
Report to Clackmannanshire Council

Date of Meeting: 26 June 2014

Subject: Draft Financial Statements 2013/14

Report by: Depute Chief Executive

1.0 Purpose

- 1.1. The Council is required by law to prepare a statement of accounts in accordance with 'proper practices' which set out its financial position at the end of each financial year. This is defined as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom prepared by the CIPFA/LASAAC Joint Committee.
- 1.2. The Code specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements where Councils have material interests in subsidiaries, associates or joint ventures. The financial statements aim to identify the key factors affecting the finances of the Council and that affect the physical resources that the Council can control to provide services.
- 1.3. The Local Authority Accounts (Scotland) 1985 Regulations require the Depute Chief Executive, as the Council's s95 officer, to prepare the Statement of Accounts as soon as practicable after the end of each financial year and to submit these to the Council and to the Controller of Audit by 30 June of the next financial year. The draft Financial Statements continue to be finalised for audit and have been made available in advance of the Council meeting in councillors rooms and on the portal. In addition to this all elected members have had the opportunity to attend a specific briefing on the draft Financial Statements on 23 June 2014.
- 1.4. As a result of a change in legislation, Local Authorities must now prepare a Trustees Report and Financial Statement for Sundry Trust Funds where the Council is the sole trustee. A fuller briefing on this has also been provided as part of the elected member briefing on 23 June 2014.
- 1.5. Work continues to finalise the draft Financial Statements for audit purposes. This year, this work may result in changes to the outturn position. In particular, a significant review of commissioning and contracts has been undertaken by Social Services with a view to securing efficiencies and/or better accommodating the cost of increasing demand for services. Discussions are currently taking place with suppliers, once these are concluded, the outturn position can be finalised for the service and reflected into the Council's final statements.
- 1.6. The Council's Draft Financial Statements also include the annual Remuneration Report, and the Annual Governance Statement (AGS) which is signed on behalf of the Council by the Leader of the Council and the Chief Executive. Improvement

actions associated with the AGS are incorporated within the routine Service Committee performance reporting using the Covalent system.

- 1.7. In line with the draft Financial Statements, this report also incorporates a summary of the financial outlook for the Council. This replaces the usual update provided as part of the separate Budget Strategy update report.

2.0 Recommendations

Council is asked to:

- 2.1. approve the 2013/14 draft Financial Statements as presented to 23 June 2014 elected member briefing and summarised in this report
- 2.2. approve the 2013/14 Clackmannanshire Council Sundry Trust Funds draft Report and Financial Statements as presented to 23 June 2014 elected member briefing and summarised in this report
- 2.3. approve the submission of these draft Financial Statements to the Controller of Audit no later than 30th June
- 2.4. otherwise note the contents of the report.

3.0 Considerations

- 3.1. The accounts have been prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13*. The Financial Statements show the actual figures for 2013/14 and the comparable figures for 2012/13.

Revenue Outturn

- 3.2. The financial results for 2013/14 are positive and provide a platform from which to address the challenging times ahead. Against the background of reducing resources the Council has successfully delivered savings in the year in excess of its budgeted requirement, and as a result increased its reserves to support service delivery in future years.
- 3.3. Gross revenue expenditure for the year was £164m. This represents the running costs of the Council and indicates the significant size and complexity of the organisation.
- 3.4. The General Fund started the year with a balance of £14.004m. The balance at 31 March 2014 is £12.015m, a net reduction of £1.989m.
- 3.5. Of the £12.015m balance at 31 March 2014, £5.661m is earmarked for specific purposes, much of which is for use either by individual services or to meet corporate liabilities. This committed balance can be summarised as follows:

Service Improvement Contract	£0.253m
Hallpark development	£0.215m
Change Funds	£0.640m
Spend to Save Fund	£0.700m

Business Rates Incentivisation income	£1.250m
Other Miscellaneous commitments	£0.828m
Welfare Reform	£0.366m
Sum approved in support of 2013/14 budget	£1.409m
Total	£5.661m

- 3.6 The earmarked balance also reflects the approval by Council in February 2014 to support its 2014/15 General Services Revenue Budget through the utilisation of £1.409m from reserves.
- 3.7 The un-committed reserve as at 31 March 2014 stands at £6.354m. The surplus achieved in the year compared to budget was £0.254m which is a reduction in the surplus of £0.907m reported to Resources and Audit Committee in May. Across Council services this net position is reflecting both under and overspend vacancies. However, the main reason for this variance is the reduction in the value of our investment with Central Scotland Business Parks of £769K, which was revalued and not confirmed until late in the financial year, and therefore not reflected in previous outturns.
- 3.8 It is important to reiterate that, unlike in recent years, this outturn may yet change to reflect the ongoing discussions within Social Services detailed at paragraph 1.5. It is intended that the outcome of these discussions should be known within a timescale that allows it to be reflected in the finalised audited accounts which will be presented to the Resources and Audit Committee in September 2014.
- 3.9 The Council's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 3% of net expenditure, which as at March 2014 would translate to a figure of £3.464m. The outturn position is therefore £2.89m in excess of this minimum reserve figure and represents a level of 5.5%.
- 3.10 The Housing Revenue Account achieved a surplus within the year of £3.960m compared to the forecast figure of £3.884m reported to Resources and Audit Committee in May. In accordance with the Business Plan for the Clackmannanshire Council Housing stock a sum of £5.752 m has been applied from reserves in 2013/14. An additional £790K was also applied from ear marked general fund reserves to fund the Hallpark Capital build. The outcome of these results are that the opening housing reserve balance of £4.883m has reduced to £3.093m as at 31st March 2014.

Other Reserves

- 3.11 The Council utilised £1.562m of the £4.985m opening balance within the capital receipts reserve. An additional £0.283m was received due to further asset sales in the year. This sum of £3.706m is therefore available going forward, either to be applied to reduce future capital borrowing requirements or alternatively can be used to finance in-year loan principal repayments.
- 3.12 There is no balance in the capital grants unapplied account at the end of this financial year.

Pensions Liability

- 3.13 The estimation of the Council's net liability in respect of pensions payable is a complex set of judgements. It requires estimates of the life expectancy of scheme

members, assumptions about changes in retirement ages and expected returns on pension fund assets such as stock market investments. The Council engages actuaries to provide expert advice about prevailing assumptions.

- 3.14 As a result of the latest valuation of our Pension accounts in accordance with International Accounting Standard 19 (IAS19), we have witnessed a deterioration in our Balance Sheet position, with our net liability now standing at £89.839m compared to £78.887m at March 2013.

Provisions

- 3.15 The Council has made good progress in settling equal pay claims during the year with claims totalling £0.041m settled. The Council's provision for equal pay has consequently been re-assessed at £0.301m at 31 March 2014. It is considered that this sum will be sufficient to meet the outstanding liabilities on existing claims which are expected to be concluded in the current financial year.
- 3.16 The accounts reflect a provision of £0.060m to cover approved voluntary severances agreed before the year end in support of budget savings for 2014/15.
- 3.17 A provision of £178K has been established to cover the claim from Pyramid, a Bathroom and Kitchen contractor. This provides for arbitration loss and expenses in respect of Phase 1 of the works which is currently at arbitration.
- 3.18 A provision of £153K was established last year on the advice of our insurers to cover a potential 30% levy triggered under the Scheme of Arrangement in respect of the winding down of the former Municipal Mutual Insurance Limited (MMI). This exposure relates back to former District and Regional Council operations. Claims of £79K have been paid to date from the original provision and the balance of £74K has been carried forward to meet further claims.

