



West Lothian Council

AUDIT COMMITTEE

AUDIT SCOTLAND OVERVIEW OF LOCAL AUTHORITY AUDITS 2008

REPORT BY HEAD OF FINANCE

A. PURPOSE OF REPORT

To allow consideration of the report by Audit Scotland, incorporating the Accounts Commission's findings, on the 2007/08 audits of all Scottish local authorities.

B. RECOMMENDATION

To note the report.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of resources
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The council has a statutory duty to consider the Accounts Commission's report.
III Resources - (Financial, Staffing and Property)	None
IV Consultations	None

D. TERMS OF REPORT

1. Introduction

The Controller of Audit is required by statute to prepare an annual overview report, for the Accounts Commission, on the results of the audits of all Scottish local authorities. The overview report, a copy of which is attached, is quite separate from the Auditor's report on the 2007/08 Accounts of West Lothian Council, which I presented to Council for consideration on 28 October 2008. The report provides an overview of the main issues identified from audit work in relation to local government in 2008, including annual audits of 32 councils and 41 other local authority bodies such as police and fire authorities, Best Value reports on several councils, Statutory Performance Indicator (SPI) information published in December 2008, and various national performance reports including reports on the schools estate, the national fraud initiative, and fire and rescue authorities.

The overview report sets out the Accounts Commission findings, as well as the detailed report. This report sets out for the Council the key points and findings from the detailed report and considers in general terms any implications for West Lothian Council.

2. Accounts Commission's Findings

The Accounts Commission welcomes the evidence of improving local authority services across a range of areas. However, the Commission notes that the report has been produced at a time when councils face significant challenges in dealing with fast changing economic circumstances, financial pressures and in implementing Single Outcome Agreements (SOA's) with community planning partners.

The Commission welcomes the progress achieved but considers it imperative that councils take action on the following key areas:

- performance management and monitoring – ensure good management processes and robust information is available on services;
- a culture of continuous improvement, with even greater emphasis on efficiency and effective use of resources;
- competitiveness of key services, with a systematic approach to demonstrating service competitiveness and value for money;
- shared services, which it is recommended that councils consider as a high priority;
- making partnership working real and effective via development of Single Outcome Agreements;
- continuous development of elected members, with a personal development plan for all members.

The Commission states that action by local authorities in response to these findings will contribute to improved public services for the people of Scotland, although the Commission also acknowledges that this depends on action by other public bodies as well.

These are the key findings of the Accounts Commission. I will now outline some of the other important issues raised in the detailed report.

3. The Overview Report

The report provides an overview of the main issues arising from local government audit work in 2008. The main aim of the report is to inform the Accounts Commission of key messages and emerging trends.

The report is split into five parts, namely, the national context which sets the scene, supporting continuous improvement, use of resources, service performance; and looking ahead.

3.1 The National Context

The report notes that local government has a key community leadership role and provides a range of vital social and economic services. However, increasing costs, demands from service users, and the focus on national priorities are leading to increasingly difficult decisions for councils in allocating resources. This is leading to an even greater emphasis on efficiency and effective use of resources.

It is noted that the concordat between the Scottish Government and COSLA provides the basis for a new relationship between central and local government and that SOA's are developing as a result.

3.2 Supporting Continuous Improvement

The report notes that the outcomes based approach in SOA's makes it more important for councils and their partners to work together to deliver continuous improvement for their services and for their communities. The report stresses there is still considerable work to do to make sure SOA's fulfil their potential with areas needing further development including accountability and governance, performance management, and public performance reporting.

In particular, the importance of effective performance management is stressed. It is also stated that councils need to be more systematic in consulting communities. It is also noted that leadership by elected members and senior officers is central to creating a culture that promotes improvements in outcomes for communities.

3.3 Using Resources

Accounts and Audit

Under the terms of their appointment, auditors were required to sign their 2007/08 audit certificates by 30 September 2008. Completion in this timescale was of significant importance, as it enabled councils to publish audited accounts, and therefore to report to local taxpayers and other stakeholders on financial stewardship and performance on a timely basis. The report notes that all council audits were completed by 30 September 2008, with the exception of Aberdeen City, which was completed in October. Auditors qualified the accounts of two councils, Shetland Islands (because of group account issues) and Aberdeen City (because of bank reconciliations).

Reserves & Balances

Local authorities maintain General Fund Balances as a contingency against financial pressures resulting from unanticipated events and they are a key instrument in ensuring financial stability. As at 31 March 2008, General Fund Balances held by individual councils varied widely as a proportion of annual expenditure. Unallocated balances totalled £190 million ranging from 0.1% to 5.5% of annual expenditure, with an average of 1.8%. The percentage, at 1.8%, is the same as in 2007.

Finance - Efficiency

The Scottish Government's efficiency outturn report for 2007/08 shows total cash-releasing efficiencies in local authorities of £469 million against a target of £327 million and time-releasing efficiencies of £53 million. The report states that there remains scope for improvements in councils' arrangements for managing their efficiency programmes, ensuring that efficiency targets are realistic and achievable, and differentiating between efficiencies and budget cuts.

Workforce

As at 31 October 2008, a third of councils had yet to implement fully the single status agreement. Those councils still to implement single status face the continuing risk of additional equal pay claims and implementing the agreement and resolving appeals has to be a matter of urgency. Sickness absence rates for council staff and teachers were 5.4% of working time in 2007/08, compared to 5.3% in 2006/07. The report highlights absence management as a key element of councils' wider workforce strategies and is recognised as an area that councils need to address as one of the priority areas for efficiency savings.

