

The Audit of Best Value and
Community Planning

East Dunbartonshire Council

Best Value audit report

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit
December 2016

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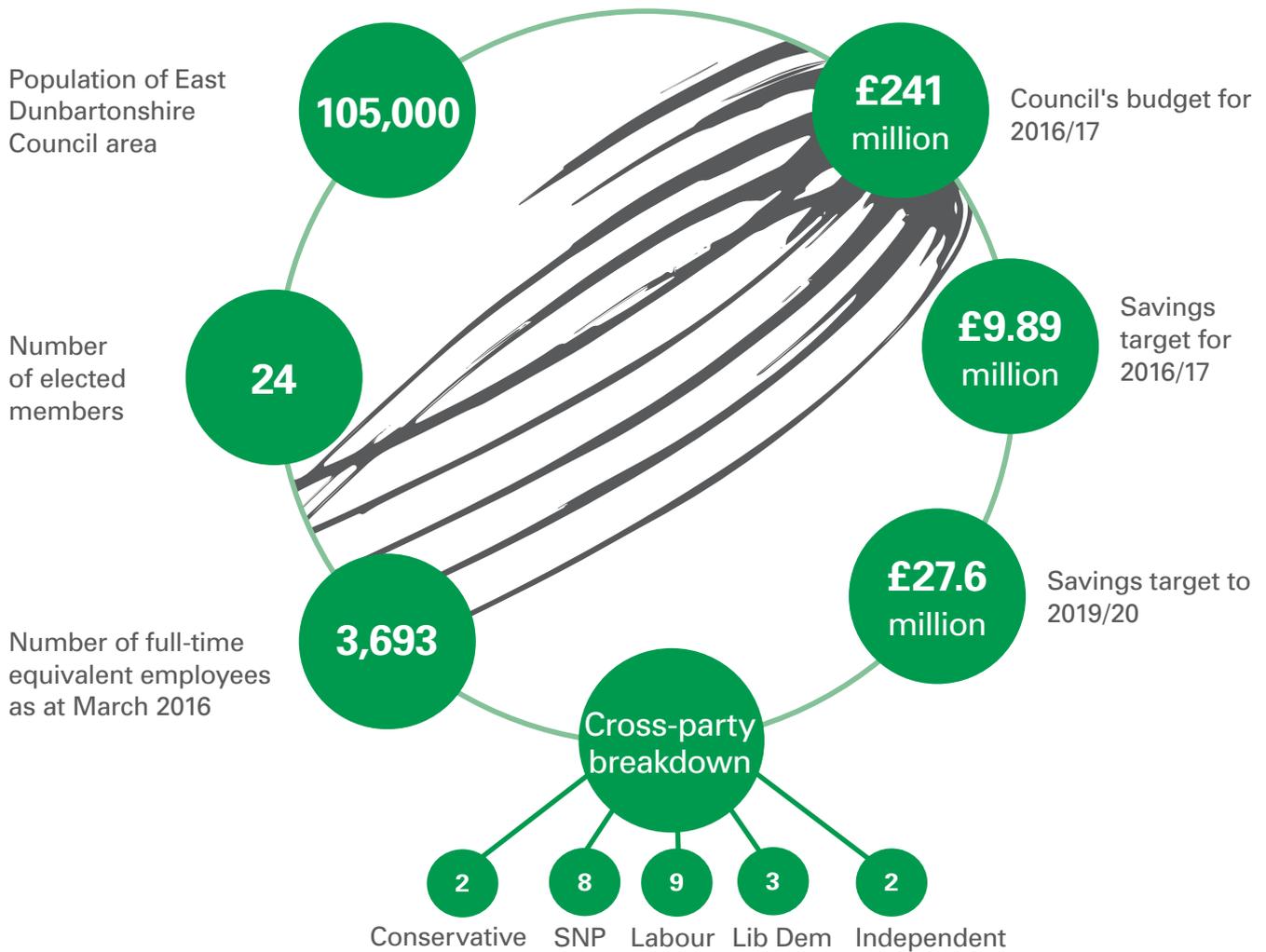
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Commission findings