Contingent Liability

think Where (formerly Forth Valley GIS)

- 3.19 In order to reflect as yet potential uncertain and unquantified timing and liabilities issues, aspects of those matters referenced in respect of Equal Pay, the Kitchen and Bathroom contract and MMI Ltd, set out in paragraphs 3.16 to 3.18, are also reflected in the draft Financial statements as contingent liabilities. A new contingent liability in respect of thinkWhere is also included and further information on this is set out in paragraph 3.20.
- 3.20 The Council is a shareholder in thinkWhere, a Private Limited Company, along with Stirling and Falkirk Councils. A separate report on this Council agenda provides an update on the Company's current operating position. The Council is, under the terms of the Shareholder Agreement, responsible for meeting a share of the Company's liabilities and the Company's current operating position suggests it is prudent that Clackmannanshire Council reflects this responsibility in its draft Financial Statements for 2013-14. The responsibility is currently referenced as a contingent liability, though this position will be reviewed in the light of the Council discussion later on this agenda.
- 3.21 Further details of the provisions and contingent liabilities summarised in this report were provided to elected members at the briefing which was held on Tuesday, 23 June 2014.

Capital Expenditure and Financing

- 3.22 During 2013/14 the Council invested £25.703m of capital expenditure on its assets. This reflects an underspend of £9.527m on the budgeted programme, and an increase in the projected underspend of £9.216m reported to Resources and Audit Committee in May 2014.
- 3.23 Capital expenditure in the year has been financed by capital receipts (£0.781m), government grants and contributions (£10.431m) and direct revenue funding (£5.832m) leaving a balance of £8.659m requiring to be financed from borrowing. Comparing this new borrowing requirement with the sum set aside in the year of £6.374m for repayments, the balance was funded through cash reserves and there was therefore no need to incur further external borrowing.
- 3.24 The Councils external debt as at March 2014 stands at £161.97m, a reduction of £5.232m from the position as at March 2013. This outcome is in line with our approved Investment Strategy which focuses on reducing the overall level of debt liabilities carried by the Council.

Trading Operations

- 3.25 Although The Council's significant Trading Organisation, Property Contracts produced a deficit in the year of £66K it still achieved its statutory requirement to break even over a three year rolling period.

Sundry Trust Funds

- 3.26 Paragraph 1.4 indicated the change in legislation which requires that the Council now prepares a Trustees' Report and Financial Statements for Sundry Trust Funds. The Council currently acts as sole trustee for the Trust Funds of five organisations which have charitable status and are registered with the Office of the Scottish Regulator (OSCR). The Objectives and activities of each of the five Sundry Trust Funds are set out at Appendix A to this report.
- 3.27 The full Trustees Report and Draft Financial Statements were discussed in greater detail, along with Clackmannanshire Council's Draft Financial Statements, as part of the elected member briefing held on the 23 June 2014. Copies of both sets of the Draft financial Statements were made available to elected members in advance of the Council meeting today and the briefing on the 23 June 2014.

Public Inspection

- 3.28 The Financial Statements, once submitted to the Controller of Audit will, at his request, be made available for public inspection and will be subject to an audit period of up to three months.
- 3.29 The Council's final audited Financial Statements will be presented to Resources and Audit Committee along with the External Auditors Key Issues Memorandum in September 2014.

4.0 Financial Outlook

- 4.1 The draft Financial Statements also incorporate commentary on the financial outlook. Some of the key factors are set out in the following paragraphs.
- 4.2 Recent national debate has focused on UK inflation and interest rates. In April, UK inflation as measured by the Consumer Price Index or CPI, remained below its 2% target for the fourth consecutive month. This means that inflation has fallen from 5.2% in September 2011 and from 2.9% in June 2013, to 1.8% in April 2014.

- 4.3 Normally the downward trend in inflation would suggest that the Bank of England might consider raising the Bank (interest) rate. Currently the low Bank rate has been in place for almost five years, as a means of encouraging growth.
- 4.4 Forecasters have been expecting the first increases to come in early 2015. However, just recently there has been speculation that this may now come earlier and interests rates could start to rise gradually before settling at around 3% in three to five years time.
- 4.5 The actual timing of increases is in reality likely to be influenced by the rate of economic growth delivered and sustained in the short term and the UK General Election in May 2015.
- 4.6 The Organisation for Economic Co-operation and Development (OECD) recently published research titled "Growth Prospects and Fiscal Requirements over the long term". This highlighted that, excluding Japan, the UK had the furthest to move in order to reduce government debt to 60% of GDP by 2030.
- 4.7 Overall the OECD's analysis suggests that it will be some time yet before the impact on public service budgets is stabilised. This is in line with the UK Government's stated plans to continue with "austerity measures" until at least 2018/19.
- 4.8 The Council's indicative funding gap remains unchanged since the update to Council on 1 May 2014. This Budget Strategy update report forecasts an indicative funding gap of £19.3m over the three year period to 2017/18 and £6.9m for 2015/16.

5.0 Conclusion

- 5.1 The results for the year are positive against the backdrop of the current economic climate. A surplus has been achieved in the year on General Fund which ensures our uncommitted reserves remain in excess of the Council's approved level. This provides a sound financial platform from which to manage the Council's finances in the future.
- 5.2 Managers across the Council have sustained a clear focus on managing expenditure pressures and ensuring overall spend remains within budget throughout the year. This corporate approach is an important feature of the Council's arrangements. Elected members have received regular updates on progress in implementing the Budget Strategy through Council and performance monitoring reports during the year.
- 5.3 In summary, the Council has consistently applied its agreed budget, finance and investment strategies throughout 2013/14 and this places us in a strong position as we move into next years budget deliberations.

6.0 Sustainability Implications

- 6.1 Not applicable

7.0 Resource Implications

7.1 Financial Details

- 7.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where

appropriate.

Yes

7.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

7.4 *Staffing*

8.0 Exempt Reports

8.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

10.0 Equalities Impact

10.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes No

11.0 Legality

11.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

12.0 Appendices

12.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A Sundry Trust Funds Trustees' Report and Draft Financial Statements 2013/2014

13.0 Background Papers

13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Draft Statement of Accounts 2013/14

Draft Sundry Trustee's Report and Financial Statements 2013/14

Author(s)

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Liz Shaw	Chief Accountant	2072
Nikki Bridle	Depute Chief Executive	2373

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Depute Chief Executive	
Elaine McPherson	Chief Executive	

Clackmannanshire Council Sundry Trust Funds

OBJECTIVES AND ACTIVITIES

Income to the Sundry Trust Funds is solely from investment returns and bank interest - no donations to the Funds are solicited.

Name	Objective	Activities
Alloa Day Home Trust	To provide accommodation, advice, support or training to children or young people between the ages of sixteen and twenty five who reside within Clackmannanshire and who are in necessitous circumstances.	No activities during this financial year.
Clackmannan District Council Charitable Trust	The income of the Trust Fund capital may be applied at the discretion of the Trustees for the benefit of the poor, sick aged and handicapped persons and generally all persons in necessitous circumstances who normally reside within the boundary of Clackmannanshire.	The Trustees generally meet twice in a year (September and March) to consider applications. In recent years it is noted that the benefits from the trust have been to grant assistance in the form of essential household goods e.g. electric cooker, fridge, washing machine, beds and bedding
Clackmannanshire Educational Trust	The income of the trust may be applied to supplementary bursaries for Students attending Universities, Central Institutions etc. Assistance in obtaining practical experience of trades etc. Grants for student apprentices, travel grant, educational excursions, educational travel, adult education and educational	The main activities under taken this year has been the assistance of University students, in relation to course fees and travel expenses, with an award of £450 in this area. A further £100 was awarded to a High School student to aid with travel expenses.

