

East Dunbartonshire Council

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of East Dunbartonshire Council and the Controller of Audit
26 September 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	6
Part 1 Audit of 2018/19 annual accounts	9
Part 2 Financial management	15
Part 3 Financial sustainability	26
Part 4 Governance and transparency	33
Part 5 Best value	41
Appendix 1 Action plan 2018/19	55
Appendix 2 Significant audit risks identified during planning	60
Appendix 3 Summary of national performance reports 2018/19	63

Key messages

2018/19 annual accounts

- 1** The financial statements of East Dunbartonshire Council and its group give a true and fair view of their financial position for the year ended 31 March 2019.
- 2** The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 3** We have issued unqualified independent auditor's reports on the council's annual accounts and those of the three section 106 charities administered by the council.

Financial management

- 4** Financial management is effective with a budget setting process focussed on the council's priorities. The council has effective budgetary monitoring and control arrangements that support elected members and officers in scrutinising the council's finances.
- 5** The council has delivered services in line with the total budget. In 2018/19, unrealised efficiency savings have been offset by underspends on services.
- 6** In September 2019 the Policy & Resources Committee approved a change to the council's loans fund policy which extended the loans fund repayment periods. The impact of this policy change resulted in the 2018/19 unaudited annual accounts being adjusted which reduced expenditure and increased reserves for the year by £6.501 million (General Fund - £5.706 million and HRA - £0.795 million).
- 7** Capital slippage in both the general services and HRA capital programmes has increased from the previous year, although the general services capital programme was re-profiled during 2018/19 as a result of delays in some projects.
- 8** Systems of internal control operated appropriately and effectively in 2018/19 with scope for improvements in some areas.

Financial sustainability

- 9** The council's financial position is sustainable in the foreseeable future but achievement of the 2019/20 budget is challenging. Efficiencies and income proposals of £5.2 million need to be achieved and £1.1 million of reserves plan to be used. In setting the budget the Council noted that the planned use of reserves is a reasonable, short term measure, however accept that this is not sustainable in the longer term. In recent years the council's overall underspend position has meant that the planned use of reserves was not ultimately required with a combination of underspends within services, transformation and the implementation of a non-essential spend memorandum assisting budget pressures.

- 10** The 2019/20 transformation programme shows 43 ongoing projects, with projected savings of £2.534 million.
- 11** The medium-term financial plan sets out future budget gaps up to 2023/24. The council will need to identify how longer term budget gaps are to be filled.
- 12** The updated Workforce Strategy demonstrates that the council is pursuing a good practice approach to workforce planning. The strategy includes plans for a three year workforce and skill profile. Individual service workforce plans have been produced which include demographic profiles and contain action plans.

Governance and transparency

- 13** The council has effective leadership and a clear strategic direction. Officers and elected members work well together in the interests of the residents of East Dunbartonshire.
- 14** The council has effective governance arrangements in place that support the scrutiny of decisions made by the council.
- 15** The council demonstrates a commitment to transparency in the way it conducts its business.
- 16** The council has improved reports for members and introduced a new reporting template in September 2017 which has been subject to review throughout 2018/19.

Best value

- 17** 58% of the council's 2017/18 performance indicators are in the top two quartiles of Scottish councils. Performance has improved over time in 70% of indicators. Education services are performing particularly well even in the council's most deprived areas.
- 18** The council makes good use of local government benchmarking data to evaluate its performance and identify improvement areas. During 2018/19 officers gave a detailed presentation to one of the council's scrutiny panels on the local government benchmarking framework (LGBF) data. This helped elected members gain a more detailed understanding of the data. The cost of waste management and some aspects of the housing service are areas highlighted for improvement.
- 19** How Good is Our Service performance reports are comprehensive and are added to the council's website timeously after they have been approved by the relevant service committee.
- 20** We consider the arrangements for partnership working at the council to be well established. This is demonstrated in the council's performance across the range of the Improvement Service's Community Planning Outcomes Profile indicators which has generally improved over the last ten years.
- 21** The council has made progress towards meeting the requirements of the Community Empowerment (Scotland) Act 2015, but locality plans need to be completed to comply with the legislation.

Introduction

1. This report summarises the findings arising from the 2018/19 audit of East Dunbartonshire Council and its group (the council).

2. The scope of the audit was set out in our 2018/19 Annual Audit Plan presented to the 18 April 2019 meeting of the Audit & Risk Management Committee. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2018/19 have been:

- an audit of the council and its group 2018/19 annual accounts and the statement of accounts of the three section 106 charities administered by the council including issuing independent auditor's reports setting out our opinions
- an assessment of the council's financial position, financial management and arrangements for securing financial sustainability
- a review of the council's key financial systems and effectiveness of its governance arrangements

- audit work covering the council's arrangements for securing best value through continuous improvement
- consideration of the four audit dimensions.

Added value through the audit

4. We aim to add value to East Dunbartonshire Council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focussed conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. In so doing, our objective is to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

7. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of performance management arrangements
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability, and
- best value arrangements.

10. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

11. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its

responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

13. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Ethical considerations

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2018/19 audit fee of £253,190 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Acknowledgement

15. We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

The financial statements of East Dunbartonshire Council and its group give a true and fair view of their financial position for the year ended 31 March 2019.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

We have issued unqualified independent auditor's reports on the council's annual accounts and those of the three section 106 charities administered by the council.

The council and its group annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Audit opinions on the annual accounts

16. The annual accounts for the council and its group for the year ended 31 March 2019 were approved by the Audit & Risk Management Committee on 26 September 2019. We reported, within the independent auditor's report that the;

- financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance

17. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, the information and explanations we received, or the achievement of prescribed financial objectives.

18. Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

19. The management commentary that accompanies the financial statements should explain in simple terms and, provide clarity to readers in order to help them understand clearly how the council has performed against its budget and how this is reconciled to the financial statements. We have concluded that the management commentary that accompanies the council's 2018/19 financial statements explains the council's financial performance in year, and includes:

- the outturn against budget position for the year, although more detail could be provided on the reasons for significant variances
- the outturn reported has been reconciled to the movement in the General Fund contained in the financial statements

- the progress against agreed savings plans/efficiencies for the year.

We recommended to the Chief Finance Officer that the management commentary could be improved further by the inclusion of actual performance against the outcomes in the East Dunbartonshire Local Outcomes Improvement Plan (LOIP) 2017-2027 and Business Improvement Plans (BIPs) performance indicators.

Audit opinions on section 106 charities

20. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of East Dunbartonshire Council are sole trustees, irrespective of the size of the charity.

21. The council has made good progress in reducing the number of charitable trusts where it is the sole trustee in recent years (from seven in 2015/16 to three in 2017/18). The council plans to have only one charitable trust in 2019/20.

22. We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in the independent auditor's reports that:

- the financial statements properly present the section 106 charities' financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

Submission of the council and its group annual accounts for audit

23. We received the unaudited annual accounts on 20 June 2019 in line with the audit timetable set out in our 2018/19 Annual Audit Plan.

24. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Objections to the accounts

25. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations. There were no objections to the accounts.

Risk of material misstatement

26. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks. We have no issues to report from our work on the risks highlighted in our 2018/19 Annual Audit Plan.

Materiality

27. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

28. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regard to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively. On receipt of the unaudited annual accounts we reviewed our planning materiality calculations and revised the levels to reflect the gross expenditure of the council for the year ended 31 March 2019.

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£4.1 million
Performance materiality	£1.0 million
Reporting threshold	£41 thousand

Source: Audit Scotland

Significant findings from the audit in accordance with ISA 260

29. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

30. The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Qualitative aspects of the audit

31. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

Exhibit 3 Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Pension liability</p> <p>The impact of two distinct pensions issues, affecting the accounts of UK local government bodies, became apparent during 2019. The pension liability in the balance sheet of the unaudited financial statements had to be recalculated to take account of additional liabilities arising from legal judgements. We have summarised the issues in more detail at paragraphs 32 to 38 below.</p>	<p>Strathclyde Pension Fund actuaries provided an estimate of the increase in liability. The council's net pension liability increased by £8.618 million from £183.051 million (unaudited annual accounts) to £191.669 million.</p>
<p>2. Loans fund: extended repayment periods</p> <p>Following clarification of the statutory position from Audit Scotland, the Chief Finance Officer opted to extend the repayment period of all of its loans. This</p>	<p>The effect of this for 2018/19 was to reduce total expenditure and increase reserves by</p>

Issue	Resolution
reduced annual repayments made by services to the loans fund and reduced their expenditure for 2018/19. We have summarised the issues in paragraphs 39 to 47 below.	£6.501 million (General Fund - £5.706 million and HRA - £0.795 million).

Source: Audit Scotland

Amendments to the unaudited annual accounts arising from legal judgements and revised guidance

Pension liability

Age discrimination on pension scheme transitional protection

32. In March 2011 the Independent Public Services Pension Commission published a review of Public Sector Pensions, the Hutton Report. It recommended wholesale public sector pension reform in order to place public sector pensions on a more sustainable footing. The Government largely accepted the recommendations of that report and enacted pension reforms through the Public Service Pensions Act 2013. The main changes were: pensions are now based on career average rather than final salary; retirement ages are now aligned with state pension eligibility age; rates of the annual accrual of pension benefits are changed.

33. The reforms included transitional protection for scheme members approaching retirement age. In December 2018, the Court of Appeal ruled that the transitional protection provided to some members of the judiciary and fire fighters schemes amounted to unlawful age discrimination. On 28 June this year, the judgement was upheld by the Supreme Court. Although this (McCloud) case related to specific schemes the principle applies to other public sector groups who have seen similar changes to their pension schemes.

34. As a consequence of the McCloud decision, the council was obliged to increase its pension liability in the financial statements for 2018/19.

Sex discrimination on guaranteed minimum pension (GMP) rights

35. Contracting out of the state earnings related pension scheme (SERPS) became possible in April 1978. This provided for reduced employer and employee National Insurance contributions in return for members receiving a guaranteed minimum pension (GMP) from an occupational pension scheme. GMPs are discriminatory in various ways. For example, they are payable at 60 for female members and 65 for male members and they built up at different rates, reflecting the earlier payment age for women.

36. In October 2018 the High Court (England) held that pension schemes must eliminate the discriminatory effects of GMPs. The Court's judgement is applicable across all UK public sector defined benefit pension schemes. The issue is a long standing one and the many complexities of dealing with it have meant that there is no agreed solution to calculating the liabilities of pension schemes. However, an interim method of calculating costs in respect of persons retiring between April 2016 and April 2021 has been agreed by HM Treasury.

37. Strathclyde Pension Fund actuaries provided an estimate of the increased liability attributable to the council, based on the interim methodology, and this has been included in the 2018/19 financial statements.

Impact of revised pension liability on the council's balance sheet

38. The increase in liability in respect of the McCloud case was £6.704 million and for GMPs was £1.914 million. The council's net pension liability therefore increased from £183.051 million (unaudited annual accounts) to £191.669 million.

Loans fund: extended repayment periods

39. The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (the 2016 Regulations) came into effect from 1 April 2016. The regulations make provision, with respect to the powers of local authorities to borrow money and to maintain loans funds. The loans fund operates like an internal bank: it raises money externally and makes advances to council services, typically for large capital projects. The service repays the amount advanced over a specified number of years. Prior to the introduction of the 2016 regulations this repayment period was fixed at the outset and was not changeable.

40. The 2016 regulations allowed flexibility to alter repayment periods subsequent to the initial agreement. The broad aim of this legislation is to match the repayment of debt over the period of benefits provided to the council through the funding. The 2016 Regulations allow for four repayment options, with a 5 year transitional period to 31 March 2021, to allow councils to consider the most appropriate option for them. The 2016 regulations permit a local government body to vary the period and amount of the repayment if it considers it prudent to do so. There is no impact on the overall level of debt that will be repaid but the term over which it is repaid is extended.

41. In October 2018 the council's treasury management strategy for 2018/19 was presented to the Audit & Risk Management Committee for approval. The treasury management strategy includes the council's policy on the repayment of loans fund advances in 2018/19 and highlights that it is prudent for the council to reflect on the options laid out in the regulations.

42. In November 2018 the Chief Finance Officer developed a business case which included a financial modelling exercise to review the profile of the council's loans fund charges for the repayment of its underlying debt liability, in line with the life of the assets associated with that debt. The review was predicated on ensuring that the provision provided remains prudent and compliant with the statutory guidance.

43. The extension of loan periods was based on advice from the Executive Officer – Assets & Facilities on the remaining economic lives of the assets affected. We reviewed the council's approach and methodology and found it to be reasonable.

44. The advantage to a council of extending repayment periods is that reduced annual repayments are made by services, relieving pressure on revenue budgets. There is no impact on the overall level of debt that will be repaid but the term over which it is repaid is extended. The reprofiling of the debt reduces the council's repayment of loans fund principal recharges in 2018/19 by £5.706 million (General Fund). The equivalent reduction for the Housing Revenue Account in 2018/19 is £0.795 million. The business case highlights that this reduction is sustained, albeit slowly reducing, into 2019/20 and up to 2033/34, after which the position changes.

45. In making decisions about loan payment scheduling, it is important that councils have followed appropriate governance processes. The guidance requires the policy on repayment, and any proposed variation of repayments, to be approved by the full Council (or equivalent). As highlighted above, the Audit & Risk Management Committee approved the 2018/19 treasury management strategy in October 2018, which included the council's policy on the repayment of loans fund advances in 2018/19 and contained a proposal for officers to engage with the council's treasury advisor to establish whether the repayment of the council's borrowing should be revised. Although the 2018/19 treasury management strategy was remitted to the Council meeting in November 2018, it was for noting only and not for approval.

46. The council's view is that the Policy & Resources Committee (P&R) has delegated responsibility for the implementation and monitoring of its treasury management policies and practices. This was agreed by the Corporate Management Team (CMT) as being the most appropriate route for the approval of the revised loans fund policy and consistent with the council's Scheme of Delegation. In September 2019 the council's P&R Committee approved the

council's revised loans fund policy, which confirmed that the council's borrowing would be realigned to better reflect the useful lives of the assets being financed. This change was applied in the 2018/19 annual accounts following the issue of the unaudited version. We accept that the P&R committee represents an appropriate equivalent to the full Council in approving the policy in line with the statutory guidance.

47. We have concluded that the approach taken, the assumptions made, and the methodology used in making the change to the repayment of loans fund advances are reasonable. As a result of this policy change, the council's 2018/19 unaudited annual accounts were adjusted to reflect the impact of the change to the repayment of borrowing. The impact of this adjustment resulted in a £6.501 million decrease in total expenditure and increase in reserves in the 2018/19 annual accounts.

Movement in pension liability over time

48. As required by international accounting standards the council has recognised its pension liability on the balance sheet.

49. East Dunbartonshire Council is a member of Strathclyde Pension Fund, one of the largest pension funds in the UK. The valuation of pension fund assets and liabilities is assessed by professional actuaries (Hymans Robertson) each year and is dependent on a range of external variables, including projected rates of return on assets, interest rates and mortality estimates.