- 1** The Commission accepts the Controller of Audit's report on Best Value in East Dunbartonshire Council.
- 2** The council has worked to respond to the concerns expressed by the Commission in our previous findings in June 2015. There is better prioritisation of improvement projects and some stronger aspects of workforce planning. Scrutiny of performance by elected members is also improving.
- 3** But we remain concerned that the council does not demonstrate adequate capability to deliver its ambitious transformation programme and thus its ability to address its significant funding gap. Our concern is evidenced by failure to meet targets and lack of clarity about the savings to be achieved.
- 4** More competent programme management is essential to ensure public confidence in the council's approach to managing change.
- 5** Workforce planning needs to improve further, with a workforce plan that is better integrated to the transformation programme, ensuring that the skills needed to achieve the programme will be available and the targeted savings are monitored and achieved.
- 6** Member scrutiny must also improve further. Members need to set the priorities of scrutiny and determine the quantity and content of information they require to fulfil their responsibilities.
- 7** The Commission needs the council to demonstrate effective leadership in ensuring the required change. We will continue our interest in the council and require the Controller of Audit to update us by the end of 2017 through the annual audit and in our revised approach to auditing Best Value.

Key facts



Controller of Audit report



Introduction

1. This report updates the Accounts Commission on the council's progress following a previous Best Value follow-up report in June 2015. This is my third Best Value report on [East Dunbartonshire Council](#) in the last three years. In December 2013, I reported to the Commission findings from targeted Best Value work identified in the council's 2013-16 assurance and improvement plan. The 2012/13 Annual Audit Report for the council summarised this Best Value work. The 2013 report raised a number of concerns, including:

- gaps in the council's systems of internal controls
- significant delays in its capital programme
- weaknesses in its approach to procurement
- scope to improve performance information and management.

2. After considering my report, the Commission asked for a follow-up Best Value report within one year to track the council's progress against these concerns. In June 2015 I reported that, although the council continued to deliver a good standard of services, several significant issues remained unresolved. These included continuing gaps in financial reconciliations, slippage in its capital programme and high levels of sickness absence.

3. The Commission issued findings on my report. These noted the council's commitment to improvement, and acknowledged that it had made progress in responding to some of the issues I raised in my December 2013 report. However, the Commission raised serious concerns about how quickly the council was making improvements. It concluded that there was a gap between the council's ambitions and how it was implementing improvement programmes and strategies in practice. In particular, the Commission highlighted the need for the council to:

- urgently develop clearer priorities for its transformation programme
- improve how it manages staff and other resources through regular timely financial reconciliations, better planning and delivery of its capital programme, developing clear targets and timescales for its workforce strategy, and making better progress with job evaluation

- improve the effectiveness of scrutiny arrangements to ensure that elected members are able to fulfil their responsibility to challenge and scrutinise performance.

4. The Commission requested a follow-up Best Value report within 18 months to report on progress. This report is my response to the Accounts Commission's request. The main audit work by a team from Audit Scotland took place between May and August 2016 and has focused on following up the Commission's findings. This included interviewing council officers and elected members, reviewing council documents such as reports and minutes, and observing meetings.

5. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers we contacted during the audit.

Summary



6. Since the last Best Value audit the council has taken steps to address the Commission's concerns. It has prioritised its transformation programme, which sets out all its projects to deliver savings and change the way it provides services. The council agreed a revised programme in June 2016 ([paragraphs 20–22](#)), with a further update in October 2016.

7. The council has also made progress with some larger-scale improvement projects over the past year. However, much of its transformation programme remains behind schedule. This is something the council needs to rectify if it is to meet its projected funding gap of £27.6 million between 2017/18 and 2019/20. It is now looking to make significant savings by sharing services with neighbouring councils, although at this early stage the level of anticipated savings is not clear.

8. Over the past year the council has improved the quality and frequency of its financial reconciliations. It is also delivering its capital programme more effectively ([paragraphs 52–58](#)). Despite these improvements in financial management, the external auditor has raised concerns in the [2015/16 Annual Audit Report](#)  about the council's internal controls for payments to private social care providers. In September, members examined these issues at the Transformation, Economy and Employment scrutiny panel and have agreed actions to address them. However, we also have concerns about the range of skills within the finance team to sustain improvements.