Appendix A

	experiments and research.	
Tillicoultry Old Age Pensioners Outing Fund	To meet the cost of the annual excursion to old age pensioners and others.	This year as in previous year the charity met the cost of the coach hire.
Old Folks Welfare Fund	Bequest from Tillicoultry and District Nursing Association. Income to be applied by Clackmannanshire Council for the welfare of the old people of Tillicoultry and District.	This year as in recent years the income has been used to fund the hire of a coach for the benefit of the old people of Tillicoultry and District.

Report to Council

Date: 26th June 2014

Subject: Annual Treasury Report 2013/14

Report by: Depute Chief Executive

1.0 Purpose

- 1.1. The purpose of this report is to detail the Treasury Management activities for the Council for 2013/14.

2.0 Recommendations

- 2.1. It is recommended that the Council note and consider the Annual Report 2013/14 of the Council's Treasury Management activities.

3.0 Considerations

3.1. Background

- 3.2. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Council be updated on treasury management activities regularly (Treasury Management Strategy Statement, annual and midyear reports). This annual report therefore ensures the Council is implementing best practice in accordance with the Code.

- 3.3 The report covers the following:

- The Economy and Interest Rates
- Interest Rate Forecast
- Investment Outturn for 2013/14
- Borrowing Requirement and Debt
- Borrowing Outturn for 2013/14
- Compliance with Treasury and Prudential Limits

3.4 The Economy and Interest Rates

- 3.5 The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided. The original expectation for 2013/14 was that the Bank Rate would not rise during the year and that it would only start to gradually rise from quarter 1, 2015. This forecast rise has now been pushed back to start in quarter 3, 2015, though recent speculation suggests that this may change yet again.
- 3.6 Economic growth (GDP) in the UK was virtually flat during 2012/13 but improved during the year. Consequently there was no additional quantitative easing during 2013/14 and the Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained substantially above the 2% target during 2012, by January 2014 it had fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is expected to remain slightly below the 2% target rate for most of the two years ahead.
- 3.7 Gilt yields were on a rising trend during 2013 but volatility returned in the first quarter of 2014. The Funding for Lending Scheme, announced in July 2012, resulted in low cost credit being made available to banks. This in turn resulted in money market investment rates falling in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.
- 3.8 The UK Government maintained its fiscal policy but recent economic growth has led to a cumulative reduction in the forecasts for total borrowing (in the Autumn Statement and the March Budget) of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.
- 3.9 Confidence in the ability of the Eurozone to remain intact increased during the year. Perceptions of counterparty risk improved with a return of confidence in the Euro banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.
- ### **3.10 Interest Rate Forecast**
- 3.11 The Council's treasury advisors - Capita Asset Services, have provided the following interest rate forecast which shows an expected increase in Bank rate in the third quarter of 2015.

3.12 Investment Forecast provided by Capita Asset Management

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB rate	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
10yr PWLB rate	3.70%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.90%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%

3.13 Investment Outturn for 2013/14

- 3.14 The Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment Strategy, was approved by the Council on 14th March 2013. It can be confirmed that the approved limits within the Annual Investment Strategy were not breached during the year ended 31st March 2014.
- 3.15 The Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations as to the timing of the start of an increase to this rate have been pushed back to the third quarter of 2015. However, the preferential rate secured with its current bankers throughout the first half of the year which has now come to an end has protected the Council from these low rates.
- 3.16 The level of funds available for investment purposes during the year was £18m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of payments, receipt of grants and progress on the Capital Programme. Of this the Council holds £10m core cash balances for investment purposes (i.e. funds available for up to one year).
- 3.17 The benchmark investment returns over the last quarter of the 2013/14 financial year are illustrated in the undernoted table:

Benchmark	Benchmark Return
7 day	0.35%
1 month	0.36%
3 month	0.39%
6 month	0.47%
12 month	0.76%

3.18 The Council's budgeted cash investment return for 2013/14 was 1.5% based on total investments of £30m. The Council achieved an actual investment return of 0.77% for the year ended 31st March 2014 on investment balances of £24m. A breakdown of these investments can be seen in appendix 1. This variance from budget was as a result of the cessation of a preferential investment interest rate part way through the year and a reduction in cash balances in line with the Council's strategy to reduce cash balances before taking on additional borrowing. However, the rate achieved still outperformed the benchmark by between 0.01% and 0.42%.

3.19 Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure, termed the Capital Financing Requirement (CFR), is shown below. This shows a reduction in actual CFR from Budget mainly due to slippage in Capital programme.

	31 March 2013 Actual £000	31 March 2014 Budget £000	31 March 2014 Actual £000
CFR General Fund	134,020	150,436	142,723
CRA HRA	32,127	34,344	30,754
Total CFR	166,147	184,780	173,477

3.20 Borrowing Outturn for 2013/14

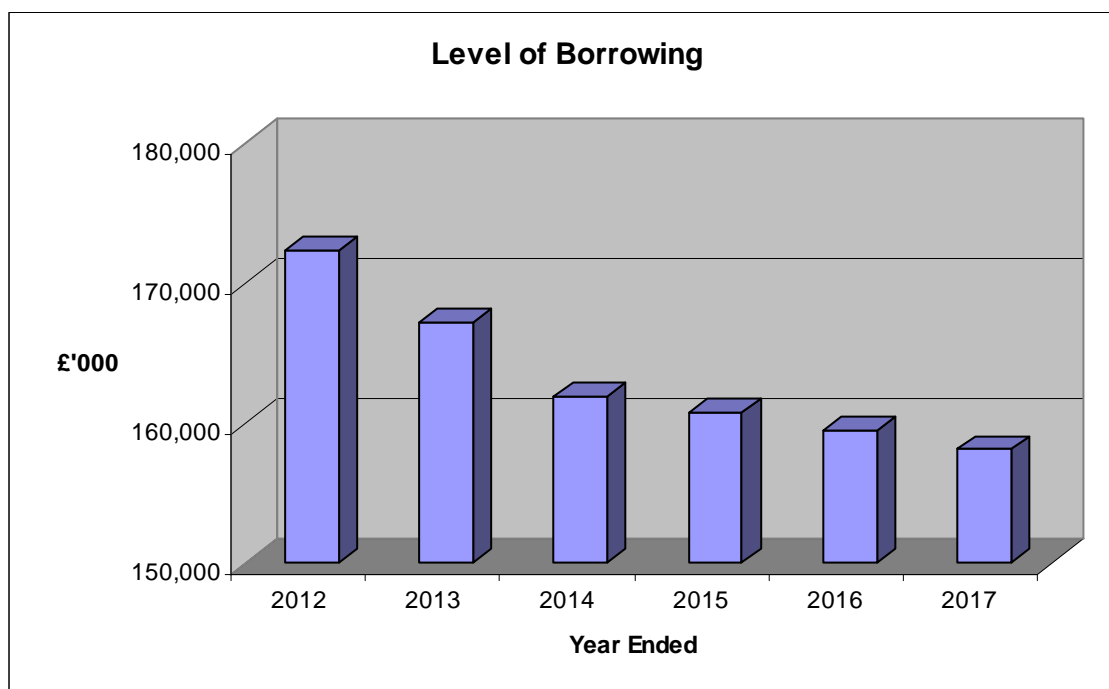
New Borrowing

3.21 No new borrowing was undertaken during the year, and in line with the borrowing strategy the Council had reduced its overall debt liability by repaying £4m of external debt and £1.2m toward finance lease repayment.

