

# Scottish Children's Reporter Administration

**Report on the 2009/10 Audit to Scottish Children's Reporter  
Administration and the Auditor General for Scotland**

**October 2010**



AUDIT SCOTLAND

# Scottish Children's Reporter Administration

**Report on the 2009/10 Audit to Scottish Children's Reporter  
Administration and the Auditor General for Scotland**

October 2010

# Contents

Key messages	1	Governance and	
Introduction	3	Accountability	12
Financial Statements	5	Performance	15
Use of Resources	8	Looking Forward	21



# Key messages

In 2009/10 we looked at the key strategic and financial risks being faced by the Scottish Children's Reporter Administration (SCRA). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

## **Financial statements**

We have given an unqualified opinion on the financial statements of SCRA for 2009/10. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

## **Financial position and use of resources**

Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight. It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known. Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes

In the year ended 31 March 2010, SCRA reported net expenditure of £30.134 million against Scottish Government grant funding of £24.519 million. The shortfall is mainly attributable to an increase of £1.695 million in the non-current liability of retirement benefits and payments of £2.08 million made or provided for during 2009/10 in respect of voluntary early retirement and redundancy costs.

Scottish Ministers have agreed a resource budget for SCRA of £26.186 million for 2010/11. This comprises operating expenditure of £23.077 million and capital expenditure of £3.109 million. SCRA has established a budget challenge and review process to address the pressures faced by the organisation during 2010/11 and beyond. Forward service planning and delivery scenarios within the organisation have been derived from the main assumption that the organisation will have a significantly reduced revenue budget in future years. The challenge for the management team will be to identify innovative and creative solutions to deliver high quality services with fewer resources



## **Governance and accountability**

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for SCRA operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

## **Performance**

The Children's Hearing (Scotland) Bill proposes significant changes to the structural arrangements for the administration of Children's Panels and the legal powers and procedures for those officers involved in the process. As such there is potentially a significant impact on the future role played by SCRA in the administration of Children's Panels. We will continue to monitor the impact of this proposed legislative change on the strategic direction and business planning for SCRA in the coming year.

Progress against the 15 identified performance targets for 2009/10 showed that SCRA fully achieved 11 targets (status: Green), just failed on 1 (status: Amber) and failed to achieve 3 (status: Red). Progress against the actions contained within the 2009/10 business plan indicates that 22 of the 27 activities have been fully completed as planned, with significant work having started on the remaining 5 activities.

At the end of 2009/10 SCRA had achieved cumulative cash releasing savings of £1.432m. This is £0.408m (40%) in excess of the cumulative target savings of £1.024m. In 2010/11 the target for efficiency savings is £1.029m. This task will be challenging and management face difficult choices about further resource reduction which will require innovative and creative solutions for the way future services are to be delivered.

## **Looking forward**

The final part of our report notes some key risk areas and issues for SCRA going forward. We highlight the uncertainty of future resource allocation at a time of austerity, the potential impact of the Children's Hearing (Scotland) Bill and the need to develop the organisation along Best Value principles at a time of tighter management capacity.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

**Audit Scotland**  
**October 2010**



# Introduction

1. This report summarises the findings from our 2009/10 audit of SCRA. The scope of the audit was set out in our Audit Plan in accordance with the Code of Audit Practice, which was presented to the Audit Committee on 23 February 2010. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Board's agreed response.
3. Best value duties apply across the public sector and are a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and this has been further developed during 2009/10 with the completion of its bank of best value Toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

Exhibit 1: Framework for a best value audit of a public body





4. A linked development here has been the Scottish Government's work to refresh its 2006 best value Guidance for Public Bodies. This latter initiative, due for issue later in 2010, will result in clearer guidance to public bodies, and particularly those in the Central Government and Health sectors, on securing continuous improvement in performance, with due regard to the balance between cost and quality.
5. Throughout this report we comment on aspects of SCRA's arrangements in this area. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not yet have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report represents a further step towards that goal.
6. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. Where these have a bearing on the activities, risks or performance of SCRA, we make reference to these reports in this document. Full copies of the study reports can be obtained from Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
7. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and members of SCRA during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