9. The council has implemented some aspects of good workforce planning, but it continues to reshape the size and roles of its workforce without clearly stating how this will deliver its priorities ([paragraphs 34–37](#)). Developments in HR systems and practices over the past year have helped reduce sickness absence and improve the council's understanding of the size and skills of its workforce. The council also completed its job evaluation exercise in 2016, albeit after lengthy delays.

10. The council has further reduced its number of chief officers and other staff over the last year to make savings. While the council is committed to achieving workforce reductions through voluntary means, it needs to ensure that the associated loss of skills and experience does not adversely affect its ability to deliver both services and its significant programme of change. Since 2009, it has made significant reductions across its workforce through voluntary redundancy. The council's average cost of voluntary exit packages is high compared to other councils. This will be influenced by the proportion of senior staff leaving the council but also suggests scope for the council to review whether the terms of its exit packages represent best value.

11. Decision-making is more transparent, with the council conducting more of its business in public. Scrutiny arrangements and the quality of elected members' scrutiny are also becoming more effective. However, there remains scope for further improvements to governance, particularly in providing elected members with shorter and clearer reports to help decision-making and scrutiny ([paragraphs 44–51](#)).

Audit assessment



The council needs to improve more quickly if it is to meet its projected funding gap

The council has made progress with a number of projects over the past year but its transformation programme remains behind schedule

12. The council established its transformation programme in 2013 as a response to the significant financial challenges it faces, with a need to identify cumulative savings of £27.6 million between 2017/18 and 2019/20. Its original programme included a broad range of projects, from major capital projects such as community hubs, which offer a number of council services under one roof, to smaller-scale changes such as introducing electronic payslips. In our previous Best Value reports we reported that a significant number of projects were behind schedule, particularly the larger, more complex projects, which could potentially make the greatest contribution to the council's savings targets. We also highlighted that the council was unable to demonstrate the benefits and savings that its transformation projects were achieving.

13. In 2015, we reported that the council's transformation programme was beginning to gain momentum. Since then, the council has made further progress with some of its more significant transformation projects. These include the following:

- Homecare resources review: a new model of providing homecare, to help more people with long-term needs to live at home, has been operating since February 2016, nearly two years behind schedule. The revised staffing and shift patterns adopted through the new model are expected to generate annual savings of £600,000 from 2016/17. But trade union representatives we spoke to raised concerns that additional staff had not yet been recruited, leading to an increase in overtime costs after the council took back control of elements of homecare services that had been run by private providers.
- Integrated HR and payroll system: the principal elements of the system are now functioning, although significantly behind the original due date of December 2013. The introduction of some additional planned modules, such as online payroll, ePayslips, timesheets, expense claims has been delayed and is due to be completed by the end of February 2017.
- Community hubs: two of the five planned community hubs are now open. The Lennoxtown community hub opened in February 2016 after almost a two-year delay. The Bearsden and Bishopbriggs hubs have been redesigned and are both due to be completed by April 2017. The Milngavie hub is not due to be completed until September 2018.

14. In response to previous Commission findings, the council reviewed its transformation projects and their planned timescales. Despite a number of projects remaining behind schedule, the council reports that most transformation projects are now progressing to plan against revised completion dates. While we would expect timescales for some projects to be revised as the programme is reprioritised, timescales for a large number of projects continue to be pushed back, as shown in [Exhibit 1 \(page 12\)](#).

15. In the four months between June and October 2016, many estimated due dates have slipped by four to 12 months. The October transformation update does not make clear that timescales have changed since June, or explain why delays have happened. Delays will have an impact on project costs and anticipated savings, so it is important that updates are presented in a more transparent way that enables elected members to properly scrutinise progress. It is also important that the council tries to make as realistic an assessment of timescales as possible at the beginning of projects.

The council is improving the way it manages its transformation projects

16. We previously reported that the council had improved the way it manages and oversees its transformation projects. It did this by establishing a Programme Management Office (PMO) and introducing a project management framework in July 2014. Since our last audit, the council has continued to review and improve its project management arrangements. For example, it has recently streamlined the process of agreeing business cases for proposed projects and has introduced gateway reviews of projects, which are designed to highlight and avert potential risks. We have not been able to assess at this stage the impact of these recent changes in helping the council deliver transformation projects within budget. However, recent updates to the transformation programme show that project timescales continue to slip ([Exhibit 1](#)).