3.22 The Council's external borrowing position as at 31 March 2014 is illustrated in the undernoted table:

	March 2013 £000	March 2014 £000
Public Works Loan Board	95,702	91,702
Market Loans	24,024	24,018
Other long term liabilities	47,476	46,248
Total	167,202	161,968

3.23 This continues a trend in reducing the Council's overall level of borrowing in line with our Treasury strategy. This is illustrated in the following chart, demonstrating actual and forecast level of debt up to 2016/17. In line with the Treasury Strategy maturing debt in the current and previous year has not been replaced due to the running down of internal cash balances. Maturing debt in future years is assumed to be replaced as cash balances are now at a sufficient level. The level of cash balances and interest rates will continue to be monitored and reviewed if significant changes occur.



Borrowing in advance of need

3.24 The Council has not borrowed in advance of need during 2013/14 and has no intention to borrow in advance in 2014/15.

Debt Rescheduling

3.25 Debt rescheduling opportunities have been limited in the current economic climate as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable. Consequently no debt rescheduling was undertaken during the year.

3.26 Compliance with Treasury and Prudential Limits

3.27 It is a statutory duty for the Council to determine and keep under review the affordable capital expenditure limits. The Council's Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement.

3.28 During the financial year the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in appendix 2.

4.0 Conclusions

4.1 No additional borrowing has been undertaken in 2013/14.

4.2 The Council's strategy to reduce external debt has delivered a reduction of £5.2 over the last 12 months.

4.3 The Council continues to outperform the benchmark return in interest on investments and cash balances remain strong at a level of c£24m which contributes to supporting the Council's capital financing requirement internally.

5.0 Sustainability Implications

5.1 None

6.0 Resource Implications

6.1 *Financial Details*

6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

6.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

6.4 *Staffing*

6.5 None

7.0 Exempt Reports

7.1 Is this report exempt? Yes (please detail the reasons for exemption below)
No

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please tick)

The area has a positive image and attracts people and businesses

Our communities are more cohesive and inclusive

People are better skilled, trained and ready for learning and employment

Our communities are safer

Vulnerable people and families are supported

- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) Council Policies (Please detail)

Treasury Management Policy Statement and Practices

9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

10.0 Legality

10.1 In adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 - Investment Portfolio as at 31st March 2014

Appendix 2 - Prudential and Treasury Indicators as at 31st March 2014

17.0 Background Papers

17.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)


Yes (please list the documents below) No


Treasury Management Strategy 2013/14 - report to Council March 2013

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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Elaine McPherson	Chief Executive	
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APPENDIX 1: Investment Portfolio as at 31st March 2014

Borrower	Principal (£000)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Bank of Scotland Plc	5,000	1.01%	03/07/2013	03/07/2014	A	0.023%
Bank of Scotland Plc	5,000	0.98%	03/10/2013	03/10/2014	A	0.045%
Bank of Scotland Plc	8,030	0.49%	Instant Access		A	0.000%
Other Accounts	124	-				-
Total Cash and Cash Equivalents	18,154	0.77%				0.019%

Long Term Investments	Principal (£000)	
CSPB Developments Ltd	564	-
CSPB Investments	1	
Clackamannanshire Regeneration	4,906	-
Total Long Term investements	5,471	

TOTAL INVESTMENTS	23,625
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APPENDIX 2: Prudential and Treasury Indicators as at 31st March 2014

Treasury Indicators	2013/14 Budget £'000	2013/14 Actual £'000
Authorised limit for external debt	184,000	184,000
Operational boundary for external debt	167,000	167,000
Gross external debt	163,000	161,968
Investments	30,000	23,625
Net borrowing	133,000	138,335

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	11,500	11,243
12 months to 2 years	7,000	7,290
2 years to 5 years	14,500	14,541
5 years to 10 years	8,000	7,617
10 years and above	122,000	121,277

Prudential Indicators	2013/14 Budget £'000	2013/14 Actual £'000
Capital expenditure - General Fund Services	19,453	11,916
Capital expenditure - Housing Revenue Account	10,127	7,788
Capital Financing Requirement (CFR) - General Fund	150,436	142,723
Capital Financing Requirement (CFR) - HRA	34,344	30,754
Annual change in CFR - General Fund	10,209	2,496
Annual change in CFR - HRA	2,218	(1,372)
In year borrowing requirement	12,427	1,124
Ratio of financing costs to net revenue stream - General Fund	8.51%	6.59%
Ratio of financing costs to net revenue stream - HRA	18.02%	8.00%

CLACKMANNANSHIRE COUNCIL

Report to Clackmannanshire Council

Date of Meeting: 26 June, 2014

Subject: Clackmannanshire Council Assurance & Improvement Plan 2014-2017

Report by: Chief Executive

1.0 Purpose

- 1.1 The purpose of this report is to advise Council formally of the publication in June by Audit Scotland of the Clackmannanshire Council Assurance & Improvement Plan (AIP) Update 2014-2017 (attached as Appendix to this report).
- 1.2 While the Resources & Audit Committee will be invited to review this publication in more detail, given the overarching nature and corporate importance of the AIP, it is being submitted to full Council for information and noting.

2.0 Recommendations

- 2.1 It is recommended that the Council:
- a) welcomes and notes the recent publication by Audit Scotland of the Assurance & Improvement Plan Update 2014-17 for Clackmannanshire;
 - b) notes the findings and intended planned scrutiny activity to March 2017.

3.0 Background

- 3.1 The first Assurance & Improvement Plan for the Council was published in July 2010. Subsequent reports have been submitted annually, being considered by both Council and the Resources & Audit (formerly Scrutiny) Committee.
- 3.2 The AIP is based on a shared risk assessment undertaken by a local area network (LAN). There is a LAN for each council, comprising representatives of all the scrutiny bodies which engage with the council. The shared risk assessment drew on evidence from a number of sources, including:

- the annual report to the Controller of Audit and elected members for 2012/13 from the council's appointed external auditors
- evidence gathered from Audit Scotland, Education Scotland, the Care Inspectorate, the Scottish Housing Regulator and Her Majesty's Inspectorate of Constabulary, including published inspection reports and other supporting evidence
- the Single Outcome Agreement and associated development plan for the council area
- the council's own performance data and self-evaluation evidence
- analysis of data from the SOLACE/COSLA/Improvement Service Local Government Benchmarking Framework.

3.3 The aim of the shared risk assessment process is to focus scrutiny activity where it is most needed and to determine the most proportionate scrutiny response over a three year period.

4.0 AIP Findings & Conclusions

4.1 The AIP is structured around four areas, viz:

- local priorities and public service reform
- corporate assessment
- service performance
- improving and transforming public services/public performance reporting.

4.2 The overall findings are positive, with some key points being:

- I. the Council demonstrates a strong commitment from officers and members to improving the work of the Council and continues to make good progress with its improvement agenda
- II. the council is adapting to the new challenges as part of public sector reform and is in the early stages of work in a number of areas such as health and social care reform
- III. in common with the public sector across Scotland, Clackmannanshire continues to face acute financial challenges but continues to respond well. The council continues to demonstrate strong leadership in a harsh economic climate with an ongoing requirement to make budgetary savings
- IV. the council, as part of the Clackmannanshire Alliance Community Planning Partnership has developed a new Single Outcome Agreement (SOA). The SOA is a credible and well presented document that provides good analysis that links to priorities and challenges over the next ten years.

4.3 The overall conclusions in the AIP are as follows:

"The LAN, having considered the evidence from key management documents and performance indicators, has judged that the majority of risk assessments of corporate functions and service areas in the AIP remain as not requiring scrutiny.

"There are no significant new concerns that require additional scrutiny, but this year the LAN will look to monitor a number of key areas such as health and social care integration, the business transformation programme, risk management and information management in the external audit plan and through validated self-evaluation and look for progress in these areas during 2014."