50. The pension liability represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this cost. Historically there has been considerable volatility year on year of the valuation of liabilities across the public sector. Small changes in actuarial assumptions can have a significant impact on the calculation of closing liabilities. The pension liability has moved from £130.5 million at 31 March 2018 to £191.7 million at 31 March 2019. Part of this movement relates to the issues reported above at paragraphs 32 to 38 but the majority relates to changes in the annual valuation.

How we evaluate misstatements

51. There were two material adjustments to the unaudited annual accounts arising from our audit that have been amended in the audited annual accounts. Further details are provided in [Exhibit 3](#). There were no unadjusted errors in the annual accounts which exceeded our reporting threshold.

Follow up of prior year recommendations

52. The council has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Integration Joint Board

53. For the fourth year the council included its share of the financial transactions of East Dunbartonshire Integration Joint Board (the IJB) within its group financial statements. We provided assurances to the external auditor of East Dunbartonshire IJB under International Standard on Auditing 402 (audit considerations relating to an entity using a service organization) in relation to the income received and expenditure incurred by the Council on behalf of the IJB.

Part 2

Financial management



Main judgements

Financial management is effective with a budget process focussed on the council's priorities. The council has effective budgetary monitoring and control arrangements that support elected members and officers in scrutinising the council's finances.

The council has delivered services in line with the total budget. In 2018/19, unrealised efficiency savings have been offset by underspends on services.

In September 2019 the Policy & Resources Committee approved a change to the council's loans fund policy which extended the loans fund repayment periods. The impact of this policy change resulted in the 2018/19 unaudited annual accounts being adjusted which reduced expenditure and increased reserves for the year by £6.501 million (General Fund - £5.706 million and HRA - £0.795 million).

Systems of internal control operated appropriately and effectively in 2018/19 with scope for improvements in some areas.

Capital slippage in both the general services and HRA capital programmes has increased from the previous year, although the general services capital programme was re-profiled during 2018/19 as a result of delays in some projects.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

Financial performance in 2018/19

54. In March 2018 the Council approved its 'Strategic Planning and Performance Framework 2018/19 – 2019/20: Transformational Change and Budget Reduction' report. This provides details of the 2018/19 budget which was set at £242.2 million with a funding gap of £13.6 million. The ending of the public sector pay cap was factored into this budget.

55. The council priorities for 2018/19 were set out in its Local Outcomes Improvement Plan (LOIP) 2017-2027. The Transformational Change & Budget Reduction Strategy 2018/19 to 2019/20 and the Business and Improvement Plan (BIPs) for the council's 11 strategic service groups are linked to the LOIP. BIPs are three year rolling strategic plans which set out the priorities for each of the strategic groups and identify their contribution to the delivery of the council's local outcomes. Each BIP includes an improvement action plan (which incorporates a performance scorecard) that highlights how strategic groups will continue to improve performance and how these improvements will be monitored. This is consistent with good practice.

56. The council has delivered services in line with its total budget. A surplus of £7.618 million is reported against budgeted general fund services net expenditure of £245.776 million. The council had budgeted to use £1.644 million of its general

fund reserves in 2018/19 but due to the savings made across the council, changes to the council's loans fund policy (see paragraph below), management efficiencies applied and additional income received, a figure of £7.618 million was returned to general fund reserves.

57. In September 2019 the P&R Committee approved a change to the council's loans fund policy which led to an extension to loans fund repayment periods (see paragraphs 39 to 47 for more details). The impact of this policy change resulted in the 2018/19 unaudited annual accounts being adjusted which reduced expenditure and increased reserves by £6.501 million (General Fund - £5.706 million and HRA - £0.795 million).

58. The total efficiency savings included in the council's 2018/19 revenue budget were £14.178 million, actual savings achieved were £10.688 million (75% of the total planned savings). This is a decrease on 2017/18 (when 79% of the total planned savings were achieved) and adds to the financial pressures faced by the council in 2019/20. The achievement of 75% of the anticipated, consolidated savings reflects a relative delivery of 92% (£9 million out of £9.8 million) of the council's efficiency savings target and 44% of that attributed to the IJB (£1.9 million out of £4.4 million). Whilst the council continues to reflect achievement of efficiency savings within its revenue monitoring reports, separate governance arrangements are in place between the IJB and council. Any shortfall in delivery of efficiency savings is the responsibility of the council or the IJB with non-delivery of savings continued to be highlighted as a risk.

59. While the council's spending has remained in line with its overall budget, there are some variations in how different services have performed. The more significant under and overspends are summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant under / overspends against budget

Area	Under/over spend (£m)	Reason for variance
Underspends		
Neighbourhood Services	£1.348m (9%)	The underspend was due to a number of reasons including movements in the levels of landfill, recycling and residual costs and reduced vehicle leasing and fuel rates costs. Also, additional income was received from scrap materials, insurance recoveries and grants.
Overspends		
Health & Social Care	£3.515m (7%)	Whilst accounted for as part of the council's revenue monitoring report, the budgets for Adult Social Care, Children's Health, Children's Social Work and Criminal Justice activities are managed by the IJB. The council's budgeted and actual contribution to the IJB was

Area	Under/over spend (£m)	Reason for variance
		£52.690 million. The overspend was financed from IJB reserves.

Source: East Dunbartonshire Council 2018/19 Annual Accounts and 2018/19 Financial Outturn Report (June 2019)

60. The [Local Government in Scotland: Financial overview 2016/17](#) (November 2017) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for councils with decreasing (or low levels) of usable reserves to rely on. Whilst the outturn of the general services budget is, broadly satisfactory, the council is committed to reviewing its budgets to ensure they reflect the cost of providing priority services. We have noted that the number of significant under and overspends against budget in 2018/19 is lower than in previous years.

61. The work undertaken as part of the council's approach to setting the 2019/20 budget has continued to be refined to ensure that budgeted allocations for services reflect core council activities and the delivery of management efficiency actions totalling £4.8 million (see Part 3 – Financial Sustainability). Officers have advised that work within service reviews continues with services being evaluated on the basis of the most effective and efficient delivery that meets the future demands and challenges facing the council. We have been informed that the council's finance team is engaged as part of this process to ensure that budgets and financial reporting structures will align to this work.

Housing revenue account (HRA)

62. The council is required by legislation to maintain a separate HRA and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. The income requirement for the HRA in 2018/19 was set at £13.202 million and was to be funded from council house rents. This resulted in a rent increase of 3.9%, and increased the average weekly rent based on a 48 week period from £76.39 to £79.37.

63. The council's current tenant arrears in 2018/19 were £0.891 million. This is an increase of 9% from the level recorded in 2017/18 (£0.819 million). As a consequence, the HRA bad debt provision was increased to £1.165 million in 2018/19 from £1.026 million in 2017/18. This represents a deteriorating position.

64. Arrears are the main focus for the council's housing service and the impact of Universal Credit (UC) and welfare reform continues to affect the level of arrears. Approximately another 1,500 more tenants will migrate to UC between August 2019 and 2023. The service has added an additional two officers to focus on mitigating the impact of UC and to target a reduction in rent arrears through being proactive with specific tenants while also taking legal action when necessary for historic and non-responsive cases. Housing officers continue to work with the council's revenues section to ensure all Discretionary Housing Payment applications have been submitted.

65. In 2018/19, the council recorded a deficit on HRA services of £7.429 million. This represents a deterioration from the prior year in which a deficit of £1.239 million was returned. This was due mainly to the revaluation of the council's housing stock during 2018/19 which resulted in increased impairment costs. However, after applying statutory accounting adjustments there was an increase of £1.039 million on the HRA balance, resulting in a closing balance of £4.779 million at the year end. These statutory adjustments are required to remove depreciation and impairment charges and to include loans fund costs, capital expenditure funded by the HRA and capital grants and contributions.

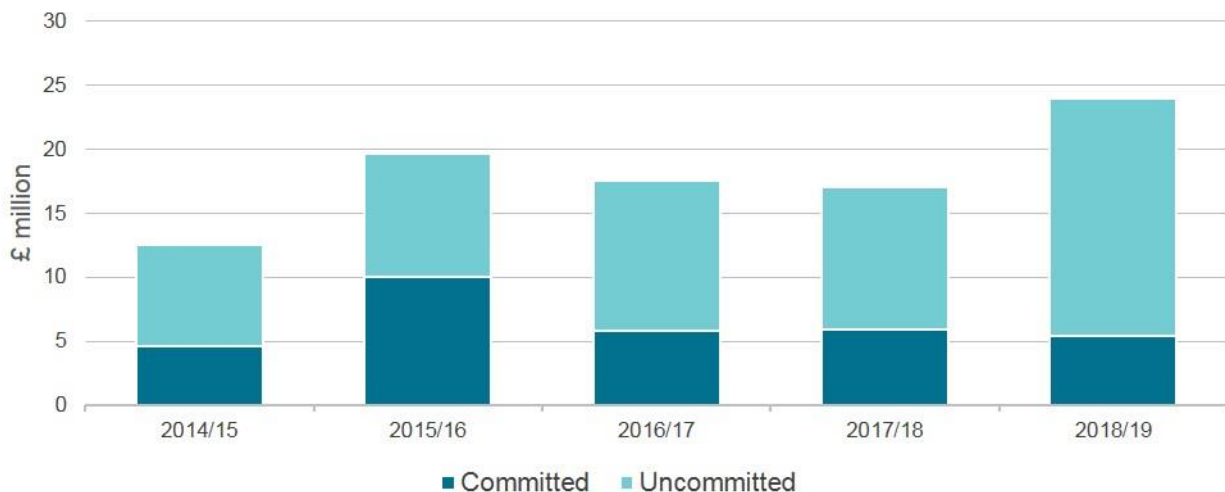
Reserves

66. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the council increased from £27.8 million in 2017/18 to £35.4 million in 2018/19. The general fund is the largest usable reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows. A proportion of the general fund balance is committed to fund specific projects in future years, with the remainder being uncommitted to ensure ongoing financial resilience and sustainability. The council's general fund balance at 31 March 2019 was £23.9 million, an increase of £6.8 million from 2017/18 and is due mainly to the impact of the change to the council's loans fund policy which extended the loans fund repayment periods (see paragraphs 39 to 47).

67. [Exhibit 5](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. At 31 March 2019 the council has the following significant uncommitted general fund reserve balances:

- Contingency Reserve/Uncommitted General Fund (£10.737 million) – maintained to provide improved financial resilience in future years.
- Prudential Reserve (£5.553 million) – maintained to underpin operational and borrowing activity.
- Treasury Management Reserve (£1.849 million) – maintained to provide stability during the delivery of the capital programme.

Exhibit 5 Analysis of general fund over last five years



Source: East Dunbartonshire Council Annual Accounts 2014/15 to 2018/19

68. The council reviews how much of its general fund balance is uncommitted (non-earmarked) when setting the budget each year. The total uncommitted general fund reserves as at 31 March 2019 was £18.5 million which represents 7% of the 2018/19 net cost of services (£261.944 million). Planned commitments (earmarked) from the general fund balance amounted to £5.4 million and include service commitments to ongoing projects, costs of change and miscellaneous budget pressures for 2019/20. Committed (earmarked) balances represent 23% (2017/18: 34%) of the total general fund balance.

69. The council's reserves strategy is to maintain the uncommitted element of the general fund balance (i.e. contingency reserve) at a level approximating 2% of net service expenditure. The contingency reserve balance as at 31 March 2019 was £10.737 million. The council is of the view that it remains prudent for the council to reflect a position where the uncommitted general fund balance provides resilience for all council expenditure, irrespective of where strategic control and accountability ultimately rests.

70. The council's reserves strategy does not prescribe a minimum level of reserves that should be maintained in the prudential reserve and treasury management reserve. Members should be presented with sufficient information in relation to these reserves to ensure they understand the purpose of each reserve and any restrictions on their use.

Capital programme 2018/19

71. During the year the council has completed a significant number of projects within its capital programme including:

- Bishopbriggs Relief Road
- St. Nicholas, St. Andrew and St. Joseph Primary Schools
- Roads and Footways
- Fleet – Vehicle Procurement

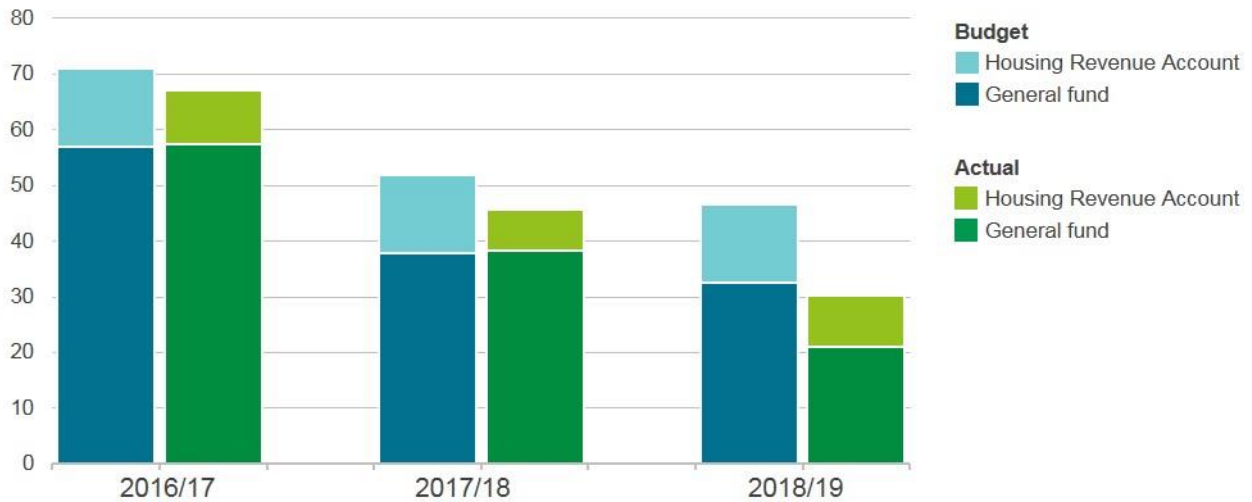
72. The total capital budget for 2018/19 was £46.553 million, £32.591 million for general services and £13.962 million for the HRA. Actual capital expenditure was £30.178 million, £21.144 million for general services and £9.034 million for the HRA. In recent years the council has reduced slippage in the delivery of its general services capital programme. However, in 2018/19 the total underspend of £16.375 million represents 35% of the total capital budget for 2018/19 (12% in 2017/18), as outlined in [Exhibit 6](#) overleaf.

73. The general services delays were identified during the year and the budget was revised during 2018/19 down to £20.640 million in April 2019 (and reported to each meeting of the Policy & Resources Committee (P&R)). This was to reflect re-profiling of expenditure on a number of projects into 2019/20 including:

- Campus Office Development
- Early Years Investment Programme
- Bishopbriggs Public Realm.

74. Although the actual general services capital expenditure of £21.144 million was in line with the revised capital budget of £20.640 million, the fact that the original capital budget was reduced by 36% suggests that the council's capital programme is becoming more challenging to deliver. The HRA capital programme underspend was mainly due to slippage of some of the planned new build housing projects with a number of projects starting later than planned as a result of delays in delivery of key infrastructure and pre-planning consultations. These projects have also been carried forward into 2019/20. The project management for the general services and HRA capital programme should be reviewed to ensure any good practice is being used on all capital projects and that timing assumptions are not overly optimistic.