17. The council has also introduced a lessons-learned log. Project managers complete this at the end of each project and consult it before starting new projects. Recurring issues include:

- projects can significantly increase in scope after they begin
- project timescales and costs are commonly underestimated
- projects are not always properly resourced in terms of numbers and skills of staff.

18. The lessons-learned log should help the council to manage its programme more effectively by recognising and addressing issues which have been recurring across the programme. The council needs to ensure that it puts these lessons into practice when scoping and budgeting new projects.

19. The council recognises that it has not successfully been able to measure the benefits that its transformation projects have delivered. To improve this, a dedicated accountant joined the PMO team in November 2015 with a remit of costing business cases and carrying out financial options appraisal. As a result, the transformation programme now includes an estimated financial benefit for new projects, although this is currently provided for less than half of the current overall programme. It is important that the council continues to improve how it estimates and monitors savings associated with its transformation projects.

Exhibit 1

Transformation plan

Many key projects continue to take longer than originally anticipated.

Priority score	Transformation project	Original due date	Delay	Revised due date
Current (Top priority)				
89	Procurement	1 April 2016	12 months	31 March 2017
76	Terms and Conditions	12 September 2016	6 months	31 March 2017
75	Service Resource Management	1 April 2016	12 months	31 March 2017
73	Income Management System Upgrade (AIM)	29 July 2016	4 months	15 December 2016
67	Revenues & Benefits Service Review	1 July 2016	5 months	1 December 2016
65	Neighbourhood Services Modernisation	30 June 2016	n/a	31 May 2016
65	Charging Framework & Review of Letting	1 July 2016	12 months	1 July 2017
63	Channel Shift Programme	31 March 2017	n/a	n/a
63	Revenues & Benefits Spend to Save	30 November 2016	2 weeks	16 December 2016
Legacy (highlighted in Audit Scotland's previous report)				
74	Integrated HR/Payroll	December 2013	38 months	28 February 2017
69	Oracle Procure To Pay (P2P)	October 2013	36 months	31 October 2016*
61	Remote & Mobile Working	August 2014	24 months	TBC
40	Unified Communications	October 2013	37 months	30 November 2016
28	Community Hub – Bearsden	December 2014	27 months	February 2017
28	Community Hub – Bishopbriggs	December 2014	28 months	April 2017
Complete Transformation projects				
	Homecare resourcing review	May 2014	21 months	COMPLETE (Feb 2016)
	Internal shared service – phase 1	January 2014	32 months	COMPLETE (Sep 2015)
	Registration service review programme	November 2014	11 months	COMPLETE (Dec 2015)
	EDRMS Tender and Procurement	June 2013	29 months	WITHDRAWN (Dec 2015)
	Community Hub – Lennoxton	June 2014	20 months	COMPLETE (Feb 2016)

Note: *P2P rolled out to all services with the exception of Housing and HSCP.

Source: *East Dunbartonshire Council: A follow-up report*, June 2015, Audit Scotland; *Transformation Programme 2016-17*, East Dunbartonshire Council, 21 June 2016 and 20 October 2016

The council has prioritised its transformation programme

20. In June 2015, the Commission stated that the council urgently needed to develop clearer priorities in its transformation programme. Priorities were needed to ensure that it delivered critical projects and realised anticipated savings and benefits. In response, the council agreed a prioritised transformation programme in June 2015.

21. Since then, the council has developed a scoring matrix to prioritise projects more formally. The matrix informed the council's updates of its transformation programme in 2016, and is based on the following five criteria (from highest to lowest weighting):

- Improved efficiency
- Service delivery
- Maintenance and enhancement of core assets
- Statutory and legal responsibilities
- Corporate priorities and sustainability.

22. Despite improving how it prioritises projects, the council does not present its transformation programme in the clearest and most accurate way. Its most recent programme updates in June and October 2016 both list some projects as having completion dates that had already expired. Where this is the case, parts of the projects have been implemented, but revised timescales for full implementation remain unclear. For example, in October 2016, the council reported that its 'Click Call Come In' (CCC) strategy – a series of phased projects including a new web-based customer relationship management (CRM) system – had an estimated due date of 30 September 2016. Phase 1, 'system go live', is reported as complete but phase 2 is still to be scoped and programmed. The programme does not identify a completion date for phase 2. While more information is available to elected members if required, reporting currently lacks sufficient clarity to allow them to easily scrutinise the council's improvement activities. As noted before, the reporting of timescales is also unclear ([paragraphs 14–15](#)).