5.0 Areas for Monitoring & Scrutiny

5.1 There is a small number of areas which the LAN wishes to be monitored (either by the Council's external auditors or by validated self-evaluation) or further scrutinised (by representatives of the LAN). These are:

- a) health and social care integration - the LAN has expressed concern about progress in taking forward this legislative requirement. However, as members will be aware, there is a report on the agenda for this Council meeting formally addressing the issues of governance and shadow arrangements. The reference to monitoring risk management relates specifically to any risks associated with health and care integration;
- b) business transformation programme - the LAN's view is that it is too early to assess the impact of the work on Making Clackmannanshire Better and the external auditor will review progress in year. The focus of this review will be change management capacity and savings targets;
- c) information management - as reported to the Resources & Audit committee recently via an internal audit report, the Council is not meeting all the requirements of the Public Records Act. The LAN will ask the Council's external auditor to monitor progress in addressing the issues identified by internal audit;
- d) under "joint working", the AIP references the scrutiny of the Clackmannanshire Community Planning Partnership in respect of certain aspects of the joint inspection of services for children and young people. A report on that inspection is also on the agenda for this Council meeting;
- e) there will be a validated self-evaluation of shared education services.

5.2 Planned national scrutiny projects which are of relevance to the Council in 2014-15 will include:

- review of careers information, advice and guidance
- housing benefit risk assessment
- targeted follow-up of arms length external organisations
- targeted follow-up of major capital investment in councils.

6.0 Conclusion

6.1 The updated AIP is an external assessment of the Council's activities and operations. The report is a generally positive endorsement of the Council which highlights a small number of areas as presenting a degree of risk to be monitored. Those areas will be a focus for Council's management going forward and progress in making improvements will be routed via the appropriate political governance structures to allow assessment and scrutiny of progress and performance by elected members.

7.0 Sustainability Implications - N/A

8.0 Resource Implications - N/A

9.0 Exempt Reports

9.1 Is this report exempt? No

10.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

The Council is effective, efficient and recognised for excellence ✓

(2) **Council Policies** (Please detail)

11.0 Equalities Impact

11.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? N/A

12.0 Legality

12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

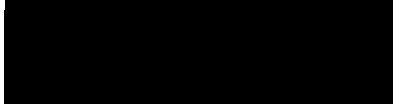
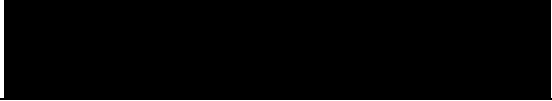
13.0 Appendices

13.1 Clackmannanshire Council Assurance & Improvement Plan 2014-2017

14.0 Background Papers

14.1 Have you used other documents to compile your report? No

Author(s)/Approved by:

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Depute Chief Executive	
Elaine McPherson	Chief Executive	

Clackmannanshire Council

Assurance and Improvement Plan

2014–17

May 2014

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Introduction

1. This Assurance and Improvement Plan (AIP) sets out the planned scrutiny activity in Clackmannanshire Council between April 2014 and March 2017. The AIP is based on a shared risk assessment undertaken by a local area network (LAN). There is a LAN for each council, comprising representatives of all the scrutiny bodies who engage with the council. The aim of the shared risk assessment process is to focus scrutiny activity where it is most needed and to determine the most proportionate scrutiny response over a three year period.
2. This is the fifth AIP for Clackmannanshire Council since the introduction of the shared risk assessment process.¹ It is the result of the shared risk assessment which began in October 2013. The process drew on evidence from a number of sources, including:
 - the annual report to the Controller of Audit and elected members for 2012/13 from the council's appointed external auditors
 - evidence gathered from Audit Scotland, Education Scotland, the Care Inspectorate, the Scottish Housing Regulator and Her Majesty's Inspectorate of Constabulary (HMICS), including published inspection reports and other supporting evidence
 - the Single Outcome Agreement (SOA) and associated development plan for the council area
 - the council's own performance data and self-evaluation evidence
 - analysis of data from the SOLACE/COSLA/Improvement Service Local Government Benchmarking Framework.²
3. The shared risk assessment process was reviewed in 2013, in the context of a significantly changed scrutiny landscape and the evolving public service reform agenda.³ Based on the findings of the review, this year's shared risk assessment focused on identifying the council's current position in implementing the Scottish Government's reform agenda. It also placed more emphasis on scrutiny risk in relation to the council's improvement and transformation agenda. This change in approach is reflected in the structure of the AIP for 2014-17, which covers four areas:
 - local priorities and public service reform
 - corporate assessment
 - service performance
 - improving and transforming public services/public performance reporting.

¹ Assurance and Improvement Plans for each council since 2010 are available on the Audit Scotland website: <http://www.audit-scotland.gov.uk/work/scrutiny/aip.php>

² The indicators used in the framework can be found on the Improvement Service website: <http://www.improvementservice.org.uk/benchmarking/>

³ The review of the shared risk assessment process was one of four work streams taken forward by the Strategic Group for Local Government Scrutiny Co-ordination during 2013.

4. Scrutiny risk is assessed against the following criteria:
 - No scrutiny required - there are no significant concerns, so no scrutiny work is necessary.
 - Scrutiny required - there are concerns about performance, services or outcomes, resulting in the need for scrutiny work.
 - Further information required - there is insufficient information to reach a judgement about performance.
5. The National Scrutiny Plan for 2014/15 is available on the Audit Scotland website. It provides a summary of planned scrutiny activity across all councils in Scotland, based on the AIPs for each council.

6. Clackmannanshire Council demonstrates a strong commitment from officers and members to improving the work of the council and continues to make good progress with its improvement agenda through the use of the Clackmannanshire Improvement Model. The LAN, this year, will seek to engage with the council to both support this work and build self-evaluation capacity. The council is adapting to the new challenges as part of public sector reform and is in the early stages of work in a number of challenging areas such as health and social care reform.
7. In common with the public sector across Scotland, Clackmannanshire continues to face acute financial challenges but continues to respond well. The council continues to demonstrate strong leadership in a harsh economic climate with an ongoing requirement to make budgetary savings. The council is presently re-designing its senior management structure. It is also adopting an ambitious business transformation programme to address these savings and to deliver services in new and effective ways. These changes, at the most senior level of the council's administration, occur during a time of significant change with a potential impact on the council's capacity to manage this change and corresponding risk. Whilst we plan no specific scrutiny response to this risk since it is too early to assess the impact of these changes, the LAN, through the external auditor and through regular engagement with the chief executive, will continue to monitor the effects of these changes on the work of the council.
8. The LAN, having considered the evidence from key management documents and performance indicators, has judged that the majority of risk assessments of corporate functions and service areas in the AIP remain as not requiring scrutiny. There are no significant new concerns that require additional scrutiny, but this year the LAN will look to monitor a number of key areas such as Health and Social Care Integration, the Business Transformation Programme, Risk Management and Information Management in the external audit plan and through validated self-evaluation and look for progress in these areas during 2014. If insufficient progress is being made on these areas, the LAN will undertake strategic scrutiny in next years AIP.
9. The council, as part of the Clackmannanshire Alliance Community Planning Partnership (CPP) has developed a new SOA. The SOA is a credible and well presented document that provides good analysis that links to priorities and challenges over the next ten years. The Clackmannanshire Alliance has identified two key priority areas - economy and growth, and community wellbeing. There are clear outcomes and areas for action that are established under a series of key themes with appropriate timescales. The LAN notes that there is an ongoing need to reflect on the role of the Clackmannanshire Alliance and its leadership role. This reflection should be with a view to strengthening accountability of partners and their collective contribution to scrutiny and performance management. There is a need to be clear about how the CPP marshals its resources to improve services and deliver better outcomes for individuals and communities.
10. There were two outstanding areas of scrutiny work from last years' AIP that took place in February 2014 when the LAN was developing the AIP. The Scottish Housing Regulator's (SHR) verification of council's progress towards meeting the Scottish Housing Quality

Standards, and the Care Inspectorate's joint inspection of children's services delivered by the Clackmannanshire CPP. The SHR found that the council's data gathering and systems were robust and the reported progress against the Scottish Housing Quality Standard was reliable. As a result, no further engagement is proposed. The result of the Care Inspectorate's joint inspection, while noting strengths, also found important areas of service where improvement is required. Based on the findings of the Joint Inspection of children's services, the LAN is not confident that the quality of services to protect children has improved to a satisfactory level. Within one year of the publication of its report, the Care Inspectorate and other bodies taking part in this inspection will revisit the partnership area. They will assess and report on progress made in meeting identified areas for improvement.