# Financial Statements

8. In this section we summarise key outcomes from our audit of SCRA financial statements for 2009/10 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

9. We audit the financial statements and give an opinion on:
- whether they give a true and fair view of the financial position of SCRA and its expenditure and income for the period in question
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
  - the consistency of the information which comprises the Management Commentary within the financial statements
  - the regularity of the expenditure and receipts.
10. We also review the statement on internal control by:
- considering the adequacy of the process put in place by the Principal Reporter / Chief Executive as Accountable Officer to obtain assurances on systems of internal control
  - assessing whether disclosures in the statement are consistent with our knowledge of SCRA.

## Overall conclusion

11. We have given an unqualified opinion on the financial statements of SCRA for 2009/10.
12. As agreed the unaudited accounts were provided to us on 7 June 2010, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 31 August 2010 as timetabled.

## Issues arising from the audit

13. As required by auditing standards we reported to the Audit Committee on 31 August 2010 the main issues arising from our audit of the financial statements. There were no issues which required to be brought to the committee's attention.





14. SCRA entered into a lease with West Lothian Council during 2009/10 for office accommodation within their new Civic Centre complex. This lease was assessed against IFRS accounting standards as a finance lease and accordingly an asset has been recognised on the balance sheet. In the absence of a formal valuation of the office space occupied by SCRA from West Lothian Council, the value of the asset has been derived from the minimum net present value of the future lease payments. During the course of 2010/11 SCRA will require to review this valuation to ensure that it represents the fair value of the underlying asset. We will continue to support SCRA staff in this process to allow timely completion of the valuation prior to preparation of the 2010/11 financial statements.
15. Due to an administrative error, SCRA drew down £0.185 million in excess of their Grant in Aid allocation for the year. This amount is included within current liabilities and will be repaid to Scottish Government during 2010/11. Officers have agreed that year end instructions will be refreshed for 2010/11 and that an additional review will be undertaken to ensure that all year end procedures are followed prior to preparing the annual accounts for 2010/11.

## Regularity

16. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance.

## International financial reporting standards (IFRS)

17. UK Government departments and other public sector bodies prepared their accounts in accordance with International Financial Reporting Standards (IFRS) for the first time in financial year 2009/10. The transition arrangements to IFRS required bodies to prepare IFRS shadow accounts for 2008/09, including revised opening balances as at 1 April 2008.
18. During 2009/10 we were required to review the shadow accounts and report on them to SCRA by 28 February 2010. The purpose of this exercise was to consider whether the shadow accounts had been properly prepared and report any matters that might prevent them forming a reliable basis for the first set of IFRS based accounts in 2009/10.
19. The shadow accounts and supporting documentation for the 2008/09 financial year were submitted by SCRA for audit for review on 2 December 2009 slightly exceeding the deadline date of 30 November 2009. However a good standard of supporting working papers and evidence was provided by the organisation in demonstrating the transition from the UK GAAP version of the accounts to IFRS.



20. A number of matters were reflected in the February 2010 report arising from our review of IFRS 2008/09 shadow accounts which concluded that the following areas required further work by SCRA to ensure that the full IFRS accounts in 2009/10 are true and fair:
- Correction of minor presentational errors within the primary statements and associated notes.
  - Further consideration to providing segmental reporting as required by IFRS 8.
  - Review of the categorisation and disclosures relating to tangible and intangible assets.
  - Consideration of additional disclosures relating to provisions, financial instruments and contingent liabilities to provide clarity to the user of the financial statements.
21. These matters were considered further during our audit of the 2009/10 financial statements and were resolved following provision of full supporting documentation and discussion with officers, as part of the 2009/10 Accounts process.



# Use of Resources

Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of the financial position of SCRA and the main issues identified in our national reports.