Exhibit 6 Capital slippage compared to budget (general fund and HRA)

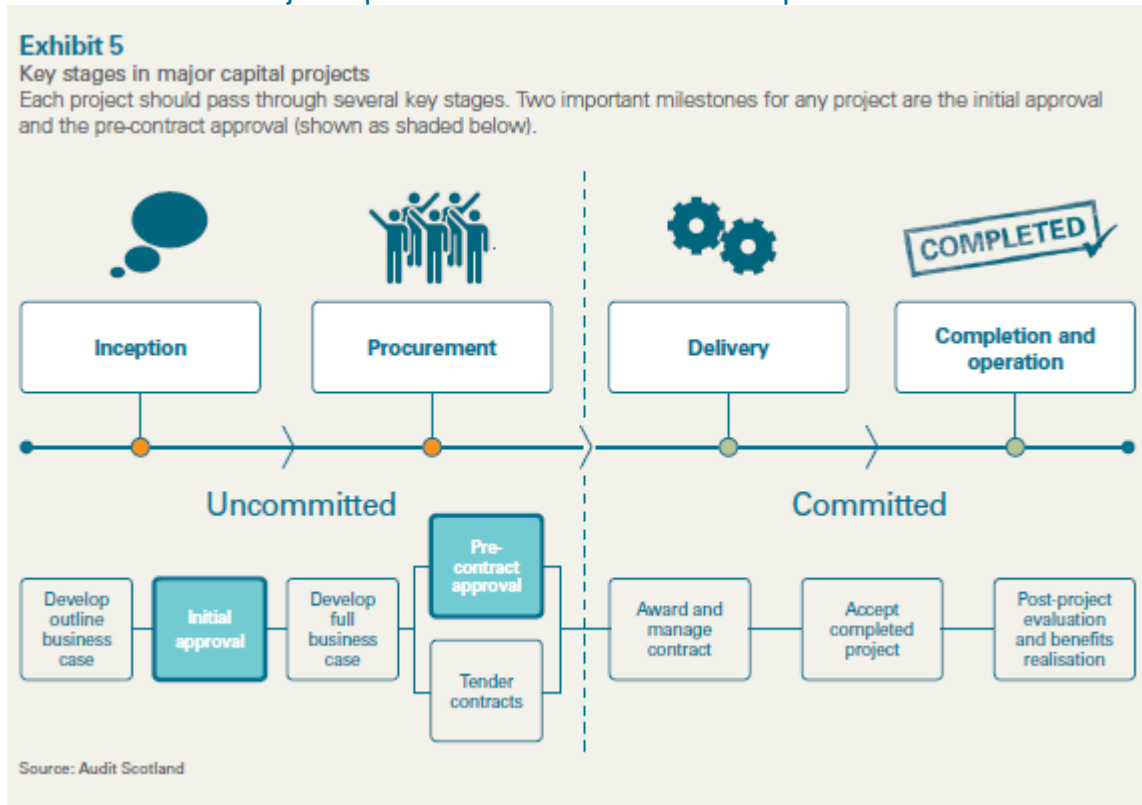


Source: East Dunbartonshire Council Annual Accounts 2016/17 to 2018/19

75. In 2013 the Accounts Commission report [Major Capital Investment in Councils](#) said 'for most major projects completed within the previous three years, councils' early estimates of the expected costs and timetable were inaccurate'. In addition, a [Major Capital Investment in Councils follow up](#) report was published by the Accounts Commission in January 2016 which highlighted that councils need to improve further the way they manage major projects like schools, roads, housing and flood prevention. [Exhibit 7](#) overleaf is an extract from the 2013 report.

Exhibit 7

Extract from the major capital investment in councils report 2013



76. The Accounts Commission report is accompanied by a [Major Capital Investment in Councils: Good Practice Guide](#) to help councils improve how they manage and deliver their capital projects.



Recommendation 1

The council should use the Accounts Commission good practice guide as the basis of a self-assessment to identify areas where its capital management could be improved.

Borrowing in 2018/19

77. The council's outstanding loans at 31 March 2019 were £188 million, an increase of £6 million on the previous year. The council's total external debt (which includes long term liabilities) in 2018/19 was £269.918 million and was within the authorised limit and operational boundary set by the treasury management strategy of £290 million.

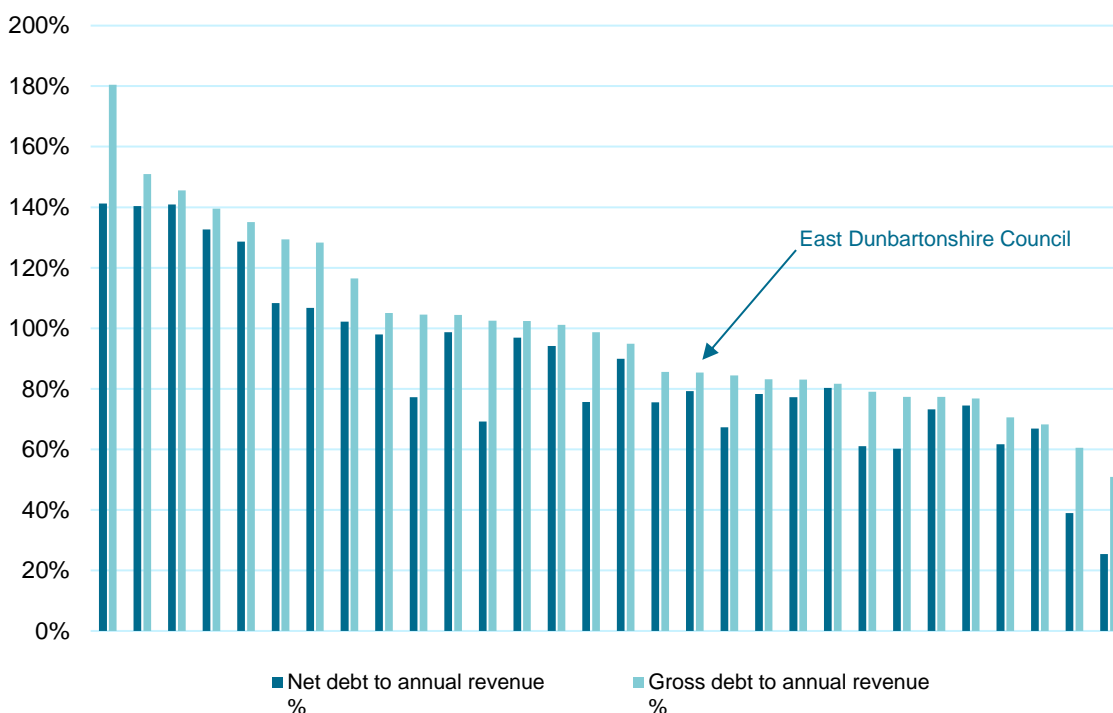
78. The capital financing requirement is a measure of the capital expenditure incurred historically by the council that can be financed by external debt. The capital financing requirement at 31 March 2019 was £302.197 million which is £32.279 million higher than the council's total external debt balance of £269.918 million (external borrowing of £187.646 million and PFI liability of £82.272 million).

79. Analysing both gross and net external debt as a proportion of annual revenue gives an indication of the relative indebtedness of the council. [Exhibit 8](#) shows both gross and net external debt as at 31 March 2019 as a percentage of annual revenue (including HRA dwelling rents) for all Scottish councils (excluding Shetland Islands and Orkney Islands councils). East Dunbartonshire Council is highlighted in [Exhibit 8](#) as being in the middle of the range of debt levels, with gross external debt of £269.918 million and net external debt of £250.761 million at 31 March 2019 (with net external debt being total external debt less short-term investments).

80. For a number of years, the council has used reserves to support capital programmes, which it considers is a short term, prudent strategy in the current economic environment where investment returns are low. However, the council has recognised that this situation is not sustainable in the long term and the council's treasury management strategy includes a plan to address this over the medium to long term. This position continues to be monitored by the council as part of its overall treasury management strategy.

Exhibit 8

Gross and net external debt as a percentage of annual revenue



Source: Scottish councils' unaudited 2018/19 accounts (excluding Shetland Islands and Orkney Islands councils)

Budgetary process

81. Within the council the detailed scrutiny of financial performance is delegated to the P&R which receives regular revenue and capital monitoring reports. From our review of these reports we concluded that they provided an overall picture of the budget position at service level. The report's forecast out-turn position for the year and include good narrative explanations for significant variances against budget. They allow both members and officers to carry out scrutiny of the council's finances.

82. Revenue budget monitoring reports also include an appendix which shows progress in the achievement of efficiency savings programmes, some of which are included in the council's transformation programme. Our 2017/18 Annual Audit Report noted that revenue budget monitoring reports show the progress of

efficiency savings proposals but it is not clear which of these relate to savings proposals included in the council's transformation programme. We recommended that the efficiency savings proposals in revenue budget monitoring reports that are included in the transformation programme are clearly highlighted to ensure there is a clear link. From our review of revenue budget monitoring reports presented to P&R during 2018/19 we identified that this recommendation had not been actioned. We highlighted this in our 2018/19 management report that was presented to the Audit & Risk Management Committee in June 2019.

83. We concluded that the council has effective budgetary monitoring and control arrangements that support elected members and officers in scrutinising the council's finances.

The 2018/19 transformation programme

84. The transformation programme is part of the Strategic Planning and Performance Framework for meeting future funding gaps. In March 2018 the Council approved the 2018/19 transformation programme. In May 2018 an update on the transformation programme was presented to P&R and included a project overview which highlights the projects delivered between April 2017 and March 2018 and provides a summary of the main projects being taken forward in 2018/19.

85. Our review of council and committee reports on the 2018/19 transformation programme noted the following:

- March 2018 - 23 projects included in the programme, with projected savings of £0.745 million.
- May 2018 – 26 projects included in the reprioritised programme (none detailed as complete), with projected savings of £1.045 million.
- August 2018 – 29 projects (now includes 3 IJB projects) included in the reprioritised programme (none detailed as complete), with projected savings of £1.045 million.
- February 2019 – 45 projects (including 10 IJB projects) included in the reprioritised programme (2 projects highlighted as complete, with the majority of remaining council projects shown as 50%-95% complete), with projected savings of £2.26 million.
- September 2019 – the 2018/19 transformation programme year-end report highlights that, out of 35 projects, 26 projects in the 2018/19 programme were delivered with the remainder ongoing and continued in the 2019/20 transformation programme. However, the year-end report does not provide details of the financial savings achieved from the 2018/19 transformation programme.



Recommendation 2

The council should include details of efficiency savings where relevant in all transformation update reports presented to members.

86. In our 2017/18 Annual Audit Report we recommended that the council should revise transformation programme update reports presented to P&R during the year to show, for each project completed, the year to which it relates. In addition, we highlighted that the update reports also need to specify why some of the estimated savings from the transformation programme have not been included within the council's annual efficiency savings programme. Our review of transformation programme update reports presented to elected members from October 2018 onwards identified that our recommendations had been implemented.

87. Savings from transformation projects in 2018/19 are a relatively small part of overall planned savings. However, it is acknowledged that, on top of the financial estimates, a number of the transformation projects will lead to financial benefits beyond 2018/19, not yet estimated, or will lead to service improvement with no financial benefits.

Systems of internal control

88. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

89. Our findings were included in our 2018/19 management report that was presented to the Audit & Risk Management Committee in June 2019. We identified several control weaknesses, which we do not consider to be significant in terms of their impact on the council's ability to report financial and other relevant data in the financial statements. We did however identify two areas where additional audit testing was required to gain the necessary assurance for the financial statements audit. We selected a sample of employees to verify that they were valid employees of the council and we substantively tested a sample of payments to suppliers to ensure they were made to an existing supplier for a valid reason in the normal course of business for East Dunbartonshire Council. No issues were identified from this additional testing.

90. The annual governance statement in the council's 2018/19 annual accounts refers to the fact that, on the basis of work completed by Internal Audit in 2018/19, the council's internal control procedures were generally found to operate as intended with reasonable assurance being provided on the integrity of these controls.

91. Our 2018/19 management report also highlighted the findings from an Internal Audit review of procurement practices within the Property Maintenance Service. The main issues identified by Internal Audit were:

- breaches of Contract Standing Orders
- breaches not reported to the P&R Committee
- out of contract expenditure
- expenditure exceeding contract value
- retrospective approval of purchase orders.

92. We requested the council to include a reference to the above issues in the annual governance statement in the council's 2018/19 annual accounts.

93. In addition to the action plan contained in their report, Internal Audit will undertake reviews of contract management and the procurement system (iProc) later in 2019, to sample check compliance across the council, and to ensure that the system controls are adequate and operating as expected. Internal Audit also plan to perform a review of compliance with Contract Standing Orders.

94. The council's corporate procurement team, as part of a procurement policy and process review, have recently carried out a self-assessment against the action plan contained within an Audit Scotland report on an external audit review of the investigation into tendering and contracting practices at a Scottish council which was published in April 2019. Although the self-assessment did not identify any significant issues, some actions have been identified for the council to improve its procedures. The results of this self-assessment were presented to the Audit & Risk Management Committee in September 2019.

Financial capacity

95. We highlighted in our 2017/18 Annual Audit Report that the Chief Finance Officer (CFO), who is the Section 95 Officer responsible for the proper administration of the council's financial affairs, was a third tier officer reporting to the Depute Chief Executive – Education, People & Business. Whilst he was not a member of the Corporate Management Team (CMT) he was a member of the Strategic Management Team and regularly attended CMT meetings. The Chief Executive and the CFO were both of the view that the CFO had the appropriate level of status and involvement with the CMT to effectively discharge his responsibilities. However, in September 2018 the Council approved a revised strategic delivery model in which the CFO became a member of the CMT reporting directly to the Chief Executive. We are of the view that this is a positive change.

96. The council continues to recruit additional experienced finance staff and staff to train towards an accountancy qualification. We feel that this is a positive move to ensuring that the finance team is sufficiently resourced in terms of time, experience and knowledge to ensure internal financial controls are operating effectively, to support the preparation of the financial statements and to support the council decision making process.

Part 3

Financial sustainability



Main judgements

The council's financial position is sustainable in the foreseeable future but achievement of the 2019/20 budget is challenging. Efficiencies and income proposals of £5.2 million need to be achieved and £1.1 million of reserves plan to be used. In setting the budget the Council noted that the planned use of reserves is a reasonable, short term measure, however accept that this is not sustainable in the longer term. In recent years the council's overall underspend position has meant that the planned use of reserves was not ultimately required with a combination of underspends within services, transformation and the implementation of a non-essential spend memorandum assisting budget pressures.

The 2019/20 transformation programme shows 43 ongoing projects, with projected savings of £2.534 million.

The medium-term financial plan sets out future budget gaps up to 2023/24. The council will need to identify how longer term budget gaps are to be filled.