11. The Care Inspectorate, in partnership with the Association of Directors of Social Work and the Risk Management Authority, has been undertaking supported self-evaluation activity to assess the initial impact of the introduction of the assessment and case planning instrument LS/CMI across Scotland's criminal justice social work services. This activity started in June 2013 and will conclude with the publication of a national report by May 2014. Action plans arising from this activity will be implemented in 2014.

Planned scrutiny activity

12. In October 2014, Education Scotland will be reviewing the quality of careers information advice and guidance services delivered by Skills Development Scotland.
13. During 2014, Audit Scotland will carry out a targeted follow-up of two national performance audits - *Arm's-length external organisations (ALEOs): are you getting it right?* (June 2011) and *Major capital investment in councils* (March 2013).
14. Audit Scotland will carry out a housing benefit risk assessment towards the end of 2014/15.
15. The council will participate in a validated self-evaluation of shared services in education across Clackmannanshire and Stirling councils in 2014, as was outlined in the AIP last year.
16. There is some scrutiny activity planned across councils in 2014/15, but where scrutiny bodies are yet to determine which specific council areas will be included. This includes the following:
 - The SHR recently carried out a thematic inquiry into the outcomes that councils are achieving by delivering housing options and prevention of homelessness services. A sample of councils were selected to take part in this as case studies. The findings from this work could potentially lead to further engagement with some councils. The SHR will carry out further thematic inquiries between 2014/15 and 2015/16. If a council is to be involved in a thematic inquiry the SHR will confirm this with the council and the appropriate LAN lead.
 - HMICS will be inspecting local policing across Scotland over the next three years. This will examine, amongst other things, local scrutiny and engagement between Police Scotland and councils. The geographic areas to be inspected during 2014/15 have yet to be determined.

- Education Scotland will be working in partnership with councils to carry out self-evaluation of education psychology services over a two year period beginning in 2014/15.
17. Audit Scotland will carry out a programme of performance audits during the period of this AIP that will involve work with councils. The performance audit programme for 2014/15 is available at <http://www.audit-scotland.gov.uk/work/forwardwork.php?year=2014>.
 18. The Care Inspectorate and its partners will follow-up on its recent inspection and will revisit the authority area to assess and report on progress made in meeting the areas for improvement identified.
 19. Scheduled audit and inspection work will take place through the annual audit process. The ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively will continue as planned. Individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk.
 20. A timetable for the planned audit and inspection activity in Clackmannanshire Council between April 2014 and April 2015 is at [Appendix 1](#).

Local priorities and public service reform

21. Local councils are operating within a context of significant change as a result of the challenging financial environment and the public service reform agenda. The Scottish Government's reform agenda emphasises the importance of place, people, partnership, prevention and performance in public services. This year's shared risk assessment identified the council's current position in implementing the Scottish Government's reform agenda, specifically in relation to:
- community planning and new Single Outcome Agreements
 - police and fire oversight arrangements (following the introduction of new national police and fire services)
 - health and social care integration
 - welfare reform.

Community planning and Single Outcome Agreements

22. Clackmannanshire Council, with its Community Planning Partners in the Clackmannanshire Alliance, has developed a SOA. The LAN's view is that the new SOA is comprehensive and is based upon strong analysis of Clackmannanshire and the economic and social profile of the area, drawing upon both council and partner data. There are now two overarching key priority areas, economy and growth and community wellbeing, that relate closely to key challenges for the council and its partners. There are clear and detailed plans over both a three and ten year timescale. The LAN notes the need for the Clackmannanshire Alliance to focus more closely upon linking prevention activities to place based initiatives. This is specifically required for key priority groups such as older people and criminal offenders. There is a need to use commissioned key work to better understand communities to inform community profiles that inform delivery and joint plans for localities in response to specific need and inequalities. There is a need to reflect upon the role of the Alliance and its leadership role with a view to strengthening accountability of partners and their collective contribution to scrutiny and performance management and how the Partnership marshals' resources to improve services and deliver better outcomes for individuals and communities. This will better inform delivery and joint plans for localities in response to specific needs and inequalities.

Police and fire

23. In Clackmannanshire local scrutiny is conducted by a subcommittee of the Resources and Audit Committee. The committee has taken reports from both the police and fire services on several occasions since 1 April 2013. The reports are comprehensive and provide contextual information on police and fire service performance. HMICS conducted a thematic inspection of the new arrangements for local scrutiny in 2013 and believe that the new arrangements for

local scrutiny and engagement require more time to bed in and that it is therefore too early to assess the effectiveness of these arrangements.

24. In relation to the wider issue of the delivery of community safety, HMICS has seen no significant changes to partnership arrangements since the creation of a single police service model for Scotland. HMICS is considering community safety as a possible area of focus within its 2014-17 work plan.
25. Fire reform is also still at an early stage and HM Fire Service Inspectorate (HMFSI) has not as yet undertaken any detailed examination of the way in which community safety and engagement activities are delivered across local authority areas in Scotland. HMFSI published *An Overview of the Scottish Fire and Rescue Service (SFRS)* in 2013. In its report, HMFSI highlighted that local senior officers (LSOs), who have responsibility for overseeing partnership working with local authorities in the delivery of community safety and engagement, are clearly sighted on their responsibilities and are keen to make local partnerships work in an effort to optimise community outcomes.
26. The SFRS is consulting on a suite of local fire and rescue plans. HMFSI is not currently proposing any specific scrutiny on local planning and consultation processes, but may consider this in its future inspection plans.

Health and social care integration

27. The Public Bodies (Joint Working) (Scotland) Bill was introduced by the Scottish Government in May 2013. The Bill aims to ensure that the health and social care systems work together to improve outcomes for people by providing consistency in the quality of services, ensuring people are not unnecessarily delayed in hospital and maintaining independence by creating services that allow people to stay safely at home for longer. Arrangements for how services will be delivered are determined by councils and health boards based on what they believe is the best way to meet the care needs of their local populations.
28. Clackmannanshire Council, Stirling Council and NHS Forth Valley, are working together to agree a model framework for taking forward integration. There are regular, high level discussions between chief officers through the Joint Executive Group and also between elected members of both councils and NHS Board members through the joint Partnership Board. There is clear evidence of NHS Forth Valley, Stirling Council and Clackmannanshire Council working at an operational level to integrate services, for example, in mental health services. Although, at the time of writing, the councils and the health board had yet to agree formally an integration model to take forward health and social care reform, chief officers are confident that they will have formal arrangements in place by early summer to deliver integrated health and social care within the required timescales given the positive history of joint working between the agencies. The LAN has considered the council's public service reform arrangements and has concluded that the developments to date do present a significant risk of not achieving the implementation by April 2015. Whilst we plan no specific scrutiny response to this risk at this point in time, the LAN, through the external auditor and

through regular engagement with the chief executive, will continue to monitor Health and Social Care integration.

