

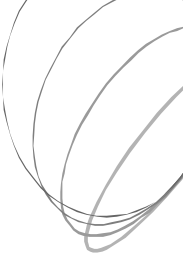
# Executive summary

## Overall conclusions

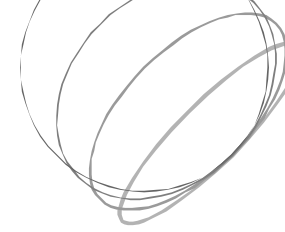
1. In 2005/06 Argyll & Bute Council will manage a revenue budget of £149 million, with long term borrowing, as at 31 March 2005, of £194 million and short term borrowing of £4.5 million.
2. The Council has sound arrangements in place in many areas for determining financial strategy although some key arrangements have yet to be developed. These are noted below. Overall conclusions are that the Council:
  - operates a budgeting system that is independent of the council's corporate objectives. Although the annual service plans include a limited amount of financial detail, there is no attempt to align resources to priorities;
  - has developed an approach to ensuring the sustainability of its spending decisions although this focuses on the short to medium term but is limited in relation to longer term sustainability. This development would be strengthened by the implementation of the new asset management strategy which was approved by the Council in April 2005 but has been delayed from 2006 to 2007;
  - has demonstrated a relatively pro-active approach to assisting elected members and managers to be effective financial managers and has recognised the need to enhance budget monitoring procedures and to provide budget holder training;
  - has sound foundations of budgetary control and treasury management on which to build and develop the financial strategy.
3. The Council has identified its top three financial risks as:
  - requirement for investment in council assets;
  - pressure on pay costs through affordability of pensions and single status/job evaluation; and
  - cost of maintaining services in remote, rural and island areas.

## Main strengths and areas for improvement

4. The Council has well developed procedures in most areas covered by this study. Examples of particularly good practice already in place include:
  - regular, and structured, reporting of material revenue budget variances to both senior management and members;
  - usable reserves which are held for a clear purpose in support of the overall financial strategy;
  - bi-annual monitoring of progress toward targets established in the corporate plan;
  - the establishment of a community planning partnership which operates on both a pan Argyll and Bute as well as an area basis, obtaining views and feedback from residents and incorporates these into area plans through the identification of key themes and priorities; and
  - quarterly reporting of service performance to the Strategic Management Team.



5. Key areas where we consider that arrangements could be further improved include the need for:
  - clearer links between the overall corporate plan and the individual service plans, and costing of objectives at a service plan level and reporting thereon;
  - a more consistent approach to budget setting and monitoring which is practical for all service areas. We acknowledge that there is currently a plan to roll out the principles of a approach in operation within the Community Services Department and we further recognise that these arrangements need to take account of the different nature of operations within each department; and
  - timely implementation of the recently approved asset management strategy to ensure capital investment decisions are soundly based.
  
6. A number of reports have been produced recently highlighting good practice in financial strategy, including the Controller of Audit's *'Overview of the local authority accounts 2004'*, the Audit Commission's *'Improvement through better financial management'* and CIPFA's framework/model on *'Improving financial management in public services'*. These documents provide useful benchmarks on best practice and the Council should review its own progress against these benchmarks on a regular basis.



# Action plan

No.	Issue, risk & recommendation	Responsible officer	Response & agreed action	Action date
	<b>Linkage with corporate strategies</b>			
1.	<p>There are no clear links between the objectives set out in the overall corporate plan and the key themes established in individual service plans.</p> <p><i>Risk: The key themes that individual service areas are working to achieve may not be directly contributing to the overall objectives of the Council.</i></p> <p><b>Recommendation: Service plans should clearly indicate how the key themes contribute toward achieving the overall corporate objectives.</b></p>	Policy and Strategy Manager	<p>Policy and Strategy are currently developing a corporate strategy map as part of the Council's Performance Management Framework. This document will ensure there are links between corporate and service objectives.</p> <p>The Performance Management framework will be implemented in phases, as agreed in the project plan approved by the SMT and SPC.</p> <p>Evaluation of each phase will be conducted in line with the project plan. Regular progress reports will be submitted to the SMT.</p>	<p>Project plan approved by SMT and SPC by 12/05</p> <p>Implementation by 3/06</p>
2.	<p>Corporate and service plans are not clearly integrated with the revenue and capital budgets. There is more of a focus on 'total budget' rather than costing of individual service level activities.</p> <p><i>Risk: Members may not be fully aware of the financial implications of individual service objectives and therefore not able to assess whether adequate and appropriate resources have been allocated.</i></p> <p><b>Recommendation: Key themes in the service plans should be costed in line with the resource allocation established on the revenue and capital budgets.</b></p>	Head of Strategic Finance	A project to align service and budget planning exercises is already underway.	In place for 2007-08 budget cycle

