1,082

15. This analysis suggests that, even if the savings associated with the procurement workstream estimated at £0.135 million, count separately towards a national procurement target of £80 million, the council believes that sufficient efficiencies will still be generated to compensate for its share of the top-slicing of the 2005/06 grant settlement. No specific efficiencies have been identified to contribute towards the national target of £27 million in relation to Supporting People, although we have been advised that the Supporting People expenditure is being managed within available grant funding through a comprehensive service review process.
16. Having reviewed the details of the above efficiency savings, we are of the opinion that certain efficiencies may not be deemed to represent genuine efficiency gains, in accordance with the efficient government initiative, and further audit work would be required to establish whether certain planned gains represent true efficiencies. In Audit Scotland's view, the examples, which have been found to be common across most councils, include:
- income from one-off asset sales;
 - removal of staff vacancies from employee cost budgets; and
 - non recurring savings.

17. The majority of the savings identified under the Asset Management workstream are in relation to the generation of capital receipts from the disposal of surplus assets, which are non recurring savings. As referred to previously we believe that these do not fall inside the SE's definition of efficiencies. We would however expect at some point in the future to see efficiencies identified as a result of savings in operational costs in relation to these disposed assets.

Work is being carried out by the council to explore ways to improve its management of assets, including developing the asset management plan and populating a new management information system with core data on assets such as condition and usage. At present, very few ongoing efficiencies are anticipated over the next three years in asset management although there may be the potential to realise substantially more over the medium term via shared accommodation.

18. The most significant efficiency gains are anticipated by the council from other categories of efficiency outwith the five workstream areas. Most of these efficiencies (£2.3 million) are from putting an inflationary cap of 2% on 2005/06 budgets rather than the previously planned 2.5%. It is our view that this may not be deemed to be a true efficiency gain and would have to be justified by the council demonstrating that it has not resulted in any loss of service or service quality.
19. Other areas where officers believe efficiencies can be achieved include several joint projects. The council has the lead in an efficient government bid to the Scottish Executive on the "efficient government shared NDR service bid". This aims to develop a shared service centre for NDR processing among Clyde Valley authorities. It is also included as a potential beneficiary in several other bids for example a national procurement hub bid. Figures on projected savings from these proposed schemes are not yet available.
20. The council has provided information of the efficiencies it anticipates to generate during 2006/07 and 2007/08 on the same basis as was provided for 2005/06. The council anticipates a significant increase in the generation of future efficiencies. While it is expected to secure efficiencies of £ £14.349 million (at current prices) in 2006/07, it is not in a position to fully quantify the 2007/08 efficiencies, as departmental savings have not yet been identified.

Current position and risk exposure

21. Our review sought information on the following issues :
- has the council demonstrated a clear commitment to the efficient government agenda, with corporate leadership and scrutiny by elected members and senior management;
 - does the council have a systematic process to identify areas where the scope for efficiencies might exist (for example, by re-organising or re-designing service delivery functions);
 - has the council developed a change programme which covers both the short and long term;
 - does the council properly control and monitor progress on efficiency projects (by both members and officers);
 - has the council disseminated clear guidance on how to classify and calculate proposed efficiency gains;
 - has the council robust performance management information systems, which confirm no loss of service quality, to underpin efficiency claims and can track efficiency savings to ensure deployment to frontline services;
 - are efficient government aims embedded within the budget setting process.
22. Overall the council has still some way to go before having the above arrangements in place. The council commissioned external consultants to develop and report on the actions required for developing a strategy for efficient government. A project plan derived from this report is currently being drawn up. While it is clear that the council are progressing the efficient government agenda, the management structures set up for overseeing the process are relatively new. The council's best value strategy group are responsible for monitoring efficiency projects and for identifying new areas where there is scope for further efficiencies. While corporate leadership is provided through the Chief Executive and service directors as part of the best value strategy group, elected members are not part

of this group. The lack of direct member involvement in efficient government may limit the capacity for instilling a culture of reform within the council and could put the delivery of the required change programme at risk.