Welfare reform

29. Clackmannanshire Council's main response to welfare reform is being coordinated by the Welfare Reform Working Group. The council and community partners meet regularly and the latest board meeting was given a detailed briefing on welfare reforms. The council utilises a third sector interface officer to communicate with the voluntary sector, and community partners are represented on the corporate Welfare Reform Working Group. Work is ongoing throughout the council to develop strategies linked to the welfare reform, including a review of housing services and allocations policies and the introduction of a housing options advice service. The council has noted that rent arrears have increased significantly post 1 April 2013. In 2013-14, the SHR surveyed social landlords and published findings on the early impact of welfare reform on rent arrears. It will continue to gather information on rent and arrears through the annual return on the Scottish Social Housing Charter in order to monitor the impact of welfare reform on social landlords and their tenants. The LAN will monitor this area through 2014.

Corporate assessment

30. The following table provides an assessment of scrutiny risk relating to the council's management arrangements (including how it is meeting its Best Value obligations).⁴

Area	Risk assessment	Current position	What we plan to do
<p>Leadership and direction</p> <p>How the council's vision is designed around its knowledge of its local communities and how this is translated throughout all the council's plans and strategies.</p>	No scrutiny required	<p>Clackmannanshire Council has worked well with partners to develop the new SOA. The SOA is clearly supported by a strong underpinning knowledge of local communities. The two new priority areas demonstrate a clear focus on addressing key issues for the community, particularly around older people and in reducing offending. The SOA is increasingly linked to local plans and community profiles. Leadership from officers is strong and effective and almost all objectives in the previous SOA were met.</p> <p>It is too early to assess the impact of the recent re-design of the senior management structure in February 2014 with the loss of a head of service, an increased focus on directors' strategic roles and the creation of a new deputy chief executive function.</p> <p>Accordingly the LAN will seek to monitor this area through the work of the external auditor in 2014 with a view to reviewing progress and possible scrutiny for next year's AIP.</p>	No specific scrutiny activity

⁴ The Local Government in Scotland Act 2003. Best Value Guidance, Scottish Executive, 2004.

Area	Risk assessment	Current position	What we plan to do
<p>Governance and accountability</p> <p>Whether governance arrangements are working effectively and whether good governance underpins council decisions and supports performance improvement.</p>	No scrutiny required	There have been further improvements with regards to governance including the preparation of the Annual Governance Statement and operation of the council's decision-making and governance arrangements through council and service committees.	No specific scrutiny activity
<p>Community engagement and empowerment</p> <p>Whether the council is giving local people a greater say in local budget decisions and giving communities a right to challenge local public service delivery.</p>	No scrutiny required	There is a high level of focus on involving local communities in budget decisions. Officer budgetary proposals for the 2013-16 budget were published and opened for consultation with partners, staff and the constituents of Clackmannanshire. The council uses an effective variety of mediums including public meetings, press releases and social media to maximise engagement with constituents on proposals which would impact on models of service delivery. The work on 'Making Clackmannanshire Better' is still developing and the LAN will monitor this area in 2014.	No specific scrutiny activity
<p>Financial management</p> <p>How effectively the council is planning and</p>	No scrutiny required	Indicative budgets are in place for the next three years, which note that significant shortfalls are projected in future years. This is based on expected funding levels and increasing demand pressures in future years. As part of the budget approval process	No specific scrutiny activity

Area	Risk assessment	Current position	What we plan to do
managing its budgets.		<p>for 2013/14, it was agreed that work would commence using a policy led budget approach to reduce these shortfalls.</p> <p>Accordingly the LAN will seek to monitor this area through the work of the external auditor in 2014 with a view to reviewing progress and possible scrutiny for next year's AIP.</p>	
<p>People management</p> <p>The effectiveness of the council's workforce planning and management arrangements.</p>	No scrutiny required	<p>The outcomes for 'Making Clackmannanshire Better' could directly contribute to national outcomes but the LAN would wish to see more detail from the council on progress at this point in time.</p> <p>The council launched its new People Strategy in October 2013.</p> <p>The strategy has been drafted to underpin the vision and objectives of 'Making Clackmannanshire Better'. In supporting the programme its underlying principles are:</p> <ul style="list-style-type: none"> • Alignment • Communication • Customer Focus • Inclusion • Partnership • Sustainability <p>To ensure the council can deliver 'Making Clackmannanshire Better', the strategy's aims are centred around three elements:</p> <ul style="list-style-type: none"> • Make the organisation sustainable. • Make the workforce resilient. 	No specific scrutiny activity

Area	Risk assessment	Current position	What we plan to do
		<ul style="list-style-type: none"> Make the culture inclusive and positive. <p>A detailed action plan is being developed to support implementation of the People Strategy and this will be monitored by CMT. Supporting projects are also being progressed as part of Workstream 5: 'Making Clackmannanshire Better'.</p> <p>The LAN's view is that this work is at an early stage of development. Accordingly the LAN will seek to monitor this area through the work of the external auditor in 2014 with a view to reviewing progress for next year's AIP.</p>	
<p>Asset management The council's arrangements for managing assets and how this key resource is used to support effective service delivery.</p>	No scrutiny required	There have been no issues arising from asset management processes to date. The LAN notes that a new fixed asset system is being installed which should significantly improve the ability to manage assets. This is an integral part of 'Making Clackmannanshire Better' and there is a specific workstream with work already commenced in some areas, such as the school estate review. The LAN will monitor this area in 2014.	No specific scrutiny activity
<p>Procurement How effectively corporate procurement contributes to the council maximising value for money in the goods and services it</p>	No scrutiny required	The council recognises that performance on procurement is significantly below national averages and has identified this as an area for improvement in the Annual Governance Statement. The council has put in place a corporate officer network. This area will be monitored by the LAN in 2014 with a review of progress in the AIP of 2015. Audit Scotland is carrying out a national audit on procurement in local government and has published a report in	No specific scrutiny activity

Area	Risk assessment	Current position	What we plan to do
uses to deliver its services.		<p>April 2014. The council should consider the lessons learned and recommendations in that report.</p> <p>Accordingly the LAN will seek to monitor this area through the work of the external auditor in 2014 with a view to reviewing progress and possible scrutiny for next year's AIP.</p>	
<p>Risk management</p> <p>The effectiveness of the council's arrangements for identifying, managing and mitigating risks and how its management of risk contributes to the successful delivery of public services.</p>	No scrutiny required	<p>The LAN considered a number of management documents and the External Audit report. There is sufficient focus on identifying managing and mitigating risks. Of the nine areas identified as significant risks, none were found to be of concern and the council is managing the risks acceptably.</p> <p>The council should consider the risks associated with Health and Social Care integration, particularly as sharing information is key to successful integration. The LAN will monitor this area closely and this area will feature in the work of the External Auditor, with a view to potential scrutiny in 2015.</p>	No specific scrutiny activity
<p>Information management</p> <p>The effectiveness of the council's arrangements for managing information as a key resource in delivering</p>	No scrutiny required	<p>Clackmannanshire Council does not meet the requirements of the Public Records (Scotland) Act 2011 (PRSA). Significant gaps exist between what the Act requires and the arrangements the council currently has in place. There are examples of good document management and information governance practices and processes being demonstrated by council services on a daily basis. However these practices tend to be restricted to a specific service and are not replicated corporately.</p>	No specific scrutiny activity