## Financial Position

### Outturn 2009/10

22. SCRA is required to work within its resource budget set by the Scottish Government and is expected to ensure that, taking one year with another, income from Grant in Aid and charging schemes, equals expenditure. In the year ended 31 March 2010, SCRA reported an excess of expenditure over income of £30.134 millions (2009: £25.701 millions) against revenue grant-in-aid of £24.519 millions (2009: £23.305 millions). The shortfall of £5.615 millions (2009: shortfall £2.396 millions) is mainly attributable to an increase of £1.695 million in the non current liability of retirement benefits and payments of £2.08 million which were made or provided for in respect of voluntary early retirement and redundancy costs.
23. SCRA's Statement of Financial Position at 31 March 2010 discloses overall net liabilities of £17.060 million (2008/09 net assets of £4.238 million). The movement is mainly the result of an increase in the deficit on the pension reserve, which has increased by £19.735 million.

### Scotland's public finances

24. The Auditor General's report on *Scotland's public finances, published in November 2009*, contained an overview of the financial environment in Scotland and the pressures and challenges facing the public sector. The aim of this report was to help to inform the debate on the future of public finances in Scotland. The key messages from this report were:



**Extract from Auditor General's report *Scotland's public finances***

*The public sector is coming under the greatest financial pressure since devolution.*

- Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight.
- The Scottish Government and the wider public sector need to work together to develop better activity, cost and performance information. This information is needed to enable informed choices to be made between competing priorities, and to encourage greater efficiency and productivity.

*The Scottish Government faces significant challenges in balancing the budget while also delivering on its commitments and meeting increasing demands for public services.*

- It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known.
- In many cases, the public sector uses income from various sources to pay for services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.
- The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services.
- Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available.

*In the current economic climate difficult decisions will have to be made about priority spending programmes.*

- The Scottish Government's annual budget is largely developed on an incremental basis which involves making adjustments at the margin to existing budgets. This approach is not suitable for budgeting in a financial downturn because it does not easily allow informed choices to be made about priorities, based on robust information about activity, costs and performance.
- The Scottish Parliament has an important role in scrutinising the government's spending plans. Better information linking spending to costs, activities and service performance, and a rolling programme of performance reviews, would support the Scottish Parliament in fulfilling this role.

25. Scottish Ministers have agreed a resource budget for SCRA of £26.186 million for 2010/11. As part of the current efficient government programme, SCRA has a target savings figure of £1.029 million for 2010/11 operating expenditure which they expect to recycle to support frontline activity. Savings are expected to come principally from staffing, IT, property and procurement.
26. SCRA has established a budget challenge and review process to address the pressures faced by the organisation during 2010/11 and beyond. Forward service planning and delivery scenarios within the organisation have been derived from the main assumption that the organisation will have a



significantly reduced revenue budget in future years. The challenge for the management team will be to identify innovative and creative solutions to deliver high quality services with fewer resources. The Business Plan is also to be revisited during 2010 when the Spending Review settlement is known, to determine whether any resource reallocation is required.

## **Financial sustainability and the 2010/11 budget**

27. The resource budget for 2010/11 comprises operating expenditure of £23.077 million and capital expenditure of £3.109 million. This is to be reduced through the budget challenge and review process.
28. The net capital budget of £3.109 million for 2010/11 has been reduced by £2.041million when compared with 2008/09 (£5.15 million). The main focus for capital expenditure in the forthcoming year will be the implementation of a new case management system, which will account for approximately 50% of the total budget allocation, with the remainder being allocated to a number of property and IT projects. The capital budget includes an assumption that £600k in capital receipts will be retained by SCRA from the sale of existing property. There is however a risk that receipts of this level may not be achievable within current property market conditions, thereby placing further pressure on available budgets.
29. We will continue to monitor the financial position and the actions taken by SCRA to manage financial and budgetary risks.

## **National Studies**

30. Audit Scotland published one national study relevant to SCRA's use of resources, namely "Improving Public Sector Purchasing".