The updated Workforce Strategy demonstrates that the council is pursuing a good practice approach to workforce planning. The strategy includes plans for a three year workforce and skill profile. Individual service workforce plans have been produced which include demographic profiles and contain action plans.

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning for 2019/20

97. In March 2019 the Council approved its 'Prioritising Our Services, Prioritising Our Resources: General Fund Revenue Budget 2019/20: Transformational Change and Budget Reduction' report. This provides details of the 2019/20 budget which was set at £261.064 million with a funding gap of £6.258 million. The budget is linked to the 2017-2027 LOIP and the three year rolling BIPs.

98. As part of the 2019/20 revenue budget, £5.2 million of efficiency savings were agreed made up of 58 management efficiency actions totalling £4.8 million and 5 budget reduction and income generation proposals totalling £0.4 million. Members were also provided with a supplementary briefing pack for some of the more significant budget reduction and income generation proposals all of which were risk assessed. The remaining funding gap of £1.1 million is planned to be met from general fund reserves. Whilst the budget included options to close the residual financial gap, the council have included the additional anticipated income attributed to the uplift in the Council Tax charges. This decision was taken in advance of setting the final budget and is reasonable to now include to ensure ongoing monitoring and oversight.

99. Given that the actual savings achieved by the council in 2018/19 were 92% of the total planned savings, there is a risk that the total planned savings in 2019/20

will not be fully achieved. If the council does not achieve its efficiency savings target in 2019/20, this may lead to the increased use of contingency reserves and increases the level of efficiency savings required in future years.



Recommendation 3

The council should ensure that each savings proposal for 2019/20 is risk assessed and actions identified to fill any budget gaps.

The 2019/20 transformation programme

100. The transformation programme is part of the Strategic Planning and Performance Framework for meeting future funding gaps. In March 2019 the Council approved the 2019/20 transformation programme. In June 2019 an update on the transformation programme was presented to the Council and included a project overview which highlights the progress of the projects being delivered in 2019/20 including delivery of financial efficiencies where this is applicable. These update reports also provide an overview of progress of the IJB's transformation programme which is aligned to that of the council.

101. Our review of council reports on the 2019/20 transformation programme noted the following:

- March 2019 - 21 projects included in the programme, with estimated savings of £2.299 million. 12 of these projects relate to the IJB, with estimated savings of £1.695 million.
- June 2019 – 43 projects included in the reprioritised programme, with estimated savings of £2.534 million. 13 of these projects relate to the IJB, with estimated savings of £1.871 million although the update report highlights that the estimated savings of £0.825 million from the review of the homecare model are unlikely to be achieved.

102. Progress against these transformation projects and savings achieved is reported in transformation programme update reports presented to P&R throughout the year.

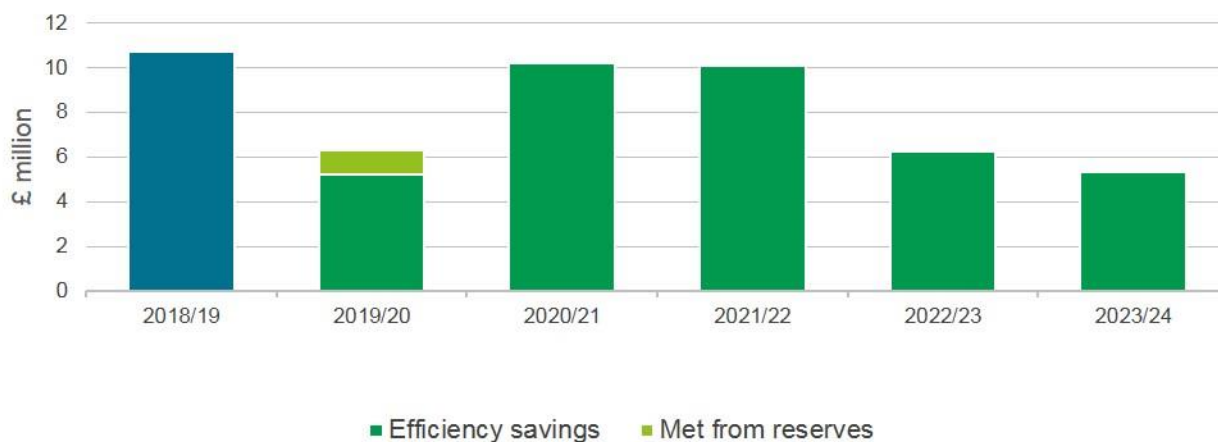
Medium term financial planning

103. The council is facing several challenges in maintaining a sustainable financial position over the medium to long term. These include rising demands for services, increasing cost of services and reductions in local government funding.

104. The council's medium term financial model, which covers the period up to 2023/24, has been reviewed in detail by the CFO to reflect independent economic advice provided on a monthly basis to all Scottish councils. Recent monthly briefings have included information on the Scottish Government's first Medium Term Financial Strategy (MTFS) and its potential impact on Scottish councils' finances. The Scottish Fiscal Commission's latest economic and fiscal forecasts are also provided. The updated medium term financial model was presented to Council in November 2018 and includes scenario planning.

105. [Exhibit 9](#) overleaf shows the council's current financial projections for 2020/21 to 2023/24 forecast funding gaps of approximately £10 million in the first two years, with the funding gaps reducing in the final two years. The council has no detailed plans for how these gaps will be met, although it anticipates a planned use of reserves the amounts are yet to be identified. The council recognises that the use of reserves to meet budget gaps is not sustainable in the longer term.

Exhibit 9 Identified funding gaps 2018/19 – 2023/24



Source: East Dunbartonshire Council

Changing landscape for public financial management and long term financial planning

106. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity

107. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.

108. Councils need to develop effective longer-term financial plans strategies (typically covering five to ten years) which identify potential risks and ensure spending decisions are affordable. Plans should link spending to council priorities and should plan for a range of funding scenarios and demand projections. As noted in paragraph 104, the council's medium term financial model covers the period up to 2023/24 and is supported by a long term financial risk management strategy. The risks associated with delivery of the desired financial outcomes in the council's financial strategy form the basis for the long term financial risk management strategy. This is reviewed on an annual basis and includes an assessment of the risk cause, impact, planned control measures, likelihood, impact and strategy.

109. Members are provided with regular updates on the financial model as part of the budget setting process. Future council plans will consider the impact of any changes to the Scottish Budget process, which are proposed for the 2020/21 budget. As outlined earlier in this report, in 2018/19 the council achieved only 75% (£10.688 million) of its efficiency savings target. It will therefore be particularly challenging for the council to achieve the increased savings required to deliver its service priorities in the future. The transformation programme needs to identify different ways of delivering services if this is to be achieved.

110. The implications of EU withdrawal (Brexit) are considered within the council's medium term financial model and long term financial risk management strategy.

Workforce planning and skill profiling

111. The council's workforce (FTE) at 31 March 2019 is 3,793, comprising 1,280 teachers and 2,513 other staff. Audit Scotland's [Local government in Scotland – challenges and performance 2019 \(April 2019\)](#) report highlighted the need to plan and manage council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.

112. The council's updated Workforce Strategy demonstrates the council is applying a good practice approach to workforce planning.

113. The Workforce Strategy Action Plan is contained within the updated Workforce Strategy for 2018-2021 approved by Council in June 2018. Quarterly Workforce Strategy 2018-2021 update reports are presented to Council with the most recent being in June 2019 and highlight progress in the achievement of the action plan. The June 2019 update report also provides details of the work undertaken by officers in relation to the potential impact of EU withdrawal on the council's workforce.

114. The strategy includes a four phased approach to help the council develop a three year Workforce and Skill Profile for 2018 to 2021 relating to succession planning, cluster analysis, scenario planning and planning and implementation. This approach reflects guidance in the Accounts Commission's and Auditor General for Scotland's Public Sector Workforce Report (2013).

115. The June 2019 report to Council provides an update on the four phased approach and highlights that planning is underway to review phases 1 to 4 of the model with strategic areas (i.e. council services) taking into account the outcomes of service reviews, succession planning, talent management and skills development. The report also notes that service reviews are ongoing. Service reviews have combined detailed workforce profiling in parallel with service delivery options to identify current skills needs, review of workforce action plans and projected future requirements being outlined at a local level with strategies being identified.

116. The report also comments on the ongoing service reviews which seek to achieve the commitments made through the council's collective agreement reached with trade unions as an alternative to the proposed changes to employee terms and conditions. The service reviews have combined detailed workforce profiling in parallel with service delivery options to identify current skills needs, review of workforce action plan and projected future requirements being outlined at a local level with strategies being identified.

117. Individual service workforce plans have been developed as part of the strategy, which outline demographic profiles and contain an action plan. These service workforce plans contain a more detailed analysis of the workforce in terms of demographics and role specific. The action plan for each strategic service group provides a list of areas of future demand or forecasted need and for each of these the potential impact on the workforce, a risk assessment and the actions being by the council. The plans are live documents and are subject to review on an ongoing basis. The June 2019 update report highlights key issues identified from a review of service specific workforce action plans and the action being taken by the council to address these issues, which are presented in the form of case studies. All individual service workforce plans have been reviewed and updated in light of progress based on the council's workforce position from April 2018 – March 2019. We feel that the development and review of these service specific workforce plans is a positive move.

118. The council has no plans for any reductions in staff numbers in the near future and none are included in the 2019/20 transformation programme. Instead savings are being pursued through service transformation and improvement, and maximising employment as far as possible, by adopting the following principles within the aforementioned strategic service delivery reviews currently taking place:

- Consider all models of service delivery through robust option appraisal
- Maximise flexibility and service resilience
- Cost effective contractual resourcing (working & shift pattern arrangements aligned to service demands which remove the need for overtime working but may require additional contractual resources).

Consultation with employees

119. In councils striving for Best Value through continuous improvement we would expect that the views of stakeholders including the community and staff are sought and used to identify areas for focus and improvement.

120. The council last carried out an employee survey in 2011. A well designed employee survey provides feedback on leadership practices, fairness of pay, workplace relationships, team spirit, and opportunities for personal development which are all critical components of employee engagement. An employee survey would also help the council to identify critical issues that are impacting on employee performance and enable it to develop meaningful action plans to address these issues. In our 2017/18 Annual Audit Report we recommended that the council should design and carry out an employee survey on a regular basis to capture the views of staff and assist the council in focusing its improvement plans. Although this recommendation was not implemented in 2018/19, the council plans to undertake an employee survey during Autumn 2019.

121. We are aware that there are a number of areas where the council engages with its workforce. During 2018/19 the council completed its Healthy Working Lives survey, engaged with its workforce as part of the service review process, and sought feedback as part of two social work inspections. The outcomes of this work being have been used to inform future workforce planning including future health initiatives and methods of service delivery. Furthermore, the council continues to work with trades unions within the Joint Negotiation Group to ensure that future plans are consulted upon prior to implementation.

EU Withdrawal

122. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

123. A report was presented to the Council in March 2019 which provided an update on the council's EU withdrawal arrangements. The report highlights that the Depute Chief Executive – Place, Neighbourhood & Corporate Assets is the strategic and tactical level lead officer, leading the council's preparedness for EU withdrawal. Corporate oversight is provided by the SMT and EU withdrawal has been acknowledged as a corporate risk. An operational group comprising representation from a number of council services has been established and meets on a weekly basis. This group is chaired by the Depute Chief Executive – Place, Neighbourhood & Corporate Assets and supported by civil contingencies officers within Legal & Democratic Services. The group has co-ordinated a detailed risk

register, considered potential impacts and likelihoods of risks materialising and is regularly assessing and updating these risks against the backdrop of a changing but still uncertain context. The group has also considered the content of Audit Scotland guidance in relation to EU withdrawal.

124. The council's preparatory work in terms of risk assessment and management has focussed across four main themes:

- Workforce – Human Resources (HR) staff have and continue to monitor the potential impact of EU withdrawal on the council's workforce. EU nationals have been identified and information has been issued to all staff based on the up to date position in terms of right to remain and citizenship issues.
- Funding - any changes to funding will affect public bodies and potential implications or loss of EU funding continues to be reflected in long term financial planning. The Council undertakes medium term financial planning and is factoring in any potential implications prompted by the outcome of EU withdrawal.
- Goods, Services and Supply Chain - EU rules and regulations affect all public bodies, with the most significant being trade and custom rules, which influence the cost and availability of supplies from EU countries. If the UK Government and EU do not agree trade arrangements before the end of revised withdrawal date, goods leaving and entering the UK will be subject to additional customs checks and possible trade tariffs. This could, in effect, lead to an increase in prices and affect budgets. It may also result in supply chain delays, particularly where the Council is reliant on supplies which are sourced from outwith mainland UK.
- Place - council officers are engaging with voluntary and business communities to encourage preparedness for the potential impact of EU withdrawal. Signposting information is on the council's website and officers from Place and Community Planning are liaising with various organisations to increase awareness.

125. It is evident that the council is taking action on the advice provided on the planning and preparation required for EU withdrawal. As stated above, EU withdrawal has been acknowledged as a risk in the council's corporate risk register and a detailed risk register has been prepared in line with the four themes set out above. The risk register covers immediate and emerging risks regardless of whether the EU withdrawal is on the basis of a deal or otherwise. The risk register will continue to be under constant review so as to reflect the changing environment. Elected members are also updated regularly on the preparation work being undertaken by officers. In addition, in November 2018 officers gave a detailed presentation to one of the council's scrutiny panels on the potential impact of EU withdrawal on the council and the work being undertaken by officers to address these risks.

Dependency on key suppliers

126. The impact of a failure or collapse of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or, disruptions in the continued provision of vital services. This has brought into focus the risk of key supplier failure and the risk of underperformance in suppliers that are experiencing difficult trading conditions.

127. Although the risk of key supplier failure is not included in the council's corporate risk register, the EU withdrawal risk register makes specific reference to supplier failure. Officers confirmed that the risk of key supplier failure is monitored at service level in the risk register for each service area with business contingency plans being in place (e.g. homecare and roads maintenance). As a result, officers are of the view that this risk does not require to be included in the corporate risk

register. In addition, the IJB has private provider failure as a risk in its own risk register as this risk is considered material to its operation.

128. Although there have been no instances of failure of key suppliers to the council, in the event of a contract requiring to be re-provisioned this would be reported to and agreed at a meeting of the Council.

Part 4

Governance and transparency



Main Judgements

The council has effective leadership and a clear strategic direction. Officers and elected members work well together in the interests of the residents of East Dunbartonshire.

The council has effective governance arrangements in place.

Members have received training on scrutiny and the transformation programme to help to improve the effectiveness of scrutiny.

The council is open and transparent in the way that it conducts its main business, with the public able to attend meetings of the Council and its committees.

The council has improved reports for members and introduced a new reporting template in September 2017 which has been subject to review throughout 2018/19.

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Vision and leadership

129. As part of our 2018/19 Best Value (BV) audit work, we considered the council's vision and strategic direction, including how well the leadership of the council works together to deliver priorities that reflect the needs of the community.