The council has made substantial savings through procurement but needs to make clear how it will achieve the even greater savings targets it is relying on in future

23. In June 2015, we reported that the council had significantly improved its procurement team and procurement systems. We noted that:

- the council was aiming to save £5 million between 2015/16 and 2017/18 from better procurement
- its estimated savings were, however, based only on figures from Scotland's local government centre for procurement expertise, Scotland Excel, rather than specific procurement measures.

24. Since our last audit, the procurement team has gone on to win Team of the Year at the 2015 Government Excellence in Public Procurement Awards. The council also achieved approximately £930,000 of procurement savings against a target of £1 million, through a range of areas such as negotiating new insurance policies, fleet costs and street lighting.

25. To deliver the council's cumulative procurement savings target of £5 million by 2017/18, it needs to make further procurement savings of £2 million in both 2016/17 and 2017/18. Procurement is the council's top priority project, yet its procurement plan lists only savings achieved in 2015/16, with no indication of how further savings will be made. With such ambitious savings planned from procurement, we would expect to see more detail of the specific measures the council has in place to deliver them. The council has indicated that work is ongoing to identify all procurement savings for 2016/17 and that these will be reported in future reports to the Policy and Resources Committee.

The council is actively exploring shared services with neighbouring councils to help meet its projected future funding gap

26. Despite the savings the council has made to date, as with other local authorities across Scotland, the scale of its financial challenge is increasing. It has a savings target of approximately £9.9 million for 2016/17. Its projected funding gap over the next three years to 2019/20 is £27.6 million, which equates to 12.5 per cent of its annual budget. Following the 2016/17 budget-setting process, its projected funding gap has increased by around 18.5 per cent from the £23.3 million we reported previously.

27. The council recognises that even if it successfully delivers its existing transformation programme, this will not be enough to meet its estimated savings targets. It is therefore looking at alternative savings options. In particular, since 2015 it has been considering options for sharing services with neighbouring councils in Inverclyde and West Dunbartonshire. All three councils have agreed to establish a joint Shared Services Committee, and approved a joint committee Minute of Agreement in September 2016. This established the governance structure necessary for the joint committee and to allow the sharing of services among participating councils. The first meeting of the Shared Services Committee is due to be held in mid-December 2016. Each council has appointed four elected members to sit on the joint committee.

28. The councils have an ambitious aim of sharing services from April 2017 onwards. The councils have estimated indicative savings of 15 per cent over three years from sharing the proposed frontline services, which initially includes roads and transportation and fleet management. The savings that East Dunbartonshire Council can actually achieve and how quickly they will impact on its budget will be clearer once the councils have developed detailed business plans. These are expected to be approved by March 2017, and the councils plan for shared services to be operational from April 2017.

The council has a better understanding of its workforce but continues to make significant staff reductions without clear objectives

The council has continued to reduce senior officer numbers

29. The council has significantly changed its organisational structure since 2009. The council has reported that it has reduced the number of directors and heads of service by 76 per cent. Since our last report in June 2015, the council has changed its chief officer structure twice, taking the opportunity to rationalise as officers have taken voluntary redundancy.

30. The council has reported that the latest chief officer restructuring will contribute towards workforce savings of £375,000 in 2016/17 and £500,000 from 2017/18 onwards. It is using some of its savings to invest in 11 new strategic lead roles that report to the two deputy chief executives. The strategic leads are to provide the management skills needed to deliver organisational change while maintaining effective service delivery.

31. The size and scope of strategic lead roles differ across services and includes a chief finance officer, who acts as the council's section 95 officer, responsible for the council's financial affairs. This role was previously performed by the Group Director – Finance & Corporate Assets. The chief finance officer is not a member of the council's Corporate Management Team (CMT), which is not consistent with the Accounts Commission's guidance on the role and its importance. The chief finance officer does, however, regularly attend CMT meetings.