Action plan 1

23. The council has yet to establish a systematic approach to identifying areas where there is scope for making efficiencies and has not reviewed each of the efficient government workstreams. Baseline information on current costs, activity levels and processes for the workstream areas are currently unknown. There has in the past been numerous projects introduced throughout the council which could be deemed to be efficiency schemes. These however have lacked corporate direction and have been introduced on an ad hoc basis without full knowledge of the objectives of each project and the potential for savings. Project management of these schemes also needs to improve. The council have recognised the need for further developing these issues and has commissioned the support of external consultants in strengthening their approach to efficient government.

Action plan 2 and 3

24. Efficient government initiatives to date have focused mainly in the areas of procurement and absence management. While projects are now up and running across all of the workstreams, an overall change programme has not yet been established. It is important that an implementation plan is introduced to allow the effective management of the council's efficient government projects and the monitoring of such issues as timescales, input of resources and savings achieved.

Action plan 4

25. Progress reports on the main efficient government projects are now being put to the best value strategy group for review. In the main, these reports provide high level position statements on the achievements to date and would benefit from being more focused on specific targets and milestones. In addition, arrangements for reporting efficient government to elected members have not yet been introduced.

Action plan 5

26. During our discussions with officers, we have identified that no formal guidance has been issued on how to classify and calculate proposed efficiency gains. In the absence of such guidance, there are risks that all efficiencies achieved across the council are not captured or that sums identified as efficiencies do not meet required criteria.

Action plan 6

27. The council has in place a framework for monitoring and reporting performance to senior management and members. However, in common with most other councils, the council's current management information systems are not yet capable of confirming that any claimed efficiency gains have not resulted in loss of service and for demonstrating the deployment of staff to frontline services. The absence of such systems may impair the council's ability to fully justify claimed efficiency gains and identify those areas with most scope for savings. It is also essential that the council develops a formal benefits tracking system for each of the workstreams to enable any claimed efficiency gains to be justified.

Action plan 7 and 8

28. No time releasing efficiencies are being claimed by the council at present. This is likely to be due to the focus the council has had to place to date on ensuring service budgets create sufficient cash savings to meet council tax pressures arising from single status and equal pay commitments together with other cost pressures.

Management action

30. A summary of the matters included within this report are also reflected as part of the findings from the recent Best Value review. The main areas where further management action is required is included in the section which follows. Planned action, responsibilities and timescales have been provided by management.
31. The issues identified in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the risk areas which may exist. The members and officers of the council are responsible for the management and governance of the organisation. Communication of the issues arising from this audit does not absolve management from its responsibility to address the issues raised and maintain an adequate system of governance, internal control and performance management.
32. The contents of this report have been agreed with relevant officers to confirm factual accuracy. The co-operation and assistance given by all officers contacted during the course of this review is gratefully acknowledged.

Risk summary and action plan

No.	Issue & risk	Importance	Responsible officer	Response & agreed action	Action date
1.	<p>Issue: Elected members have no direct involvement in the council's efficient government agenda</p> <p><i>Risk : the lack of member involvement in efficient government will limit the capacity for instilling a culture of reform within the council and puts the delivery of the required change programme at risk</i></p> <p><i>Recommendation: The council should ensure the commitment of members to the efficient government agenda</i></p>	High	Chief Executive	Regular progress reports will be presented from the BVSG to the Audit & Performance Committee and consideration will be given to the establishment of an elected Member Efficient Government champion.	Ongoing
2.	<p>Issue : The council has yet to establish a systematic approach to identifying areas where there is scope for making efficiencies and has not reviewed each of the efficient government workstreams. Baseline information on current costs, activity levels and processes for the workstream areas are currently unknown.</p> <p><i>Risk : Areas where there is the potential for future efficiencies may not be identified .</i></p> <p><i>Recommendation : The council should introduce a systematic approach to identifying those areas where there is the scope for future efficiencies and to systematically review each area of the efficient government workstream.</i></p>	High	Chief Executive	The Council, through the Best Value Strategy Working Group, has established corporate project teams with cross departmental representation covering each of the five efficient government areas. Project Leaders for each have been identified at Head of Service level and have undergone specific training in project management. Update reports from each area are presented to each BVSG meeting.	Ongoing