130. The current council priorities are set out in its Local Outcomes Improvement Plan (LOIP) 2017-2027, published in November 2017. The LOIP sets out the strategic direction, priorities and outcomes which have been agreed for delivery with community planning partners. The LOIP includes 6 local priorities which are supported by local outcome measures:

- East Dunbartonshire has a sustainable and resilient economy with busy town and village centres, a growing business base and is an attractive place in which to visit and invest
- Our people are equipped with knowledge and skills for learning, life and work
- Our children and young people are safe, healthy and ready to learn
- East Dunbartonshire is safe place in which to live, work and visit
- Our people experience good physical and mental health and well being with access to a quality built and natural environment in which to lead healthier and more active lifestyles.

131. As part of the development of the LOIP, stakeholders had the opportunity to provide feedback on the draft LOIP during September and October 2017 in a number of ways. Feedback could be provided through the council's website or in person at a number of locations throughout East Dunbartonshire where council officers were available to answer questions and provide paper copies of the survey.

132. The annual Transformational Change and Budget Reduction Strategy is the key driver for preparing the council for its future challenges. The Transformational Change & Budget Reduction Strategy 2018/19 to 2019/20 and the Business and Improvement Plan (BIPs) for the council's 12 strategic service groups (including the IJB) are linked to the LOIP. BIPs are three year rolling strategic plans which are updated annually and presented to the Council as part of the annual budget setting process. This provides a link between the objectives of each strategic service group and the allocation of financial resources. BIPs include an overview of each strategic service group's main areas of proposed activity, summarise service achievements in the previous year and set out plans for maintaining and improving services in the year ahead. Each BIP also provides details of how the strategic service will contribute towards achieving the council's local outcomes, includes an improvement action plan (which incorporates a performance scorecard) that highlights how strategic groups will continue to improve performance and how these improvements will be monitored. This is consistent with good practice.

133. Officer leadership of the Transformational Change and Budget Reduction Strategy is provided by the Transformation Programme Board, chaired by the Chief Executive, and attended by the Strategic Management Team (SMT). The Organisational Transformation strategic service group manages all transformation projects. We have concluded that this leadership structure continues to demonstrate improved performance in delivery of the council's improvement plans.

134. Officer leadership is stable, The Chief Executive has been in post since 2009 and there have been no other new appointments to the CMT in recent years. the CMT structure has been in place for a number of years. To strengthen the team, as highlighted at paragraph 95, in September 2018 the Council approved a revised strategic delivery model in which the Chief Finance Officer became a member of the CMT reporting directly to the Chief Executive. We are of the view that this is a positive change.

135. The council has an executive officer for each strategic service group who is the equivalent of a head of service. These officers report directly to the council's two Depute Chief Executives and this reporting line mirrors the financial reporting format across the council. Executive officers are members of the SMT, along with members of the CMT.

136. We concluded that the CMT demonstrates the skills and expertise to deliver the council's strategic objectives and is supported by effective executive officers who have a good understanding of how their service contributes to the strategic objectives.

137. In December 2017 the council's minority SNP administration resigned. At the 2018/19 revenue and capital budget setting meeting of the Council in March 2018, the Council appointed a joint Conservative and Liberal Democrats administration and two joint leaders of the Council. As the council had no administration in this three month period, all committee meetings were held as special Council meetings with all elected members being invited. This was to ensure that, in the absence of the administration, all elected members were equally advised of council business. In addition, a cross-party working group was established in January 2018 to discuss and agree 2018/19 budgetary decisions in February and March 2018

138. The new administration is committed to the council's priorities set out in the LOIP. From attendance at Council and various other committee meetings, with the exception of political differences, we noted that there is a good degree of cooperation and consensus between members on the vision and objectives of the council as set out in the LOIP and how to apply resources to achieve these objectives.

Governance arrangements

139. We reviewed the council's governance and accountability arrangements and found that:

- the governance framework and governance arrangements, including decision-making and scrutiny, are regularly reviewed and updated to ensure they remain effective
- decision-making is effective and it is balanced by effective scrutiny and challenge by those independent of the body
- there is effective scrutiny and challenge in place over policy decisions, service performance, and programme management
- decision makers have the information they need to scrutinise, challenge and make transparent decisions
- it is clear what decisions have been made, who made them and the rationale supporting those decisions
- effective reporting and monitoring arrangements are in place for the council funding provided to the East Dunbartonshire Leisure and Culture Trust, which meet the principles of 'Following the Public Pound.'

140. We concluded that the council's overall arrangements are effective in that they support good governance and accountability.

Scrutiny arrangements

141. The Audit & Risk Management Committee has been a separate committee since September 2016. Following the forming of the new administration in March 2018, a new Convenor was appointed. In accordance with the Accounts Commission's recommended good practice, the Convenor of this committee is a member of an opposition party. We will monitor the effectiveness of this committee throughout our appointment.



Recommendation 4

The Audit & Risk Management Committee Convenor should build a self assessment of the committee's effectiveness into its agenda cycle, using for example, Chartered Institute of Public and Accountancy (CIPFA) guidance.

142. The council also operates two scrutiny panels (Transformation, Economy and Employment, and Transformation and Community Wellbeing) to help elected members scrutinise the council's transformation programme and its impact upon services, as well as the council's priorities and significant financial challenges.

143. During 2017/18, the council improved the format of committee reports to include recommendations, items to 'note', summary information, etc. The new template for committee reports was developed to make recommendations and the risks associated with decisions clearer and was introduced from September 2017. Throughout 2018/19 council officers requested ad-hoc verbal feedback from members on the effectiveness of the new report format, level of detail and use of plain English. Opportunities have been taken to reduce the volume of complex information presented to members with, for example, budget reports providing high level detail supplemented with useful guidance for members similar to that provided in Accounts Commission and Audit Scotland national performance reports.

144. The scrutiny panels receive action logs to supplement their meeting agendas. This ensures that members are advised of the progress of required actions with the aim to close actions in one committee cycle.

145. The Convenor and Vice-Convenor of the Audit & Risk Management Committee meet with scrutiny panels' chairs on a cyclical basis to discuss potential scrutiny topics and ensure the reasons for selecting topics are clear and relevant. During 2018/19 the topics selected for discussion by scrutiny panels have included the Local Government Benchmarking Framework (LGBF) and the council's preparations for EU withdrawal.

146. To support them in their roles, during 2018/19 elected members received training or attended seminars in respect of a number of topics including, the Scottish Fire and Rescue Service, schools placing requests appeals, affordable housing supply programme, housing appeals, landlord registration, polling scheme review, code of conduct and the resurfacing programme for 2019/20.

Openness and transparency

147. Councils need to be open and transparent to citizens on how public money is used and to encourage their participation in local service design and delivery.

148. A transparent organisation shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

149. There is evidence from several sources which demonstrate the council's commitment to transparency. We have concluded that the council conducts its business in an open and transparent manner, evidence of this includes:

- Public can attend meetings of the full Council and other committees.
- Minutes of committee meetings and supporting papers are readily available on the council's website.
- The website includes a wide range of information including the annual accounts, register of members' interests, current consultations and surveys, and how to make a complaint.
- The council publishes an annual public performance report which provides an overview of performance across all council services. This is available on the council's website.

Internal audit

150. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an assessment of the internal audit function at the council.

151. The internal audit function has sound documentation standards and reporting procedures in place and complies with almost all of the Public Sector Internal Audit Standards (PSIAS). An independent external examination of the Council's internal audit function was completed by a Senior Manager from another council in early 2018. This concluded that the internal audit team fully conforms to 12 of the 13 standards and generally conforms to the other standard covering Independence and Objectivity. Two actions are being taken forward: minor changes to the Internal Audit Charter and for a strengthening of the Declaration of Interest form completed by internal audit staff. These actions were completed by the required date of 31 March 2019.

152. We also reviewed the council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on specific areas of work of internal audit to reduce our audit work on key financial systems. As a result, we were able to place reliance on the work done by internal audit in relation to the controls over both the payroll function and direct payments.

State aid regulations

153. We reported in previous years that the council did not have formal arrangements in place to ensure compliance with European Commission State Aid Regulations. We highlighted that the council was working on the development of policy and procedures to support compliance.

154. During 2017/18 the Scottish Government State Aid Team delivered training to relevant senior officers in the council. During both 2017/18 and 2018/19 the council's Chief Solicitor and Monitoring Officer and Chief Finance Officer reviewed all committee and Council reports to ensure that there were no state aid implications. In advance of this review, reports are checked by officers in Legal Services and if there is a state aid issue then this is addressed within the report, along with any mitigating factors. The council plans to develop a state aid policy later in 2019/20.

Standards of conduct for prevention and detection of fraud and error

155. The council has arrangements in place designed to maintain standards of conduct including codes of conduct for members and officers. There are also established procedures for preventing and detecting bribery and corruption including a Corporate Fraud & Corruption Policy and an Anti-Bribery Policy.

156. In 2017/18 the council developed a form for senior officers to complete annually to provide relevant details for inclusion in a separate register of interests. Senior officers are required to complete this form annually and the council's Chief Solicitor and Monitoring Officer is responsible for preparing and maintaining this register of interests.

157. We concluded that the council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any other specific issues we require to bring to your attention.

National Fraud Initiative

158. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

159. NFI activity is summarised in [Exhibit 10](#) overleaf, which highlights that the council has made steady progress in investigating recommended matches, issued to the council in January 2019 and May 2019. The approach taken by the council has been to investigate those matches which are considered to be higher risk (such as payments to care homes), with the remaining lower risk matches being investigated using sample testing. Sample testing will also be undertaken to follow-up on high volume areas such as creditors. We consider this approach to be reasonable. There is an expectation that match investigation work should be largely completed by 30 September 2019 and the results recorded on the NFI system, although it is recognised that some investigations may continue beyond this date.

Exhibit 10 NFI activity



3,769
Matches



268 high risk, 739 medium risk,
338 low risk and 30 nil risk
2,394 creditors matches are
not risk rated
Risk levels of matches



703
Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

160. NFI progress and outcomes are reported regularly to the Audit & Risk Management Committee and senior management by Internal Audit. The Corporate Fraud Officer oversees NFI work, including completion of the NFI self-appraisal checklist which we were advised is used for planning of future NFI work, as opposed to monitoring the progress of NFI work, which is carried out using the NFI website. The Corporate Fraud Performance Outcomes Report for 2018/19 was presented to the meeting of the Audit & Risk Management Committee in June 2019 and highlights that over £0.1 million of Council Tax discounts, evasion, exemptions and reductions were identified by the Corporate Fraud Team as being obtained by fraud or error.

161. We concluded that the council is pro-active in investigating matches and reporting the outcomes of NFI activity.

ICT controls

162. The Public Services Network (PSN) is the UK government's high-performance network. Public bodies wishing to connect are required to submit a detailed application together with an independent ICT health check. If the submission meets the assessors' standard, then compliance is granted either unconditionally or conditionally with an action plan if the current level is close to meeting the standard. In August 2019, the council successfully retained its PSN certification.

Cyber security

163. The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017 which requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate. The Scottish Government actively encourages public sector bodies to seek independent assurance of critical technical controls, which in its view is achieved by obtaining Cyber Essentials or Cyber Essentials Plus accreditation.

164. The council is currently working on the Cyber Essentials pre-assessment questionnaire with a view to acquiring the Cyber Essentials certification in the near future.

Integration of health and social care

165. The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.

166. The East Dunbartonshire Integration Joint Board (IJB), commonly known as East Dunbartonshire Health & Social Care Partnership, is provided in partnership with NHS Greater Glasgow & Clyde. The financial transactions of the East Dunbartonshire IJB have been consolidated into the Council's group accounts. The IJB publishes its own set of audited accounts.

167. The IJB has its own performance management framework to ensure that progress against key plans, strategies and budgets are monitored routinely in order that timely action can be taken to address any performance issues. Progress is monitored by senior management, appropriate scrutiny committees, the IJB and all partners.

168. The IJBs face financial challenges in the future as well as service delivery challenges from the new landscape. In November 2018 Audit Scotland published [Health and Social Care Integration: Update on Progress](#), which identified that, while some improvements have been made to the delivery of health and social care services, IJBs, councils and health boards need to show a stronger commitment to collaborative working to achieve the real long term benefits of an integrated system. The report was discussed at a meeting of the IJB in January 2019 and it was agreed that the IJB would consider further reports on the progress of the Audit Scotland recommendations across all partnership bodies tasked with delivering improvement actions at future meetings.

169. A report was presented to the meeting of the IJB in March 2019 which provided an update on Scottish Government's Ministerial Strategic Group (MSG) for Health and Community Care review of integration of health and social care (published in February 2019) to highlight the local process that would be undertaken to address the findings from this review. In response to the MSG review, partner bodies were issued with a self-evaluation template in March 2019 with a clear outline as to expectations for completion and submission. The MSG review report noted an expectation that "every health board, local authority and IJB will evaluate their current position in relation to this report and the Audit Scotland national report, and take action to make progress." It was also made clear that the expectation was that each IJB area would submit a single joint response by 15 May 2019.

170. A report by the Chief Executive was presented to a meeting of the Council on 9 May 2019 which provided members with an update on the completion of the self-evaluation template and requested members to delegate authority to the Chief Executive to finalise a consolidated response on receipt of input from NHS Greater Glasgow & Clyde (NHSGGC) and the IJB's Board development session.

171. East Dunbartonshire IJB completed its national self-evaluation submission and sent it to the Scottish Government by the required deadline of 15 May 2019. The final submission was presented to the meeting of the IJB on 28 May 2019 for noting and the IJB was requested to note that an action plan would be developed in collaboration with the council and NHSGGC and would be presented to a future meeting of the IJB along with delivery updates in the run up to the one year follow up self-assessment process expected to take place in April 2020.

Joint Inspection (Adults) by Care Inspectorate and Healthcare Improvement Scotland

172. Scottish Ministers asked the Care Inspectorate (CI) and Healthcare Improvement Scotland (HIS) to report on the effectiveness of the strategic plans prepared by integration authorities, from April 2017. East Dunbartonshire IJB received an inspection of this nature spanning the time period of late 2018 into early 2019. The report was published by the CI in July 2019 and was presented to the P&R Committee in September 2019.

173. The inspection looked not just at the work of the IJB, but at the partnership working across agencies and services in the East Dunbartonshire IJB area. The aim was to assess the extent to which the right and necessary building blocks are

in place to plan, commission and deliver high quality services in a co-ordinated and sustainable way, in East Dunbartonshire. The inspection process results in gradings in three main quality indicators taken from the Care Inspectorate's Quality Improvement Framework. Gradings in the report reflected that whilst progress is being made a number of developments were still at a relatively early stage and not yet fully embedded. East Dunbartonshire IJB was graded as follows:

- Key performance outcomes – Good
- Strategic planning and commissioning arrangements – Adequate
- Leadership and direction that promotes partnership – Adequate

174. Following publication of the report the IJB developed an action plan in collaboration with EDC and NHSGGC to address the improvement areas identified. Implementation of this plan will be overseen by the allocated CI link inspector for the East Dunbartonshire area. We will monitor progress in the implementation of this action plan during 2019/20.

Part 5

Best value



Main judgements

We consider the arrangements for partnership working at the council to be well established. This is demonstrated in the council's performance across the range of the Improvement Service's Community Planning Outcomes Profile indicators which has generally improved over the last ten years.