## **Improving Public Sector Purchasing**

31. The overall aim of the study was to examine the progress of the Public Procurement Reform Programme (the Programme) in April 2006 in response to the McClelland report over the three- year period 2006/07 to 2008/09. The scope of the report concentrates on savings and the wider benefits secured as a result of the Programme. It identifies the risks to successfully achieving the Programme's aims and makes recommendations to manage these risks.
32. The McClelland report concluded that public sector structures, people and technology were not in place to deliver purchasing improvements and that urgent effort was needed. The Programme is ambitious in scope, scale and complexity. It aims to introduce substantial changes in how the public sector in Scotland buys goods and services and requires all public bodies to work together to deliver results. To be successful, public bodies must have the people and skills to manage the necessary changes, to act and think in new ways, and at the same time introduce new systems and approaches.



33. The Programme has made significant progress putting in place the processes, guidance and structures needed to improve public sector purchasing. However, some parts of the Programme have been delivered later than planned and it is not clear that it has yet achieved the level of improvement and impact sought at the outset.
34. Overall, the wider impact of the Programme appears positive. It has helped purchasing on a number of levels – from promoting and developing purchasing skills and awareness to increasing the use of electronic purchasing. The Programme has improved cross-sector working.
35. There are wide variations across public bodies in the quality of purchasing data, practice and skill levels. Best Practice Indicators (BPIs) to help improve purchasing have been agreed but many public bodies are still in the process of completing and using them. The Scottish Government is working with the centres of expertise and public bodies to encourage further improvement in these areas.
36. To demonstrate Best Value when purchasing goods and services, the report made a number of recommendations aimed at the Scottish Government and all public bodies. The recommendations most relevant to SCRA as a NDPB include the need to:
  - have high-quality purchasing strategies and plans in place, including a plan to meet future workforce needs
  - have up-to-date information on their purchasing activities, such as supplier details, volume of transactions, value and type of spend
  - ensure all purchasing practices, including control of spending, comply with good practice as set out in national and centres of expertise guidance
  - work with the Scottish Government and centres of expertise to identify and develop opportunities for collaboration and for improved purchasing practice
  - use BPIs to assess their performance and to continually improve how they buy goods and services
  - report savings and other benefits on a regular and consistent basis.
37. During 2009/10 a review of SCRA's procurement function against recommended practice was conducted by the Head of Procurement Development at the Central Government Centre for Procurement Excellence (CGCoPE). An action plan has been produced to address areas of identified weakness. These include compliance with good practice, for example, reviewing procurement policies and training of staff, whilst also making more use of e- procurement resources, developing reporting and performance measures and managing key suppliers. We will continue to monitor the progress made against this action plan as part of our audit activity during 2010/11.



# Governance and Accountability

38. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of SCRA arrangements.
39. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

## Overview of arrangements

40. This year we reviewed:
- key systems of internal control
  - internal audit
  - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
41. Our overall conclusion is that arrangements within SCRA are sound and have operated through 2009/10.

## Systems of internal control

42. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2009/10 PricewaterhouseCoopers LLP, the internal auditors, provided their opinion that based on the internal audit work undertaken during the year, they did not identify any significant control weaknesses that they consider to be pervasive in their effects on the system of internal control.
43. In addition this year we took assurance from the work of the Practice Audit and Development team within SCRA in our assessment of the systems of internal control. Practice Audit primarily provides an independent and objective service to the Principal Reporter, the Board and the Audit Committee on the degree to which the Administration's casework practice and policies promote the achievement of agreed corporate objectives and deliver Best Value in casework practice. The Head of Practice Audit & Development in her annual assurance statement to the Audit Committee concluded that no issues raised in the course of the 2009/10 audit programme were considered to raise 'Critical' risks.