No.	Issue & risk	Importance	Responsible officer	Response & agreed action	Action date
3.	<p>Issue : There has in the past been numerous projects introduced throughout the council which could be deemed to be efficiency schemes. These however have lacked corporate direction and have been introduced on an ad hoc basis without full knowledge of the objectives of each project and the potential for savings. Project management of these schemes also needs to improve</p> <p><i>Risk : projects may be poorly managed and lack direction and coordination. In addition projects may not be prioritised to ensure most efficiency gains are obtained from the best use of resources</i></p> <p><i>Recommendation : The council should improve its approach to project managing its efficiency projects.</i></p>	High	Chief Executive	As detailed above, additional training in project management skills has been given to relevant staff. The Council has reviewed its approach to efficiency projects with a reduced but more targeted programme being developed and monitored through the BVSG.	Ongoing
4.	<p>Issue : The council has not yet developed a change programme covering both the short and long term.</p> <p><i>Risk : Without an overall change programme, projects may not be properly managed and fail to progress as planned.</i></p> <p><i>Recommendation : A change programme should be introduced covering the efficiency projects planned by the council over the medium and long term .</i></p>	High	Chief Executive	The Council is now committed to participation in Glasgow Council's "Pathfinder Project" The Corporate Management Team will consider options to establish a Business Change team.	Ongoing
5.	<p>Issue : Current monitoring reports on the progress of efficient government projects needs to be more focused on specific targets and milestones. In addition, arrangements have not yet been agreed for reporting efficient government issues to members.</p> <p><i>Risk : Progress is not effectively monitored and reported to senior management and elected members.</i></p> <p><i>Recommendation : Project monitoring reports should be more targeted and reports on the council's progress in efficient government should be formally reported to members.</i></p>	High	Project Leaders & Performance Manager	Accepted. Each of the project teams reporting to the BVSG have prepared Action Plans to deliver their objectives. Update reports will include details of progress against each milestone. Summary progress reports will be presented to the Audit & Performance Review Committee.	September 2006.

No.	Issue & risk	Importance	Responsible officer	Response & agreed action	Action date
6.	<p>Issue : The council has not yet issued clear guidance on how to classify and calculate proposed efficiency gains.</p> <p><i>Risk: Without appropriate guidance, there is the risk that budget reductions might be incorrectly classified as efficiencies and it may not be possible for the council to demonstrate what success it has achieved in compensating for the efficiencies assumed by the Scottish Executive.</i></p> <p><i>Recommendation : The council should issue guidance on the classification and calculation of proposed efficiency gains.</i></p>	Medium	Chief Executive	Clear guidance will be issued once the COSLA led initiative involving Aspiren and the Improvement Service has been completed.	March 2007
7.	<p>Issue : The council does not yet have a comprehensive performance management information system capable of confirming no loss of service quality and tracking savings to ensure deployment to frontline services, to underpin its efficiency claims.</p> <p><i>Risk : Without clear baseline information covering cost and quality of service, the council may find it difficult to demonstrate that claimed efficiencies have not impacted adversely on service provision.</i></p> <p><i>Recommendation : The council should develop a comprehensive performance management information system capable of providing the necessary information to support its efficiency gains .</i></p>	High	Chief Executive	<p>The Council is participating in a COSLA led initiative developing the work of external consultants (Aspiren) that have been engaged to assist. This will be approached in three stages</p> <ol style="list-style-type: none"> 1. Gather together information from all areas of local government on current efficiency and productivity measures 2. Run a three day collaborative event with representative from all councils and all service areas to develop an initial set of measures. 3. Make the initial set of measures open to the entire local government community for a period of review, comment and refinement. 	March 2007.