The council has made progress towards meeting the requirements of the Community Empowerment (Scotland) Act 2015, but locality plans need to be completed to comply with the legislation.

58% of the council's 2017/18 performance indicators are in the top two quartiles of Scottish councils. Performance has improved over time in 70% of indicators.

Education services are performing particularly well even in the council's most deprived areas.

The performance management framework is linked to the local priority outcomes.

The council makes good use of local government benchmarking data to evaluate its performance and identify improvement areas. During 2018/19 officers gave a detailed presentation to one of the council's scrutiny panels on the local government benchmarking framework (LGBF) data. This helped elected members gain a more detailed understanding of the data. The cost of waste management and some aspects of the housing service are areas highlighted for improvement.

How Good is Our Service performance reports are comprehensive and are added to the council's website timeously after they have been approved by the relevant service committee.

Councils have a duty to secure Best Value through continuous improvement. Value for money is concerned with using resources efficiently and effectively to achieve continuous improvement.

175. To review how effectively the council demonstrates Best Value (BV) in its delivery of services, we consider our audit findings across all the audit dimensions referred to in paragraph 2.

Best value

176. Best value is assessed over the five-year audit appointment as part of the annual audit work. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period. The BVAR for East Dunbartonshire Council is planned for year five of our appointment in 2020/21.

177. This year's best value audit work focussed on:

- vision and leadership (paragraphs 129-138) – Part 4: Governance and Transparency
- partnership and collaborative working (paragraphs 179-189)
- community engagement (paragraphs 190-209).

178. Our 2017/18 Annual Audit Report included the findings from our follow up audit work in relation to the Accounts Commission's November 2017 Best Value follow up report on the council. We concluded that the council had demonstrated that it responded positively to the key findings of the report and had progressed a plan of improvement actions at a satisfactory pace in line with our expectations. There was only one outstanding improvement action from the November 2017 report in relation to clearer presentation of the transformation programme update reports presented to members. During 2018/19 we confirmed that the council had acted upon our recommendation and transformation programme update reports have improved (see paragraph 86).

Partnership and collaborative working

179. The Accounts Commission and Auditor General have highlighted the benefits to the people who use council services, communities and public sector organisations of working well together. Despite this Audit Scotland's recent report, [*Local government in Scotland – challenges and performance 2019*](#) (April 2019) identified limited evidence of councils collaborating or sharing services across Scotland.

180. As part of our 2018/19 BV audit work, we considered the council's approach to delivering services through partnership and collaborative working, including progress with health and social care integration.

181. The council delivers services through the East Dunbartonshire Community Planning Partnership (CPP) Board and much of the partnership working is completed through the sub-groups of the CPP. The CPP Board sets the joint vision and strategic objectives for the community planning partners in its LOIP 2017-2027. Delivery of the CPP objectives is split between six thematic groups and highlights the key partners involved within each thematic group.

182. Examples of partnership working involving the council include:

- East Dunbartonshire Council works with West Dunbartonshire Council (WDC) to provide shared ICT services. WDC use the data centre in Kirkintilloch as their secondary data centre and the council also hosts the service desk system on behalf of WDC. This arrangement has enabled both councils to reduce costs and share information on disaster recovery, etc.
- Mugdock Country Park (the Park) Joint Management Committee is run on a partnership basis with Stirling Council, through a Joint Management Committee consists of representatives (elected and officers) from both councils, as well as representatives from the local community councils (Milngavie and Strathblane).
- The East Dunbartonshire Community Safety Partnership includes the council, Police Scotland, Scottish Fire and Rescue Service and NHS Greater Glasgow & Clyde. The partnership works in co-operation with a range of other services and agencies, including: education, social work, EDLCT, Alcohol & Drugs, environmental health, criminal justice, Scottish Canals, children's services, trading standards and neighbourhood services. The priority of the partnership is to work towards Local Outcome 4 - 'East Dunbartonshire is a safe and sustainable environment in which to live, work and visit'.

- Safer and Stronger Together is the collective name for the three partnership groups which include the Community Safety Partnership, Empowered Partnership and Community Justice Partnership. The CPP published the Safer and Stronger Together Strategy and action plans 2018-2021 in December 2018 which provides details of the proposed actions of the partnerships, target deadlines and the lead partners.
- The Community Justice Partnership for East Dunbartonshire (CJED) has responsibility for delivery of the action plan relating to preventing reoffending and improving reintegration of offenders. CJED partnership consists of representation from the council, IJB, Police Scotland, Scottish Prison Service, Scottish Fire and Rescue Service, Skills Development Scotland, Crown Office and Procurator Fiscal, Scottish Courts and Tribunal Service, Families Outside, Turning Point Scotland, SACRO and Women's Aid. Its Outcomes Improvement Plan (CJOIP) provides a high level framework and details the local outcomes/priorities and the specific actions to make improvements. To demonstrate what will be carried out by partners to achieve progress towards these outcomes and priorities, a Community Justice Annual Delivery Plan 2018-19 has been developed by the partnership.
- One of the key challenges in East Dunbartonshire is economic growth. While employment rates are above the Scottish average, the level of economic activity within the council area itself is relatively low and the workforce is heavily reliant on the wider economy. The East Dunbartonshire Economic Partnership (EDEP) is a local outcome delivery group of the CPP and consists of representatives from the council, Department for Work and Pensions, Dunbartonshire Chamber of Commerce, East Dunbartonshire Voluntary Action, Federation of Small Businesses, Scottish Enterprise, Skills Development Scotland and Visit Scotland. The Economic Development Strategy 2017/20 has been produced by the partnership to outline how the council plans to meet its economic objectives. The strategy highlights the following:
 - The £1.13 billion Glasgow City Region City Deal presents a significant opportunity for economic development in the area. In particular, in 2015 the council put forward a Strategic Business Case (SBC) for the 'Bishopbriggs Economic Development Programme.' Covering Phase 5 of the Bishopbriggs Relief Road (BRR), expansion of Strathkelvin Retail Park, development between Westerhill and the BRR, transport related improvements and regeneration of Bishopbriggs town centre. If successful, the proposal would facilitate a programme of investment, resulting in gross value added (GVA) and job creation in East Dunbartonshire. The proposal has not yet been accepted and funding has not been secured. The current position is that a refreshed SBC may be put forward for consideration by the City Region Cabinet in 2019
 - The council has also prepared a series of town centre strategies for Bearsden, Bishopbriggs and Milngavie. These set out a range of objectives, aimed at meeting the challenges facing each town centre.

183. In November 2016 the East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee (SSJC) was established. This provides a governance framework for the potential sharing of services. The council's involvement in shared services is currently limited to a strategic planning partnership arrangement. It has taken the decision not to deliver a shared roads service with Inverclyde and West Dunbartonshire councils.

184. To monitor the effectiveness of partnership working, the CPP submits data to the Improvement Service's Community Planning Outcomes Profile (CPOP). The CPOP is a collection of measures designed to help assess whether residents' lives are improving. East Dunbartonshire's performance across the range of CPOP indicators has generally improved over the last ten years. Using the CPOP guidance tool we were able to examine the trend in East Dunbartonshire's

performance and noted that from a total of 18 CPOP indicators, 12 have improved since 2007/08, 5 have decreased in performance and 1 indicator could not provide a comparison. The 5 indicators where performance has diminished are:

- Employment Rate - fell from 78% to 75.6%. This is also below the family group rate of 78.8% but above the Scottish average of 73.6%. However, the trend for Scotland and the family group showed an increase in the indicator across the period
- Emergency Admissions – although the number of admissions has increased by 3.6% to 23,070 and is higher than the family group average (21,866), it is below the Scottish average (25,615). The Scottish average has increased by 5% over the period
- Fragility Index - this has increased by 5.2% since 2007/08, and the 2017/18 indicator is well above that of the family group and the Scottish average, which show increases of 1.7% and 1.8% respectively
- Business Survival – although this has decreased from 73.8% to 64.6%, the East Dunbartonshire rate of 64.6 is above both the family group (64.1) and the Scottish average (60.4)
- Wellbeing – while there has been a 5.8% decrease in this indicator over the ten year period, the 2017/18 indicator (24.9) is above both the Scottish (24.4) and family group average (24.8).

185. On the other hand, the council is performing well in a number of areas including:

- Educational Attainment - 6.01 against the family group figure of 5.69 (Scotland 5.5)
- Positive Destinations - 98% against the family group figure of 95.6% and Scottish average of 94.1%.
- Median Earnings - £536.20 against the family group of £465.42 and Scottish average of £442.33
- Crime Rate - 247 incidents per 10,000 population compared to the family group figure of 312 and Scottish average of 450
- Dwelling fires - 61.96 per 10,000 population compared to 75.41 in the family group and 98.01 across Scotland.

186. The IJB's provisional 2018/19 Annual Performance Report (June 2019) reflects mainly positive performance, with some areas staying the same and only a few areas underperforming. The report highlights that the IJB performed well in relation to the following health and wellbeing national outcomes:

- People who are able to look after and improve their own health and wellbeing and live in good health for longer
- People who use health and social care services have positive experiences of those services, and have their dignity respected
- Health and social care services contribute to reducing health inequalities
- People who use health and social care services are safe from harm
- People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.

187. The IJB's performance on its own key target areas was good. Of the 20 national core indicators reported in the annual performance report, it had improved or maintained its performance in 18 of them. There was an improving picture of how the IJB is using its performance data. Quarterly performance reports are reviewed by the senior management team and presented to the IJB Board. These provide a suite of national and local measures and targets for services delivered by the partnership, including children's and criminal justice services. These clear and helpful reports identify recent trends, a situational analysis and paths for improvement for each indicator. This enables the IJB to identify performance trends and take action to address areas of underperformance.

188. In relation to the IJB, we are satisfied that improvements have been made and this can be seen in the provisional 2018/19 Annual Performance Report (June 2019) which demonstrates the progress made over the past few years. Many of the areas have shown progress with a few deteriorating and some staying the same. For two areas the IJB is first out of the 32 local authorities and they are ranked second and third in other areas which highlights that the IJB is performing well when benchmarked against other local authorities. The final version of the IJB's 2018/19 Annual Performance Report will be published later in 2019 after all of the performance data for 2018/19 has been fully processed by NHS hospitals.

189. We consider the arrangements for partnership working at the council to be well established. Although East Dunbartonshire Council is not a large council, through the development of place plans and town centre strategies it is attempting to work with its local business and residents where possible. The CPP Board meets four times a year and as a result, it may appear that there is little progress in the delivery of the LOIP outcomes between meetings. However, through discussion with officers we are satisfied that reasonable progress is being made to achieve LOIP outcomes.

Community engagement

190. As part of our BV audit work we reviewed the council's approach to community engagement.

191. The East Dunbartonshire LOIP 2017-2027 highlights that it is the CPP that identifies its stakeholders and then finds the best way to involve these stakeholders in the decisions that affect them. The CPP has an evidence based approach to planning and this allows the CPP to base its vision around the needs of each local area. In addition, the CPP reviews its procedures regularly and checks in with the stakeholders to ensure that it is reaching out to everyone.

192. In September 2017, the council published its Consultation and Engagement Strategy 2017-2020. The council undertakes a wide range of consultation and engagement exercises each year, across all service areas, and this strategy sets out a consistent approach for this activity. Officers explained that the strategy is aligned to national standards for community engagement and also reflects the requirements of the Communities Empowerment (Scotland) Act 2015. This consistent approach to engagement should help inform good decision-making that reflects the objectives of East Dunbartonshire residents.

193. In order to broaden the audiences involved in community consultations, the CPP is undertaking a survey to establish what groups could provide views. The council intends to work with these groups later in the year. This is key to ensuring that information gathered through consultation and engagement is representative of the community.

194. Both the quarterly How Good Is Our Service (HGIOS) evaluation reviews and annual Business Improvement Plans (BIPs) for each strategic service include details of all consultation and engagement activities with stakeholders. Examples of recent consultation exercises include the 2019/20 budget priorities consultation which involved a number of roadshows, on street work in order to raise awareness, discussions within the Youth Parliament and with community councils. Other exercises include:

- Food Growing Strategy
- Local Development Plan Preparation.

195. The council has carried out consultation exercises with community councils, for example over the Kirkintilloch masterplan, and has also established one Business Improvement District (BID) through discussions with local businesses and another BID is currently being developed.

196. The Grants Advisory Committee (GAC) is a practical example of community engagement, involving members of the community in making decisions on funding to direct funds towards areas that will improve local outcomes. The GAC is in place to assess grant applications made to the Community Grants Scheme run by the council. The GAC consists of 25 volunteers, from a cross-section of the community, who provide a breadth of knowledge and experience. The GAC considers applications from not-for-profit groups that aim to bring benefits to the residents of East Dunbartonshire. Applications are assessed against the LOIP 2017-2027 outcomes to ensure funding is used to further the ambitions of the council. Small grants in the region of £3,000 are awarded and there is currently approximately £90,000 of funding available.

The Community Empowerment (Scotland) Act 2015

197. The Community Empowerment (Scotland) Act 2015 is designed to help communities do more for themselves and have a greater say in decisions that affect them. The Act covers 11 different topics, some of which are not yet in force. Scottish Ministers are required to set national outcomes for Scotland to guide the work of public bodies. This is done in consultation with community representatives and the Scottish Parliament. These outcomes must consider tackling inequalities and bodies must ensure they take into account these outcomes in carrying out their own functions. This section came into force in April 2016.

198. The Act places new duties on bodies which take part in community planning. The CPP for each local authority must produce a LOIP setting out priorities for improvement. Tackling inequality must be a specific focus and 'locality plans' must also be created at a more local level for areas experiencing a particular disadvantage. The Act required CPPs to publish locality plans by October 2017.

199. The LOIP 2017-2027 sets out six local outcomes, based on community consultation, for the council and these are aligned to the national outcomes also included in the LOIP. Each outcome is supported by a number of indicators which are used to measure progress and LOIP provides detail on these indicators - a baseline measure, data source, frequency of measure, and a target level.

200. East Dunbartonshire uses a 'Place Approach' to reduce inequality and target resources where they are most needed. The idea is to implement solutions that are tailored to the area to tackle local issues, with people in the community central to the process. Four 'place areas' have been identified:

- Lennoxton - Place Plan approved. Examples of community engagement include the community hub which was designed with the input of residents and the £0.800 million budget provision for the development of a 3G football pitch in the village - this was also campaigned for by the community.
- Hillhead and Harestanes – Draft Place Plan in place and out for consultation.
- Twechar – Draft Place Plan in place and out for consultation. Twechar already has an active community with an action plan in place. There is also a Twechar Masterplan which guides infrastructure changes in the village. As such, a lighter touch document will be produced to support these existing plans.

- Auchinairn – Place Plan being drafted and consultation process to continue during 2019.

201. The CPP has identified four areas within the council boundary which have the highest levels of inequality. Two 'place plans' have been produced to improve the outcomes in these communities and two more are in the draft and consultation phase. Statutory guidance required such plans to be published by 1 October 2017. Delays in preparing the plans were in part due to the time taken to appoint staff and the council recognised the importance of having the right officers in place to take ownership of these areas.