44. As part of our audit we reviewed the high level controls in a number of SCRA systems that impact on the financial statements. This audit work covered a number of areas including:

- Trade Payables
- Payroll
- Main Accounting
- Trade Receivables
- Budgetary Control
- Cash and Cash Equivalents
- Capital Accounting / Fixed Assets

Our overall conclusion was that key controls were operating effectively and that SCRA has adequate systems of internal control in place. We did identify a number of minor areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed up in 2010/11 to confirm that improvements have been made.

## **Statement on Internal Control**

45. The Statement on Internal Control provided by SCRA's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out SCRA's approach to this.
46. The Accountable Officer disclosed in the Statement of Internal Control that a number of data breaches, including breaches of non-disclosure orders, had occurred during the year. Appropriate action has been taken to report these incidents to the proper authorities, in this case the Information Commissioner for Scotland, and to address any identified weaknesses. We will monitor actions taken by SCRA during the course of 2010/11 to address this issue.

## **Internal Audit**

47. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2009/10 audit we assessed whether we could place reliance on SCRA internal audit function. We concluded that PriceWaterhouseCoopers operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2009/10, as we anticipated in our annual audit plan. This included reliance on aspects of internal audit's systems work to avoid duplication of effort.
48. In addition to the out-sourced internal audit function provided by PriceWaterhouseCoopers, SCRA also has a well developed 'in-house' practice audit function. SCRA's Practice Audit and Development team completed a significant programme of work in 2009/10, including the non disclosure data





breaches and development of the self assessment framework. As part of our risk assessment and planning we considered the work of this function and whether we could place reliance upon their work. We concluded that their practices and procedures conformed to the requirements of the Government Internal Audit Manual and therefore identified a number of areas of work within their work programme where we could place reliance upon for addressing a number of risk areas within our Annual Audit Plan.

49. Scott Moncrieff have been appointed as SCRA internal auditors for the period 2010/11 – 2012/13. As part of our risk assessment and planning process for the 2010/11 audit we will assess the revised internal audit function and the degree of reliance that can be placed on their work.

## **Prevention and detection of fraud and irregularities**

50. SCRA has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.
51. In terms of good governance, an organisation must have appropriate mechanisms in place to ensure that board members and senior officers always act in the best interests of SCRA, free from the influence and control of others. SCRA has established a range of policies and procedures which cover the expected behaviour and conduct for board members and senior officers whilst discharging their duties on behalf of SCRA. We found appropriate arrangements in place to ensure that any related party disclosures concerning an individual board member or senior officer within SCRA are identified.
52. As part of the good governance ethos, the Code of Conduct for Board Members sets out the expected standards of behaviour for board members, and provide specific guidance on the acceptance of gifts and hospitality which may be offered to board members and senior officers as they discharge their duties on behalf of SCRA. A gifts and hospitality register is maintained and is open to public inspection.
53. SCRA has a well established policy for prevention, detection and investigation which is supported by a fraud response plan. During the course of the year there have been no reportable fraudulent incidents.



# Performance

54. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
  - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
55. In this section we comment on:
- SCRA corporate plan
  - performance
  - SCRA efficiency programme.

## Vision and strategic direction

56. SCRA's corporate plan for 2008 – 2011 focused on three strategic objectives:
- *Service Delivery* – Driving improvements in practice quality and the management of SCRA casework for children.
  - *Service Modernisation* – Transforming the way SCRA deliver services for children and families.
  - *Organisational Transition* – Transitioning SCRA to the new single agency for the children's Hearings System.
57. The strategic objectives within the corporate plan were translated into a business plan for 2009/10 which identified priorities for strengthening the resilience within the workforce and creating a robust financial strategy, supported by comprehensive risk management arrangements for all SCRA activities, whilst at the same time, creating opportunities to drive forward a modernisation programme to improve services to children and their families. This process was to involve better use of information technology in the design of systems and improving data handling and information sharing on a multi-agency basis with the aim of long term service improvement. In addition estate rationalisation and modernisation were also to contribute to the process through enhancement of the customer experience by providing accessible buildings, suitable to the delivery of a quality service. The importance of partnership working both on a local and national level was also promoted by SCRA.