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	<b>Sustainability</b>			
3	<p>Long term planning is generally restricted to a three-year budgeting horizon.</p> <p><i>Risk: It is recognised that long term planning is difficult in the light of short term financial settlements. However failure to project the longer-term implications of previous spending decisions could restrict the ability to achieve objectives beyond the three-year budgeting horizon.</i></p> <p><b>Recommendation: The Council should develop longer term financial planning which incorporates projections and modelling for specific issues.</b></p>	Head of Strategic Finance	A longer term financial planning model will be developed as part of the project to align service and budget planning exercises.	In place for 2007-08 budget cycle
4	<p>Projected budgets for 2006/07 and 2007/08 have identified a corporate funding gap at a council wide level. Whilst savings have been identified at a service level to support the 2005/06 budget there has been no attempt to identify the impact of the funding gap in future years.</p> <p><i>Risk: Medium to long term corporate objectives may not be affordable and sustainable nor soundly based on realistic revenue projections.</i></p> <p><b>Recommendation: The potential impact of the projected corporate funding gap should be considered and achievable efficiency savings determined at a service level in order to minimise this impact.</b></p>	Head of Strategic Finance	A requirement to consider the impact and achievability of future years saving will be built into the service and budget planning process that emerges from the project currently underway to align these planning provisos.	In place for 2007-08 budget cycle

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5	<p>The Council are currently working toward the implementation of an asset management strategy. The strategy was approved by the Council in April 2005. The strategy was originally proposed to be implemented in 2006 however this timescale has since been extended to 2007.</p> <p><i>Risk: Capital investment decisions may be made which are not soundly based or consistent with the overall corporate strategy.</i></p> <p><b>Recommendation: The implementation of the asset management strategy is treated as a matter of priority and measures are taken to minimise any further delay in its implementation.</b></p>		<p>The implementation of the asset management strategy will form five phases:</p> <ol style="list-style-type: none"> <li>1. Completeness checks</li> <li>2. Conditions and costings</li> <li>3. Asset use</li> <li>4. Options appraisal</li> <li>5. Computer systems</li> </ol> <p>This timetable will be presented to the Audit Committee for and its members will monitor progress.</p>	<p>January 06 Mid 2006 Late 2006 Early 2007 Late 2005</p>
	<b>Political and managerial leadership</b>			
6	<p>The Council's approach to developing financial skills across the organisation could be further improved.</p> <p><i>Risk: The Council may be unable to maintain the existing levels of financial expertise to support effective financial management.</i></p> <p><b>Recommendation: The Council should introduce a continuing and structured programme of staff development and training on financial issues and undertake a regular review of the financial expertise in place across the organisation.</b></p>	Head of Strategic Finance	Develop a continuing and structured staff development programme on financial issues.	30 June 2006

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	<b>Financial information and monitoring</b>			
7	<p>Financial and performance monitoring are currently reported separately. Financial monitoring is reported to senior management and members whilst performance reporting is only reported to senior management. On a bi-annual basis Corporate Plan progress is reported to the members.</p> <p><i>Risk: Performance monitoring is not effective and may not contribute to best value in use of resources. Members are not supplied with sufficient information to adequately perform their scrutiny role.</i></p> <p><b>Recommendation: An integrated approach to financial and performance reporting should be adopted by the Council. This should specify the minimum requirements for reporting to members and senior management particularly in relation to trend, and performance against targets or benchmarks.</b></p>	Head of Strategic Finance	Included in draft Best Value action plan and will emerge from work carried out by group looking at alignment of service and budget planning. Will include a period of development and piloting before full implementation.	31 March 2007
8	There is currently a varied approach to budgetary control throughout the Council's service departments. Preliminary discussions have been held within the Council relating to the implementation of a service wide consistent approach to budget setting and monitoring and also the provision of budget holder training. The overall objective is to roll out the approach currently adopted by Community Services. It is recognised, however, that there will be a need to take account of the different nature of the	Head of Strategic Finance	Principles of Community Service budget monitoring to be rolled out to all services with training for budget holders.	30 June 2006

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	<p>operations in each of the services. Therefore it is intended to implement key principles and guidelines rather than a rigid set of rules and procedures. No formal timescales have been allocated to this task however it is intended for an initial roll out in the second quarter of the 2005/06 financial year.</p> <p><i>Risk: Budgetary control could be weakened in the absence of appropriate skills, guidance and a consistent approach.</i></p> <p><b><i>Recommendation: The Council should continue to plan toward the provision of budget holder training and the roll out of key guidance and should consider setting formal timescales on the implementation of this approach. It is recognised that the current approach to budgetary control is effective and that this recommendation is aimed at further improving the process.</i></b></p>			