Asset Management

SPI's for 2007/08 show that the proportion of operational buildings that are suitable for current use has increased from 54.7% to 69.7% and the proportion of operational buildings in a satisfactory condition has increased from 64% to 68%. Subsequent to the publication of the overview report, in May 2009 Audit Scotland published a study on asset management in councils that provides more detail on the national picture. The main purpose of the study was to evaluate the extent to which councils manage their assets to ensure effective service provision and achieve value for money.

Capital Expenditure

It is reported that most councils had unplanned slippage in their capital programmes during 2007/08. The main reasons were asset sales not materialising, problems with land acquisition and project management, and adverse weather. In some cases, councils have revised capital programmes to take account of the current economic conditions.

3.4 Service Performance

The key messages on performance in local authorities are as follows:

- councils are giving more emphasis to the needs of the people who use their services
- councils are making progress in improving customer care but there needs to be more consistency across service areas
- evidence from sources such as SPI's and audit and inspection reports indicate good services across a range of areas
- councils generally respond positively to findings from audits and inspections and seek to address areas highlighted as being in need of improvement.

3.5 Looking Ahead

While the report provided an overview of the issues arising from the 2007/08 audit of local authority accounts it also mentioned the future challenges councils will have to address, including:

- the fresh challenges and opportunities arising from the current economic situation, including the associated decline in property values which may result in significant reductions in capital receipts
- the shift in relations between central and local government and how the development of SOA's will influence council's strategic direction
- greater responsibility on partnership working and the question of attribution for performance amongst partners
- continued training, development and good information for elected members to support them in ensuring delivery of SOA's
- adopting a more strategic approach to resource use
- to ensure that new approaches to procurement generate anticipated efficiency gains.

4. Implications for West Lothian Council

4.1 Accounts Commission Findings

West Lothian Council is well placed to meet the challenges highlighted in the overview report. The Auditor's report on the 2007/08 Accounts for West Lothian states in its key findings that the council continues to demonstrate a clear commitment to improvement and has made steady progress against the improvement actions agreed as a result of its 2005 best value audit.

4.2 Detailed Report

The National Context

In terms of the general issues raised in the national context section regarding increasing demands on services, including the costs of meeting the needs of an ageing population, and the difficult decisions that will be required in allocating resources, officers will continue to take all possible measures to ensure this challenge is addressed in a joined up and proactive manner that will deliver benefits to the community and protect the council's financial position.

Supporting Continuous Improvement

It is reported in the Auditor's report on the 2007/08 Accounts for West Lothian that the council continues to demonstrate a clear commitment to improvement and has made steady progress against the improvement actions agreed as a result of its 2005 Best Value Audit. In terms of governance, the Auditor reports that the council has generally good governance systems in place that operated well within a sound control environment.

Using Resources

As in all previous years, West Lothian's Accounts were submitted and signed off by the specified dates and the council received a clean audit certificate. West Lothian Council has an agreed policy to retain the General Fund balance at a level of at least £2 million and is operating in line with this policy.

West Lothian completed and submitted an efficiency statement for 2007/08. The Council in February 2009 approved efficiency proposals of over £2.8 million for 2009/10 and also agreed that a modernisation plan covering the period 2010 to 2015 will be progressed that will aim to deliver savings and maximise resources for service provision.

West Lothian Council implemented the single status agreement on 1 October 2007 and is in the process of finalising the appeals process for relevant staff. The cost of the new pay structure has been fully accounted for in the 2008/09 revenue budget.

The council has implemented a ten-year capital investment strategy and corporate asset management plan and the work carried out to develop this was highlighted in the previous years Controller's report as an example of good practice.

Service Performance

In the performance section of the Auditor's report on the council's 2007/08 audit of Accounts, the Auditor highlighted that development of performance information and public performance remains a key area for improvement for the council and that performance management systems should be aligned to the SOA for public performance to be improved. Training for elected members will continue to be provided to enable them to provide greater scrutiny of the performance information provided to Policy Development and Scrutiny Panels and the Performance Committee.

Looking Ahead

In terms of the increasing pressure on resources and demands on services, the council agreed in February 2009 to undertake a modernisation plan covering the period 2010 to 2015 aimed at delivering savings and maximising resources for service provision. The council is well placed to meet the challenges to support continuous improvement through the development of its SOA and this will continue to give the strategic vision and direction required to deliver outcomes for our communities.

E. CONCLUSION

The report sets out a comprehensive overview of the main issues identified from local government audit work in 2008. The Accounts Commission concludes that improvements were made by local government in 2007/08 but also highlights action that is required to improve outcomes for communities. In terms of West Lothian Council, the Auditor stated in his report on the council's 2007/08 Accounts, that the Council continues to demonstrate a clear commitment to continuous improvement and developing Best Value services. Taking account of the issues raised in the overview report, the Council is well placed to meet the challenges ahead.

F. BACKGROUND REFERENCES

2007/08 Audited Accounts of West Lothian Council.

2007/08 Report on the Audit – Audit Scotland

Appendices/Attachments: 1 – Overview of the Local Authority Audits 2008 – Audit Scotland

Contact Person: Alan Logan – alan.logan@westlothian.gov.uk Tel :01506 777050

ALAN LOGAN
Head of Finance
1 June 2009