After lengthy delays, the council has completed its corporate job evaluation exercise

32. After a two-year delay, the council began an organisation-wide job evaluation exercise in 2013. In our last Best Value report we noted that by February 2015, the council had evaluated 61 per cent of 2,841 jobs. The Commission stressed the council needed to make better progress with job evaluation. This was critical in eliminating uncertainty for staff across the organisation about their grading and pay and tackling the associated effects on staff morale, stress and absence.

33. The council has now completed its job evaluation exercise, including the appeals process. It has now begun to evaluate the new posts that have been created from its simultaneous organisational restructuring exercise. This should be a much shorter process, although timescales for completing it are unclear.

The council has adopted some elements of good practice in workforce planning, but still lacks clear objectives and timescales against which it can judge its success

34. We reported previously that, due to lacking effective HR systems, the council was not able to provide us with accurate staffing levels. As a result of implementing its integrated HR/payroll system during 2015/16, the council now knows that at March 2016 its staffing level was 3,693.09 full-time equivalent (FTE), with a headcount of 4,286.

35. The Commission previously found that the council needed to ensure that its workforce strategy had clear targets and timescales. In June 2015, the council approved an updated workforce strategy for 2015-18. This focuses on high-level principles of workforce planning, for example the importance of having the 'Right People, Right Time, Right Place with the Right Skills'. However, the strategy could do more to address what that means in practice for the council. For example, the Accounts Commission's and Auditor General's 2013 [Scotland's public sector workforce](#)  report recommends that councils and other public sector bodies should forecast expected staff numbers, skills needs and costs on a rolling three-year basis. This is not yet happening in East Dunbartonshire.

36. To accompany its workforce strategy the council has developed a workforce improvement plan. This focuses on developing and implementing workforce programmes and initiatives, but does not include clear targets or timescales dealing with staffing numbers, the voluntary release scheme or how the council manages absence.

37. Consistent with good practice in workforce planning, all service areas performed a skills gap analysis in 2015 to assess whether they had the right number of people with the right skills. The council has used the results to produce a corporate training plan. We have not carried out a full assessment of the skills analyses, but we found evidence that in some areas the council has not given adequate consideration to ensuring it has enough people with the right skills in place to deliver services effectively. For example, in our [2015/16 Annual Audit Report](#)  we raise concerns about capacity within both the finance and revenue and benefits teams. Staff changes and reductions have led to individual officers having sole responsibility and knowledge of certain areas of work. As a result, the council lacks resilience and any staff absence creates a risk to the delivery of these important services. The council's staff wellbeing survey also highlighted employee concerns about teams being understaffed and a lack of training and support to enable employees to adjust to additional responsibilities ([paragraph 40](#)). The council is carrying out strategic reviews of its finance and revenue and benefits functions that include consideration of future staffing and skills needs, but these have yet to be concluded.

Sickness absence is falling but remains relatively high

38. In 2013/14, the council had the highest sickness absence rate in Scotland, with an annual average of 13.07 days lost per employee (excluding teachers). Over the past few years the council has made concerted efforts to manage absence more effectively. This resulted in average absence falling to 12.68 days in 2014/15 (the fourth highest absence rate in Scotland). The council's data for 2015/16 shows further improvement, with average absence falling to 11.65 days per employee.

39. The council acknowledges that it still has work to do to reduce absence further, and is continuing to take positive steps to improve absence management. Since our previous Best Value audit it has developed a managers' toolkit and provided training to try to ensure that all managers are applying the absence policy consistently. It has also carried out a staff wellbeing survey and used the results in developing its revised Wellbeing at Work policy in January 2016.

40. The focus of the wellbeing survey was on employees' awareness of various council policies and initiatives. While the survey asked questions about employees' exercise and healthy eating. Responses to open questions feature repeated comments about lack of communication and consultation about changes made within the council, with restructuring and reduced staff numbers leading to increased workloads and stress. Less than half of respondents believe that the council understands what has an impact on their mental health and wellbeing at work, or that the council supports them if they have problems with their mental health and wellbeing. While results are based on a limited sample, with only 163 people (three per cent of staff) completing the survey, they do highlight important challenges for the council in improving the working environment and reducing absence.