202. The Act makes it easier for communities to take ownership of, or responsibility for, land and buildings through community asset transfers. The Act gives community groups the right to request to buy, lease, manage or use land and buildings belonging to the council.

203. The council is required to publish a register of the land they own or lease to help communities identify suitable properties. The community group must set out what it plans to do with the land and what benefits this will bring. Councils are required to consider whether proposals will improve economic development, regeneration, health and wellbeing, or reduce inequalities. Proposals must be accepted unless there are reasonable grounds for refusal.

204. In 2018, the council published its community asset transfer policy in response to this requirement. This sets out a clear process through which an application for an asset transfer can be made. The council's asset register is also available on the website to help community groups identify assets. The council's community asset transfer annual report for 2017/18 highlights that, although seven enquiries were made, no assets have been transferred to communities since the policy was introduced, which reflects the national picture. However, prior to the Act, there were a number of examples of asset transfers (community halls, etc.) which demonstrates that the council understands the benefits of transferring assets to community groups.

205. A clear process is now in place for assisting community groups and assessing community benefits., however no assets have been transferred since the policy was formalised. The council could do more to promote the policy and encourage transfers to appropriate community groups.

206. The Act requires councils to maintain waiting lists and take reasonable steps to provide allotments. It also strengthens protection for allotments and clarifies the rights of councils and plot holders. The Act also requires fair rents to be set and allows tenants to sell surplus produce grown on an allotment. Councils are required to develop a food growing strategy for their area, including identifying land that may be used as allotment sites.

207. The council carried out a food growing consultation in response to the requirements of the Act which involved a series of public engagement events during 2017 and 2018 to gauge demand, which were complemented by an online survey. Further drop-in sessions were held during 2019 which were used to share information on potential growing sites, including allotments and community gardens. As a result, the council published its draft Food Growing Strategy 2019-2024 in April, the development of which was supported by Greenspace Scotland as part of a six council pilot scheme. The draft strategy outlines the benefits of growing your own food and the council's approach to delivering more opportunities.

208. The draft Food Growing Strategy consultation is a positive example of community engagement. The council has utilised social media, online surveys, and drop-in sessions to raise awareness and gauge demand for food growing. A six week public consultation exercise on the draft strategy was carried out from April to June 2019 to ensure it is aligned with local needs and ambitions.

209. We have concluded that the council has made progress towards meeting the requirements of the Community Empowerment (Scotland) Act 2015. The council

has engaged with communities on an individual basis with requirements being built around local need, circumstances and aspirations. In some areas this work has been challenging, however the focus has remained on the delivery of a quality plan aligned to local need. In doing so, the council recognises that it has been slower to introduce such plans in certain areas and whilst the Scottish Government have been kept advised of such developments, this is outwith the timescales included in the Act.



Recommendation 5

The council with its partners should ensure that their locality plans are finalised in order to comply with the requirements of the Community Empowerment (Scotland) Act 2015.

Performance management and internal performance reporting

210. The council has an established performance management framework. The council's performance information is reported through quarterly How Good Is Our Service (HGIOS) evaluation reviews and annual Business and Improvement Plans (BIPs) for all services. Scrutiny of directorate performance is undertaken by the relevant strategic service committee. The performance targets within BIPs are reviewed on an annual basis and subject to ongoing challenge and scrutiny throughout the year.

211. HGIOS evaluation reviews are presented to the relevant strategic service committees. They provide a comprehensive review of each strategic service group's performance and activity covering the following areas:

- Local delivery story – includes overview of performance
- Prioritised performance indicators (PI) – highlights the status (On target, 2-5% off target and Off target), quarterly and annual outcomes, annual target and update notes
- Absence management – provides quarterly and annual absence statistics for the strategic service and Council wide
- Progress on BIPs – for each area for improvement highlights the status (On target, 2-5% off target and Off target), progress against target and update notes
- Financial targets – for each main service division provides annual budget, projected annual outturn, variance against budget and narrative where significant variances shown
- Consultation / engagement activity with stakeholders
- Policy and strategy documents published in the period
- Improvement priorities – lists areas requiring improvement, improvement activity and implementation timescales
- Current delivery focus – lists ongoing service priority areas.

212. [Exhibit 11](#) overleaf shows a breakdown of annual and quarterly performance reported by traffic light status for the indicators for all strategic groups, as reported in the HGIOS evaluation reviews for 2018/19.

213. The council demonstrates that it is monitoring its performance against its strategic priorities set out in its Local Outcomes Improvement Plan (LOIP) 2017-

2027 through the HGIOS review reports. The reports are presented in a clear format. The progress against the council's 106 priority PIs are reported together with 69 improvement indicators.

214. HGIOS quarterly performance reports are comprehensive and are added to the council's website timeously after they have been approved by the relevant service committee. The annual HGIOS reports for each strategic service group covering the period April 2018 to March 2019 were added to the council's website as one document in June 2019. The council continues to review its performance targets to ensure they are challenging and drive continuous improvement in service delivery.

Exhibit 11

Performance information for 2018/19

Strategic Service Groups	On target	2-5% off target	Off target
Place, Neighbourhood and Corporate Assets			
Comprises the following strategic service groups:			
• Assets and Facilities	6	2	8
• Housing	2	1	6
• Land Planning and Development	6		6
• Neighbourhood Services	7	3	2
• Place and Community Planning	18	1	1
• Roads and Transportation	8		1
Education, People and Business			
Comprises the following strategic service groups:			
• Education	13	2	5
• Finance, Audit and Performance	4	7	3
• Legal and Democratic Services	7		4
• Organisational Transformation	6	5	3
• Customer and Digital Services	15	5	2
• Integrated Health and Social Care	9	3	4
Total	101	29	45

Source: How Good Is Our Service Reports 2018/19

215. In the HGIOS report areas of good or improving performance include:

- The average number of days taken to fully process new Housing Benefit claims was 22.7 days against a target of 27 days
- 9.9 days were lost to sickness absence on average per employee for all employees (teaching and non-teaching staff) against a target of 10 days
- The percentage of fraud investigations commenced within 10 days of assessment was 99.6% against a target of 95%

- The average length of time taken to re-let properties was 48 days against a target of 55 days.

216. Areas identified for improvement include:

- Reducing exclusion rate of Looked After Children (LAC) attending all schools which was 37.6 exclusions per 1,000 pupils against a target rate of 27 exclusions per 1,000 pupils
- Reducing current tenant arrears which were £0.874 million at 31 March 2019 against a target of £0.810 million
- Reducing the average time (weeks) to deal with major development applications which was 34.5 weeks against a target of 16 weeks
- Reviewing the performance of customer requests that are resolved at first point of contact by Customer Services. The percentage achieved in relation to this indicator was 62% against a target of 70%.

217. Overall, based on the figures shown in [Exhibit 11](#), the council has achieved 58% of its performance targets, with a further 17% being within 5% of the target. This is similar to the 2017/18 results.

Overview of performance targets

218. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them. The most recent [National Benchmarking Overview Report 2017/18](#) by the Improvement Service was published in April 2019 and covered the 2017/18 reporting period.

219. Officers reported on the Improvement Service report to the Council meeting in June 2019. The Improvement Service report was separately provided to all elected members. The overall conclusion from the council's analysis of the Improvement Service report was that the council has continued to maintain and improve performance in the majority of areas when compared with the previous year and highlights, when benchmarked, the majority of the council's performance indicators are in the top two quartiles.

220. The Council report provides details of the council's performance indicators that are in the bottom quartile and, for each indicator, sufficient narrative is given outlining the action being taken by officers to improve performance.

221. We concluded that the council makes good use of local government benchmarking data to evaluate its performance and identify improvement areas. In addition, in March 2019 officers gave a detailed presentation to a meeting of one of the council's scrutiny panels dedicated to the LGBF data for 2017/18 which allowed elected members to gain a more detailed understanding of the data and provide members with an opportunity explore the data further. Officers are of the view that this was a positive move and has increased the awareness of members in terms of the availability and use of this data.

Relative performance against the Scottish average

222. National indicators show the council's performance in many services has improved in the last seven years compared to other councils. The June 2019 Council report contains an analysis of the movement in the LGBF indicators from the baseline year (2010/11 for the majority of indicators). This shows that 70% of the indicators have improved and also highlights that this mirrors the national trend of maintained and improved performance despite budgetary challenges. When the council's ranking is benchmarked against other councils, performance has

improved in 49% of indicators, been sustained in 10% of indicators and declined in 41% of indicators from the baseline year.

223. The report also contains an analysis of all national indicators over a shorter time period which shows that 42% of the council's indicators were in the top quartile (38% in 2016/17), 16% in the second quartile, 25% in the third quartile and 17% (17% in 2016/17) were in the bottom quartile. Based on this analysis there are some services where the pace of improvement is slower than other councils, in the last year. However, the overall performance remains strong.

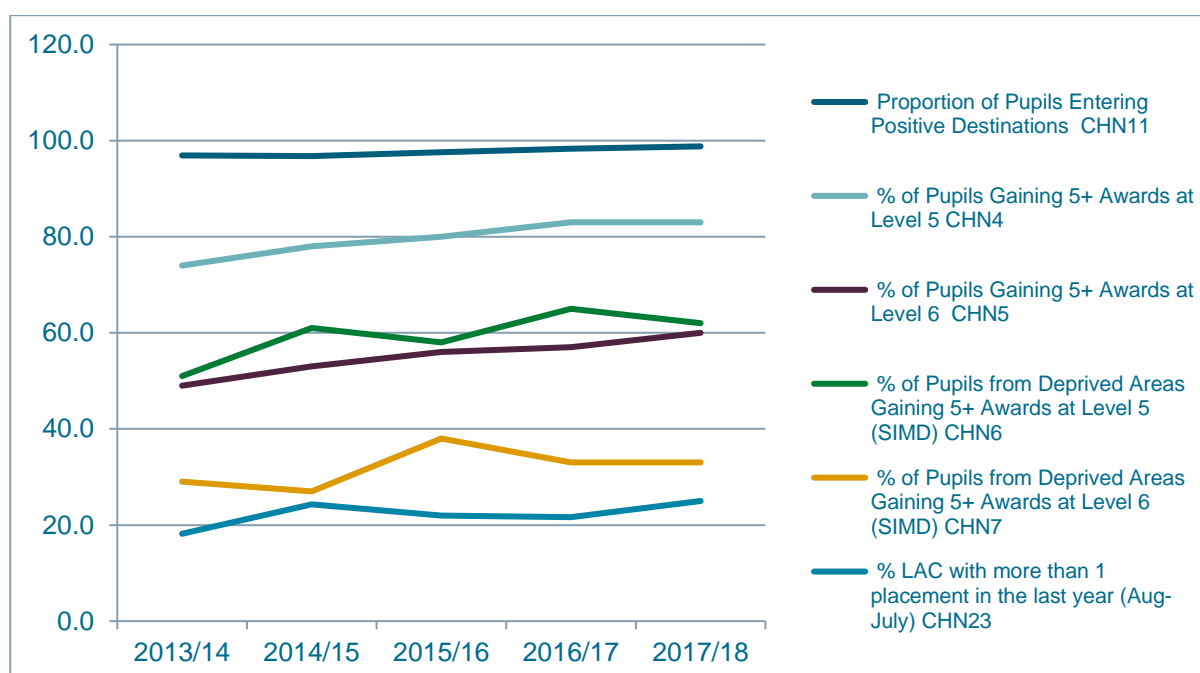
224. The council's review of LGBF data includes a comparison of its performance with the Scottish average but not a comparison of performance against its LGBF family groups. These are groups of councils facing similar challenges based on population density and deprivation.

225. These figures have not been checked by us but they are consistent with our own analysis of the national indicators over a similar time period.

Areas of good or improving performance

226. Education: An area worthy of particular mention is the council's education service, which makes an important contribution to the LOIP priorities and outperforms the Scottish average. The LGBF children's services indicators monitored through the council's education services are all in the top two quartiles of performance. The academic attainment of pupils at all levels is the second highest in Scotland and the percentage of school leavers entering positive destinations is the highest in Scotland. [Exhibit 12](#) indicates a positive trend of year-on-year improvements in performance against a number of key education indicators since 2013/14. Additional analysis of Scottish Government teacher and pupil census data for 2018 shows both pupil numbers and teachers numbers have been increasing and the pupil to teacher ratio has largely reflected this trend. The council is the third highest ratio (13.6) on this measure within its family group of 8 councils and is the same as the Scottish ratio.

Exhibit 12 Selected LGBF education indicators, 2013/14 to 2017/18



Source: Local Government Benchmarking Framework, Improvement Service 2019

Areas of poorer performance

227. Waste management: Although the council is recycling more household waste than it was in 2012/13, the percentage of waste being recycled has fallen each year since 2015/16. In addition, the LGBF indicators show that the net cost of both refuse collection and waste disposal per premise is above the Scottish average cost in the past four years. The council is ranked thirtieth (bottom quartile) and twenty-third (third quartile) out of the 32 Scottish local authorities for these indicators respectively.

228. The cost of waste collection and disposal performance is as a result of council decisions in relation service delivery including frequency. Whilst the result of this decision has been to provide a service at a higher overall cost, this reflects community demands. The June 2019 report to Council highlights that in relation to refuse collection, the service frequency and method of collection has a significant impact on the resources and make up of fleet required to deliver this service. The council has reviewed collection operations and renewed a number of fleet assets to improve efficiency within the service and the report highlights that this has led to improvements in 2018/19, with increased recycling rates and reduced operational costs.

229. Housing: The June 2019 report to Council also highlights that the council is in the bottom quartile for two LGBF indicators in relation to the housing service. The council is ranked twenty fourth for the average time taken to complete non-emergency housing repairs and twenty-sixth for the percentage of council houses that are energy efficient. The report notes that the housing repairs indicator was impacted by the fact that the Property Maintenance team were involved in the major refurbishment of a primary school during 2017. In relation to energy efficiency, the report highlights that during 2018/19 the housing service focussed on installing central heating systems and new windows which has increased performance to almost 91% (from 75% in 2017/18).

230. Other indicators in the bottom quartile are listed in the June 2019 Council report with explanations and notes of any improvement plans.

Service satisfaction

231. The LGBF also includes service satisfaction indicators which are based on an average of the results of the Scottish Household Survey for the last 4 years (2015 to 2018). This survey, which began in 1999, is a continuous survey based on a sample of the general population in private residences in Scotland. The aim of the survey is to provide representative information about the composition, characteristics and behaviours of Scottish households, both nationally and at a more local level. The survey covers a wide range of topics to allow links to be made between different policy areas, with a particular focus on information to aid policy decisions on transport and social inclusion.

232. The Council report makes general comments on these indicators and highlights that service satisfaction has gone down across Scotland and that almost 90% of the council's satisfaction measures are showing decline from 2016/17 even though the non-satisfaction indicators. This is particularly prominent in indicators relating to the education service where the majority of indicators are in the first and second quartiles whereas the indicator measuring satisfaction with the service is in the third quartile. The LGBF service satisfaction indicators for 2017/18 show that despite this East Dunbartonshire Council is in the top two quartiles for 3 of the 8 indicators (see [Exhibit 13](#) overleaf), and above the Scottish average in 6 of the 8 indicators. The Council has advised that it makes use of satisfaction indicators outwith the LGBF and officers will review this for inclusion in its 2019/20 results.