58. An action plan was set out within the 2009/10 business plan for the delivery of these objectives, with responsibility for each key objective, allocated to lead officers within SCRA. Key performance targets were also identified for each outcome in order to measure the achievement of expected outcomes. Each of these actions identifies how SCRA is supporting the achievement of national outcomes set out by the Scottish Government. Progress against the 2009/10 Business Plan is discussed at para. 64 below.
59. The Children's Hearing (Scotland) Bill proposes significant changes to the structural arrangements for the administration of Children's Panels and the legal powers / procedures for those officers involved in the process. One of the significant structural proposals is the creation of a new role of National Convenor, who will be responsible for recruitment, training, standards, and monitoring. In addition a separate Non Departmental Public Body (NDPB) will be established to support the work of the National Convenor. As such there is potentially a significant impact on the future role played by SCRA in the administration of Children's Panels. SCRA has been proactive in contributing to the discussion and has made a number of representations to the consultation process. The draft Bill is still progressing through the Scottish Parliament and at the time of writing is currently at Stage 2 of the legislative process. We will continue to monitor the impact of this proposed legislative change on the strategic direction and business plans of SCRA in the coming year.
60. The new case management system is central to SCRA's modernisation and organisational change agenda and is one of the key strategic deliverables identified in the 2010/11 Business Plan. A Business Case for the procurement, development and implementation of a new case management system has recently been submitted to Scottish Government for Ministerial approval. We will continue to keep developments in this area under review.

## Performance overview

61. We have continued to monitor the performance of SCRA through the review of quarterly management reports to its sub committees and board. These reports comprise detailed information on caseload profiles and progress against 15 key indicators based on desirable outcomes across 3 thematic areas, namely: Children and Families; Panel Members, Partners and Staff; and Organisational Efficiency. In addition the reports monitor progress against corporate plans, business and financial strategies and comment upon the significant strategic risks facing the organisation. Significant work has been undertaken during the year to develop the self assessment framework in order to embed quality throughout the systems and procedures used by staff. Regular reports on the progress with the self assessment framework are provided to the Audit Committee for their consideration.
62. Progress against the 15 identified performance targets in 2009/10 showed that SCRA fully achieved 11 targets (status: Green), just failed on 1 (status: Amber) and failed to achieve 3 (status: Red). For 2008/09, SCRA fully achieved 13 of the 15 indicators (status: Green) and failed on 2 (status: Red).



63. The indicators that improved during the year related to the “Variance in annual capital spends as a % of the available revenue budget” (Red to Green). The indicators that reduced included:

- % of written notifications of referral outcomes sent to children and families from the Reporter within 5 working days (Green to Red)
- Average number of days for referrals on non-offence grounds from date of receipt of referral to Hearing decision (Green to Amber)
- % of non-offence applications established at court (Green to Red).

Officers have advised that the additional work required on Non Disclosure compliance may have had an impact on performance against some of these targets.

64. Progress against the 2009/10 Business Plan indicates that 22 of the 27 activities have been fully completed as planned, with significant work having started on the remaining 5 activities. Key achievements reported during the year include:

- Development of a “Participation with Children and Young people” framework which sets out the principles, commitment and mechanisms by which SCRA will engage with children and young people.
- A number of key achievements were attained arising from SCRA’s involvement in the “Preventing Offending by Young People” framework, ensuring greater partnership and multi agency co-operation in this important area.
- A “Staff Engagement” framework was agreed in partnership with the main staff union.
- Information Management strategy was agreed and information sharing guidance was developed, approved and distributed to all staff.
- Extensive engagement with staff and partners including the Scottish Government in SCRA’s response to the consultative Bill on the Children’s Hearings (Scotland) Bill.
- Achievement of significant savings following the re-tendering of the Payroll & HR services contract.
- Roll out of a victim information service following evaluation of a pilot project.
- A number of activities aimed at enhancing and developing staff including the creation of new roles of Assistant Reporter and Trainee Reporter; and the implementation of a new E-learning platform.