The cost of voluntary redundancy is high and the resulting savings are not monitored effectively

41. During 2015/16, 101 employees were approved for release through voluntary redundancy, at a cost of £8.99 million. The council has used voluntary redundancy as one of the primary ways of reducing its annual operating costs, in line with its commitment to achieving change through voluntary means. However, the costs of its scheme are high compared to other Scottish local authorities. In 2015/16,

East Dunbartonshire had the second highest total cost of voluntary exit packages among Scottish councils and the fourth highest average cost per employee. Its relatively high costs will be influenced by a high proportion of senior staff leaving the council, as well as the relatively favourable terms on offer for employees to leave.

42. In December 2014, the council reviewed the terms of its voluntary exit scheme and agreed to maintain its existing terms in order to attract sufficient interest in the scheme. It is currently preparing for a further round of voluntary redundancies. As part of its preparation, the council should continue to review the terms it offers employees, relative to demand for voluntary redundancy, to ensure it achieves value for money.

43. The council makes each voluntary redundancy decision based on a business case that outlines costs, anticipated savings and payback periods. However, it does not effectively monitor whether its projected savings from voluntary redundancies are being fully achieved.

Decision-making is more open and scrutiny is becoming more effective, but there is still scope for improvement

Scrutiny of the council's performance and transformation programme is improving

44. In May 2014, the council established two scrutiny panels: Transformation, Economy and Employment, and Transformation and Community Wellbeing. These are designed to help elected members scrutinise the council's transformation programme and its impact on services, as well as the council's priorities and significant financial challenges.

45. In June 2015, we reported that the panels were not working effectively. In particular:

- panels were not being provided with the most up-to-date information available
- it was unclear how the scrutiny panels' agendas were being set
- the Audit and Risk Management Subcommittee was not effectively directing the scrutiny panels' work
- the panels had not fed back any areas for improvement to the Audit and Risk Management Subcommittee.

46. By observing the scrutiny panels in June 2016 and reviewing minutes we can see that there has been some improvement over the past year. The quality of scrutiny by elected members is improving, but there remains scope to improve how the panels work:

- The focus of scrutiny panel meetings continues to be more on members receiving a wide range of information through presentations than on their scrutinising specific issues of importance.
- In some cases, it is clearer why issues are being examined by scrutiny panels, but this remains variable. This is likely to be helped by Audit and

Risk Management becoming a full committee from September 2016. It now operates independently of the Policy and Resources Committee, setting its own agenda and directing the scrutiny panels' work.

- Officers have recently started providing panel members with information to allow them to track changes resulting from their scrutiny. Officers recognise that they can improve on how well and how quickly they provide this information.

The council is conducting much more of its business in public. Shorter and easier-to-understand reports could help improve decision-making and scrutiny by elected members

47. Previously we reported that elected members were considering a large amount of information in private sessions at committee meetings. Conducting business in public is an important aspect of councils being accountable to their communities and ensuring that local people can find out about local decisions. This in turn is increasingly important in encouraging and enabling local communities to participate more effectively in achieving local outcomes.

48. In June 2015, we reported that the council had begun to respond positively to these criticisms. We highlighted for example, that the Policy and Resources Committee had not considered any private papers between the beginning of 2015 and June 2015, when we published our report. The council has continued to minimise the amount of business it does in private, with only six per cent of papers being taken in private in 2015/16. Although the council is carrying out more of its business in public, officers are also providing more information to members through confidential briefings, or verbally, or both. In striving to be as open and transparent as possible in conducting its business, the council should ensure that it does not allow confidential briefings to become a substitute for private papers.

49. Previously, we expressed concern that council and committee reports were long, complex and written in bureaucratic language, making them difficult to understand for elected members and the wider public. Since our last Best Value audit the volume of information provided to elected members for council and committee meetings has reduced, and in the main is broadly in line with other councils. However, on occasion, elected members have been asked to consider papers of over 400 pages for a single meeting, with papers for the council meeting in November 2015 totalling 1,212 pages.

50. Although members generally receive a reduced volume of information, some of it is still difficult to understand. It is sometimes difficult to locate key points and recommendations that members are being asked to consider or approve, particularly when they are contained within the body of long and complex reports. These should be laid out more clearly at the beginning of reports.

51. The language in some reports is still inaccessible, with a reliance on jargon. The council still has some way to go in supporting effective decision-making and scrutiny by providing members with clear, concise reports written in plain language.