Exhibit 13

East Dunbartonshire Council's performance against service satisfaction LGBF indicators

Indicator	Satisfaction level (%)	Scottish average (%)	Ranking out of 32 Scottish local authorities	Quartile
Adults satisfied with local schools	76.0	72.3	19 th	3 rd
Adults satisfied with social care or social work services	84.0	80.2	6 th	1 st
Adults satisfied libraries	74.7	73.0	16 th	2 nd
Adults satisfied with parks and open spaces	85.0	85.7	21 st	3 rd
Adults satisfied with museums and galleries	54.3	70.0	26 th	4 th
Adults satisfied with leisure facilities	73.7	72.7	17 th	3 rd
Adults satisfied with refuse collection	85.0	78.7	8 th	1 st
Adults satisfied with street cleansing	70.0	69.7	19 th	3 rd

Note: Satisfaction levels based on average of responses to Scottish household surveys for 2015 to 2018 with the exception of adults satisfied with social care or social work services which is based on the results of the 2017/18 survey.

Source: Local Government Benchmarking Framework, Improvement Service 2019

233. The Council report highlights that, with regard to satisfaction levels for museums and galleries, there is only one museum operated by East Dunbartonshire Leisure and Culture Trust compared to other local authorities included in the benchmarking of this indicator, some of whom operate several museums and galleries. The council anticipates the opening of the refurbished town hall in Kirkintilloch and the largely encouraging feedback from service users in relation to this, will have a positive impact on public perceptions from 2018/19 onwards.

234. The council also routinely undertakes customer satisfaction surveys at a local level as part of its performance management framework. We have not reviewed the results of any council customer satisfaction surveys as part of our audit.

Reporting of Performance Statutory performance indicators (SPIs)

235. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information. For 2018/19 two SPIs were prescribed:

236. SPI 1: Each Council will report a range of information setting out:

- Its performance in improving local public services (including with partners).
- Its performance in improving local outcomes (including with partners).

- Its performance in engaging with communities and service users and responding to their views and concerns.
- Its performance in achieving Best Value, including its use of performance benchmarking; options appraisal; and use of resources.

237. Overall, we concluded that the council's arrangements for publication of performance information are satisfactory. The council publishes an annual public performance report which meets the requirements of SPI 1 as listed above. This is available on the council's website.

238. SPI 2: Each Council will report its performance in accordance with the requirements of the [Local Government Benchmarking Framework](#). Paragraphs 218 to 221 demonstrate how the council meets these requirements.

National performance audit reports

239. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, Audit Scotland published a number of reports were issued which are of direct interest to the council. These are outlined in [Appendix 3](#).

240. Findings from national reports are reported to members alongside an assessment of current arrangements against good practices and the agreement of actions to ensure further improvements.

Appendix 1

Action plan 2018/19

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Capital slippage</p> <p>Both the general services and HRA capital programmes were underspent in 2018/19.</p> <p>Risk</p> <p>There is a risk that slippage could impact on the council's ability to deliver services in line with its strategic priorities.</p>	<p>The council should use the Accounts Commission good practice guide as the basis of a self-assessment to identify areas where its capital management could be improved.</p> <p>Paragraph 76</p>	<p>The council will continue to report the delivery of the General Fund and Housing capital programmes through existing governance processes.</p> <p>Variations to the programme are therefore subject to ongoing scrutiny with any variation being highlighted and adjusted for throughout the year.</p> <p>Capital programming remains challenging with a number of factors influencing delivery. The council will include an evaluation of the guidance as part of the budget setting process.</p> <p>Executive Officers for Finance & Audit, Corporate Assets and Housing</p> <p>March 2020</p>
2	<p>Transformation programme</p> <p>Although the update reports presented to members during the year on the 2018/19 transformation programme included details of financial efficiency savings, the year-end report on the 2018/19 transformation programme did not.</p> <p>Risk</p> <p>Members are not provided with assurance on the financial efficiency savings achieved from the transformation programme.</p>	<p>The council should include details of efficiency savings where relevant in all transformation update reports presented to members.</p> <p>Paragraph 85</p>	<p>The council will continue to report the progress of transformation on a regular basis.</p> <p>Where applicable, financial efficiencies will be included. Year end reports will include an update on efficiency savings supplemented by benefits achieved from programme delivery.</p> <p>Executive Officer – Organisational Transformation</p> <p>March 2020</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p>Efficiency savings</p> <p>Although 92% of the council's 2018/19 efficiency savings target was achieved, the council's 2019/20 efficiency savings target may also not be fully achieved.</p> <p>Risk</p> <p>The council does not achieve its efficiency savings target leading to the increased use of contingency reserves and increases the level of efficiency savings required in future years.</p>	<p>The council should ensure that each savings proposal for 2019/20 is risk assessed and plans made to fill any budget gaps.</p> <p>Paragraph 99</p>	<p>Risk assessments are included in all business cases as part of the council's budget setting process.</p> <p>Business cases are specified to include an indicative saving attributable to each project as well as risks associated with delivery.</p> <p>The delivery of transformation within those services under strategic control of the council is 92% with IJB delivery being lower at 44%. Transformation and the delivery of efficiencies continues to be an area of risk that will continue to be kept under review and reported.</p> <p>Executive Officers for Organisational Transformation and Finance & Audit</p> <p>March 2020</p>
4	<p>Audit & Risk Management Committee</p> <p>The Audit & Risk Management Committee does not carry out a regular self-assessment of its effectiveness.</p> <p>Risk</p> <p>Members of the Audit & Risk Management Committee are not discharging their duties effectively.</p>	<p>The Audit & Risk Management Committee Convenor should build a self assessment of the committee's effectiveness into its agenda cycle, using for example, Chartered Institute of Public and Accountancy (CIPFA) guidance.</p> <p>Paragraph 141</p>	<p>At the September 2019 meeting of the Audit & Risk Management Committee the Committee was provided with an update report on the 'Role of the Head of Internal Audit'.</p> <p>This included consideration the changes to the review of Audit Committee effectiveness with the Audit & Risk Manager now 'contributing' to this review rather than 'supporting' it. This work has been agreed for inclusion in the Internal Audit Plan for 2019/20.</p> <p>Audit & Risk Manager</p> <p>March 2020</p>
5	<p>Locality plans</p> <p>The Community Empowerment (Scotland) Act 2015 required CPPs to publish locality plans by</p>	<p>The council with its partners should ensure that their locality plans are finalised in order to comply with the requirements of the Community</p>	<p>Partners will continue to work to develop quality place plans that reflect community planning</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>October 2017. However, the council and its partners are yet to finalise all of their locality plans.</p> <p>Risk</p> <p>The council and its partners are not complying with the requirements of the Community Empowerment (Scotland) Act 2015.</p>	<p>Empowerment (Scotland) Act 2015.</p> <p>Paragraph 209</p>	<p>requirements and aspirations.</p> <p>The delivery of the LOIP demonstrates this clear evidence-based understanding of local need, circumstances and aspirations.</p> <p>The delivery of some place plans has been more challenging with the Scottish Government being kept advised of progress and finalisation of residual Place Plans being in place by September 2019.</p> <p>Executive Officer - Place and Community Planning September 2019</p>

Follow up of prior year recommendations

6	<p>Trade receivables</p> <p>Audit testing identified a number of errors within the trade receivables balance which included both items incorrectly posted to the wrong financial year and items that were incorrectly accounted for. The gross value of these items totalled £8.4 million.</p> <p>Risk</p> <p>The annual accounts do not reflect actual income and may be materially misstated.</p>	<p>The council should remind all officers of the procedures to be followed at the financial year end in relation to the accounting treatment of income due from debtors.</p>	<p>Audit testing of the trade receivables balance in the 2018/19 annual accounts did not identify any errors.</p> <p>Action complete.</p>
7	<p>Revenue budget monitoring reports</p> <p>Revenue budget monitoring reports show efficiency savings proposals. But it is not clear which of these relate to estimated savings proposals in the transformation programme.</p> <p>Risk</p> <p>Members are not clear of the contribution made by</p>	<p>The council should revise revenue budget monitoring reports presented to members to highlight those individual savings proposals that are also included in the transformation programme.</p>	<p>Our review of revenue budget monitoring reports presented to P&R during 2018/19 identified that this recommendation had not been actioned. We highlighted this in our 2018/19 management report that was presented to the Audit & Risk Management Committee in June 2019.</p> <p>Paragraph 82</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	transformation programme projects to the revenue budget.		Enhanced narrative on the delivery of savings was included, latterly, in General Fund Revenue Monitoring reports. Further improvements have been included in the first such reports in 2019/20 with a clear read across being included within the appendices. Chief Finance Officer September 2019
8	<p>Transformation programme</p> <p>The transformation programme update reports do not highlight, for each completed project, the year to which the project relates.</p> <p>Not all of the estimated savings from the 2018/19 transformation programme are included within the management efficiency actions and budget reduction and income generation savings proposals for 2018/19 but no reason is provided to why this is the case.</p> <p>Risk</p> <p>Members are not provided with assurance on the completion rate of the annual transformation programme. The link between the transformation programme and financial efficiency savings projects is unclear.</p>	The council should revise transformation programme update reports to show, for each project completed, the year to which it relates. The update reports also need to specify why some of the estimated savings from the transformation programme have not been included within the council's efficiency savings programme.	Our review of transformation programme update reports from October 2018 identified that this recommendation had been addressed. Paragraph 86 Action complete.
9	<p>Employee consultation</p> <p>The council does not carry out regular employee surveys.</p> <p>Risk</p> <p>The council is missing the opportunity for staff to contribute to its</p>	The council should design and carry out an employee survey on a regular basis. Results should be considered as part of the council's improvement plans.	This recommendation was not implemented in 2018/19, although the council plans to undertake an employee survey during 2019/20. Paragraph 120 An employee survey will be launched in September



No.	Issue/risk	Recommendation	Agreed management action/timing
	improvement action plans.		<p>2019 with analysis of findings and results informing future planning through Workforce Strategy updates and wider improvement planning.</p> <p>Executive Officer – Organisational Transformation</p> <p>March 2020</p>
10	<p>Performance reporting</p> <p>In HGIOS progress reviews presented to members, a number of improvement actions where the original due date had passed and had been revised were shown as 'On target' against the revised target date even though little or no progress had been made.</p> <p>Risk</p> <p>Members are not provided with an honest assessment of progress made against improvement actions.</p>	<p>Management should review BIP areas for improvement and ensure that progress against target is accurately reported to members within HGIOS reports, particularly where the original due date has passed and then been revised.</p>	<p>The council did not accept this recommendation and therefore no further action was proposed.</p> <p>Not applicable.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>Audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Reviewed accounting estimates.</p> <p>Focussed testing of accruals and prepayments.</p> <p>Evaluated significant transactions that were outside the normal course of business.</p>	<p>We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>We did not identify any incidents of management override of controls.</p>
<p>2 Risk of fraud over income</p> <p>The council receives a significant amount of income from several sources including income from fee and charges funding. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.</p>	<p>Reviewed controls within income systems.</p> <p>Performed analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions which focussed on the areas of greatest risk.</p>	<p>We undertook detailed testing of income streams.</p> <p>No frauds were identified.</p>
<p>3 Risk of fraud over expenditure</p> <p>The council incurs significant expenditure in areas such as welfare benefits, social care payments and grants where there is an inherent risk of fraud.</p>	<p>Reviewed work on the follow up of National Fraud Initiative (NFI) matches.</p> <p>Relied on Internal Audit work on Direct Payments.</p> <p>Detailed testing of expenditure and housing benefit transactions.</p>	<p>We concluded that the council is proactive in following up NFI matches.</p> <p>No significant issues were identified by Internal Audit in relation to Direct Payments.</p> <p>No significant issues were identified from our testing of expenditure and housing benefit transactions disclosed in the 2018/19 financial statements.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, pension assets and</p>	<p>Reviewed of the work of the actuary.</p> <p>Reviewed the appropriateness of the actuarial assumptions.</p>	<p>We reviewed the work of the actuary and assessed the appropriateness of the actuarial assumptions.</p> <p>We confirmed that revised pension valuations provided by</p>

Audit risk	Assurance procedure	Results and conclusions
<p>liabilities and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Confirmed pension valuations in the actuarial report are correctly reflected within the 2018/19 financial statements.</p> <p>Established officers' arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and the year end.</p>	<p>the actuary are correctly reflected in the 2018/19 financial statements. See Exhibit 3 for details of changes made to the unaudited figures as a result of the council receiving an updated IAS19 valuation report from the actuary.</p> <p>No material misstatements were identified.</p>
<p>5 Trade receivables</p> <p>Audit testing in the prior year identified a number of errors within the trade receivables balance which included both items incorrectly posted to the wrong financial year and items that were incorrectly accounted for.</p> <p>There is a risk that the 2018/19 unaudited accounts do not reflect actual income and are materially misstated.</p>	<p>Carried out focussed testing of debtor balances at year end.</p> <p>Cut off testing performed on income streams.</p>	<p>No errors were identified from our testing of debtor balances and income streams.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>6 EU withdrawal</p> <p>There are considerable uncertainties surrounding the implications of EU withdrawal and public bodies should assess the potential impact on their operations and identify specific issues and planned responses.</p> <p>There is a risk that the council is not prepared for the impact of EU withdrawal on the delivery of services.</p>	<p>Assessed how the council has prepared for EU withdrawal, including the specific work on workforce impact and dependency on key suppliers.</p> <p>Considered how the council responded to any emerging issues after March 2019.</p>	<p>Paragraphs 122 to 125 provide an update on the council's preparedness for both EU withdrawal and dependency on key suppliers.</p> <p>No issues identified.</p>
<p>7 Follow up of Internal Audit reports and actions</p> <p>A follow up Internal Audit interim report was presented to the Audit & Risk Management Committee in December 2018 which confirmed that a significant number of Internal Audit recommended improvement actions, including some classified as high risk, had not been progressed by council officers.</p> <p>There is a risk that services are not implementing improvement</p>	<p>Attended meetings of the Audit & Risk Management Committee.</p> <p>Monitoring of progress on internal audit actions being progressed in year.</p>	<p>Audit team members attended all meetings of the Audit & Risk Management Committee throughout the year.</p> <p>The council's Chief Internal Auditor presented a final follow up audit review 2018/19 report to the Audit & Risk Management Committee in June 2019 which highlighted that recommendations are now being progressed by council officers. The report identified that 6 overdue high risks, from a total of 37 risks (including 26 Medium and 5 Low risks), remain outstanding. This demonstrates progress from</p>

Audit risk	Assurance procedure	Results and conclusions
actions in line with the agreed timescales.		previously reported figures in the December 2018 interim follow up report, when 14 overdue high risk issues, from a total of 64 risks were outstanding.

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Local government relevant reports

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

East Dunbartonshire Council

2018/19 Annual Audit Report

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