## Risk management

65. The Board has put in place systems for the identification and management of risk with the adoption of a strategic risk register. This strategic risk register is reviewed quarterly by the Executive Management Team and SCRA's top risks are incorporated in the annual business plan. Strategic risk management is established in the corporate planning and decision making processes of SCRA and it is intended that the outcomes from the self assessment and quality framework currently being implemented will routinely inform the risk identification and assessment process. The latest review of the strategic risk register highlighted new or upgraded risks on issues such as capacity and resources, case Management and staffing. The risk management framework has been improved during the year with operational risk registers being developed by the Regional Management Teams.
66. We will continue to monitor risk management arrangements within SCRA and the actions taken to manage these risks.

## Improving public sector efficiency

67. The Audit Scotland report *Improving public sector efficiency* was published on 25 February 2010. It provided a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.
68. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target. But there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult.
69. The report recommended that to deal with reduced future funding and increase savings public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.
70. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements (see below).



**Extract from Audit Scotland report *Improving public sector efficiency***

*In order to improve the delivery of efficiency savings public bodies should:*

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured
- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer term strategy
- report efficiency savings consistently.

71. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.
72. SCRA's target under the Efficient Government Plan, as part of the budget settlement from the Scottish Government for the three years 2008/09 to 2010/11 translates to a cumulative £2.053 million in recurring cash releasing savings required to be delivered by SCRA during the three years to 2010/11.
73. The table below sets out the progress made against saving targets for each of the years 2008/09 and 2009/10. At the end of 2009/10 SCRA had achieved cumulative cash releasing savings of £1.432m. This is £0.408m (40%) in excess of the cumulative target savings of £1.024m.

**Table 1: Efficiency Savings: Actual against target for 2 years 2008/09 and 2009/10**

Year	In year Actual £'000	In year target £'000	In yr variance £'000	In year variance as % of target
2008/09	1,036	683	353	52%
2009/10	396	341	55	16%
Cumulative total	1,432	1,024	408	40%



74. The main sources of savings have been achieved in the following areas:

- changes to the contractual arrangements for IT services,
- non filling of staff vacancies within HQ
- increased use of collaborative procurement contracts
- use of spare capacity within property portfolio.

75. In 2010/11 the target for efficiency savings is £1.029m. This will require SCRA to achieve a minimum cost reduction of £0.621m to achieve its overall 3 year target reduction of £2.053m. SCRA has put in place measures to ensure this target will be reached. We will keep developments in this area under review during 2010/11



# Looking Forward

76. SCRA faces a number of challenges in 2010/11, which include:

- **Efficiencies and future funding** - Scottish public bodies reported more efficiency savings than the Government's two per cent target in 2009/10, but there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult. To deal with reduced future funding and increase savings fresh approaches to improving efficiency and productivity must be considered, taking a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. The challenge for SCRA is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **The Children's Hearing (Scotland) Bill** – this legislation represents a major revision to the way that services to children and their families are delivered through the Children's Panel system. There is a great opportunity to significantly improve the organisation and regulatory environment for the benefit of children. During the course of this year SCRA has made contributions to the consultation process and this work will continue in 2010/11 as the Bill progresses through the Parliamentary legislative process. The challenge for SCRA will be in managing the organisational change and transitional processes required to adapt to the new regulatory environment once they have been finalised.
- **Best Value** - The concept of best value is seen as a key driver of modernisation and improvement in public services. Audit Scotland has continued its commitment to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year including the finalisation of its best value toolkits. This has been matched by the Scottish Government's commitment to refreshing its Best Value Guidance for Public Bodies. SCRA has initiated significant modernisation programmes aimed at improving the quality and delivery of its services which encompass the principles and tenets of Best Value. As an organisation SCRA recognises the importance of partnership working and engagement with stakeholders and service users within these processes. Moving forward, the challenge for SCRA will be to continue to deliver this transition programme within tighter management capacity.