Financial management has improved, with better financial reconciliations and delivery of the council's capital plan, but we have concerns about financial capacity and resilience

The frequency and quality of financial reconciliations have improved, although some weaknesses remain in financial controls

52. In 2015, the Commission expressed concern about some of the council's procedures for managing its financial resources, in particular the lack of regular and systematic financial reconciliations. This was a recurring problem that the external auditor had raised repeatedly since 2013 and that the council had not adequately rectified. In response to the Commission's findings, the chief executive has taken a more active role in oversight, and temporarily redeployed finance staff to deal with the problem. As a result, the quality and frequency of financial reconciliations have now improved. However, in our [2015/16 Annual Audit Report](#)  we raise concerns about the capacity and skills within the finance team and highlight the risk this poses to the council maintaining its improvement in financial controls.

53. The [2015/16 Annual Audit Report](#)  also highlights weaknesses in the council's internal controls for payments to private social care providers. Issues were initially raised by internal audit and include problems with misplaced payment records and delays to updating the Carefirst payment system. In 2015/16 the council paid approximately £19.5 million to private providers for homecare services. Given the level of expenditure, we would expect the council to have effective controls in place to ensure that payments align with the level of care agreed between the council and care providers. The identified weaknesses in the council's internal controls, together with our concerns about staffing levels in the finance team, continue to indicate risks with the council's financial management processes, although the council is taking steps to resolve both these issues (the council's response to staffing levels in the finance team is discussed in [paragraphs 37](#)). The problems with the Carefirst system were considered by the Transformation, Economy and Employment scrutiny panel in September 2016 and the council has agreed a set of improvement actions.

The council is managing its capital programme more effectively

54. Previously, we reported that the council had improved the way it manages its capital programme. This included:

- better use of options appraisals
- a ten-year capital investment plan
- an updated corporate asset management plan
- a re-phased capital programme.

55. Despite these improvements, the council continued to experience slippage in delivering its capital programme over several years:

- In 2013/14, it delivered only around 54 per cent of its planned capital budget, with an underspend of £22.2 million.
- In 2014/15, it delivered only around 60 per cent of its planned capital budget, with an underspend of £18.1 million.

56. The slippage in its capital programmes was not due to any single project, but reflected delays in a wide range of projects.

57. Since our last Best Value audit the council has demonstrated significant improvement in delivering capital projects, achieving 95 per cent of its 2015/16 capital programme. Key to this has been better strategic oversight of the programme. For example, throughout the year the Policy and Resources Committee's bi-monthly meetings receive regular capital programme monitoring reports. The council has also reorganised arrangements for overseeing the capital programme through the Corporate Asset Management Group. This brings together two previously separate operational and strategic groups. It allows potential issues with capital projects to be identified and dealt with more quickly, resulting in the programme being managed more flexibly to make best use of resources.

58. The council has also broadened its approach to procuring capital projects. As well as being an active participant in Hub West Scotland, part of the Scottish Futures Trust's Hub initiative, it also considers a range of other procurement routes to deliver major asset projects. This helps to ensure that it achieves the best possible value from its capital programme.

Conclusions



59. The council has taken steps to address the concerns raised in the last Best Value report in 2015, but there is still scope for improvement in some areas. The council has completed a number of its larger improvement projects, albeit after lengthy delays. However, the benefits and savings, both anticipated and achieved, associated with improvement activities remain unclear. Deadlines for current projects also continue to slip. The council needs to improve the pace of change, and to effectively monitor and review progress of its improvement activities, if it is to meet its anticipated savings target of £27.6 million over the next three years. It also needs to ensure it puts lessons learned into practice so it can be more efficient and effective in how it delivers organisational change. The council should:

- continue to increase the pace of change in delivering its transformation programme and focus on its priority projects
- better measure and monitor the benefits and savings it achieves from its transformation programme and ensure that lessons learned are translated into improving services
- develop an organisation-wide workforce plan that:
 - forecasts what the council's priorities are and the size of workforce and skills it needs to deliver these in the medium term
 - sets out the council's aims and objectives for its workforce, including restructuring and voluntary redundancy
- provide elected members with clearer and more concise reports, using plain language, to help achieve effective decision-making and scrutiny
- maintain improvements in financial management and ensure that the finance team has the skills and staff to do so.

East Dunbartonshire Council

Best Value audit report

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