Area	Risk assessment	Current position	What we plan to do
services.		<p>The Governance Service and Senior Management have recognised this and are in the process of drafting a scope for a project to start addressing issues such as:</p> <ul style="list-style-type: none"> nominating a senior manager to be responsible for the overall strategic management of records appointing a suitably qualified and skilled officer with specific operational responsibility for records management rolling out the agreed records management policy implementing a corporate document disposal/destruction policy agreeing a corporate policy on document archiving and transfer developing a vital records list for inclusion in business plans ensuring adequate secure filing and storage of physical records. <p>The council should consider the risks associated with Health and Social Care integration, particularly as sharing and managing information is key to successful integration. The LAN will monitor this area closely and this area will feature in the work of the External Auditor, with a view to potential scrutiny in 2015.</p>	

Area	Risk assessment	Current position	What we plan to do
<p>Joint working</p> <p>Progress with any significant shared services initiatives, in particular in relation to governance or pace of implementation.</p>	<p>Scrutiny required</p>	<p>Clackmannanshire and Stirling councils evaluated the ongoing implementation of the shared service arrangements across education and social services in a 'taking stock' exercise. As a consequence of the most recent review each council reaffirmed its commitment to shared service arrangements. Both councils agreed to establish a Strategic Partnership Agreement (SPA) and commissioned a review of managerial, partnership and political governance arrangements. The review established the principle that business cases for further and deeper integration across the operation of shared services should be prepared and committed both education and social services to the preparation of service delivery strategies. The risks associated with shared educational and social work services will be monitored through Education Scotland and Care Inspectorate links and external audit.</p> <p>The Care Inspectorate led a Joint Inspection of Services for Children in the Clackmannanshire CPP early in 2014 found that:</p> <ul style="list-style-type: none"> • Significant developments have taken place over the last few years in the key services that support children, young people and their families. • Staff across all services are highly committed to improving the lives of children, young people and families and overall this is making a positive impact on children and young people in Clackmannanshire. 	<p>Joint validated self-evaluation event in 2014.</p> <p>Care Inspectorate with other bodies will revisit to assess and report on progress in 2015/16.</p>

Area	Risk assessment	Current position	What we plan to do
		<ul style="list-style-type: none"> • There are still important weaknesses in processes to assess risks and needs which need to be improved as a matter of priority • Leaders across the partnership now need to articulate a shared, coherent vision and accelerate strategic planning for the integration of services for children and young people and increase the capacity for improvement to deliver planned changes at the pace needed to improve outcomes for children, young people and families. 	
<p>Efficiency How effectively the council is improving its efficiency in response to the budget challenges being faced.</p>	No scrutiny required	<p>The budgetary pressures from a challenging financial climate continue to present challenges. Consideration is being given to a new model and transformation programme that will consider the services that are delivered by the council and other bodies and work out whether services need to be delivered, who is best placed to deliver them, and in what form. The council is still to agree a financial savings target for the programme but this is due to be set shortly. The transformation programme is at an early stage but is seen by the council as a key enabler in achieving the required savings over the next five years.</p> <p>Accordingly the LAN will seek to monitor this area through the work of the external auditor in 2014 with a view to reviewing progress and possible scrutiny for next year's AIP.</p>	No specific scrutiny activity

Area	Risk assessment	Current position	What we plan to do
<p>Equalities</p> <p>Whether the council is providing effective leadership of equalities and is meeting its statutory obligations.</p>	<p>No scrutiny required</p>	<p>The LAN considered a range of documentary evidence on this area. The council is fully committed to equality of opportunity in relation to the planning and provision of goods and services. Its performance against key performance measures is better than national averages.</p> <p>The council published Mainstreaming Equality and Diversity in Clackmannanshire Council in May 2013. Clackmannanshire Council has established and deployed a number of initiatives which support delivery of the equalities act. These include:</p> <ul style="list-style-type: none"> • Competency Framework which demonstrates commitment to behavioural competencies that support delivery of equalities policies. • Development of an Equality and Diversity module on E-Learning systems to raise awareness and knowledge of employees. This forms part of the employee induction process. <p>Revised Equality Impact Assessment Toolkit which provides a simplified process for carrying out EQIAs. A checklist for ensuring EQIAs are carried out on council strategies and policies. This is monitored through council reporting protocols.</p> <p>Implementation of a new integrated HR and payroll system which enables analysis of employee information including occupational segregation by role and by grade.</p> <p>The council demonstrates its commitment to encouraging the</p>	<p>No specific scrutiny activity</p>

Area	Risk assessment	Current position	What we plan to do
		<p>recruitment of people with disabilities through its adoption of the "Two Ticks" scheme which guarantees an interview for all applicants with a disability who meet the essential criteria on a person specification and thereafter to consider them on their abilities.</p> <p>The council has well established procedures for dealing with harassment issues within the workforce and also has staff trained in mediation.</p>	

Service performance

31. The following table provides an assessment of scrutiny risk relating to the performance of the council's main inspected public services (education, social care services and housing) and non-inspected services (eg corporate services, culture and leisure services, environmental services).

Area	Risk assessment	Current position	What we plan to do
Education The quality of local education services and the resulting outcomes (including early years).	No scrutiny required	Three year average data for all National Performance Framework attainment targets at levels three to six continue to show improvement in young people's attainment in national examinations. The figures for young people leaving school with awards in English and maths at level three, and for the percentage of young people achieving five or more awards at level three are above the national figure. Those who achieve five or more awards at level four is in line with the national figure. All other measures are below the national figure. Around half of young people leave school with five or more level five awards. However the majority of young people do not achieve three or more Highers. Post school positive destinations continue to be lower than the national and in comparator authorities. Exclusions in primary schools have reduced but exclusions in secondary schools remain a cause for concern.	This area will be the focus of a validated self-evaluation (VSE). Areas for support and challenge in 2014-15 arising from the VSE will be identified in the Education Scotland Partnership Agreement with Clackmannanshire Council.
Social care services The quality of local social work and care services	Scrutiny required	The Care Inspectorate led a joint inspection of services for children in Clackmannanshire CPP early 2014. These inspections take account of the full range of work within CPP areas including services provided by	Care Inspectorate with other bodies will revisit to assess and

Area	Risk assessment	Current position	What we plan to do
<p>and the resulting outcomes (including adult care, older peoples services, learning disability services, criminal justice services, mental health services, children and families).</p>		<p>health visitors, school nurses, teachers, doctors, social workers, police officers and the voluntary sector. Therefore, the findings from this inspection are covered within joint working.</p> <p>Adult care and older people services: Performance indicators within older people services show that Clackmannanshire is consistently supporting more people at home with higher care needs and are performing slightly better than the Scotland figures.</p> <p>Criminal justice: The Care Inspectorate, in partnership with the Association of Directors of Social Work and the Risk Management Authority, has been undertaking supported self-evaluation activity to assess the initial impact of the introduction of the assessment and case planning instrument LS/CMI across Scotland's criminal justice social work services. (The Level of Service/Case Management Inventory is the main current tool in Scotland for assessing the likelihood of further offending based on risk/needs and planning intervention for adult offenders). This activity started in June 2013 and will conclude with the publication of a national report by May 2014. Action plans arising from this activity will be implemented in 2014.</p> <p>Regulated services: Regulated services published grades as at 31 October 2013 show that overall grades for services provided by Clackmannanshire were of four or above</p> <p>Fostering and adoption: The fostering and adoption inspections took place in summer 2013. Evaluation for both services showed</p>	<p>report on progress in 2015/16.</p>

Area	Risk assessment	Current position	What we plan to do
		deterioration from the previous year. The service continues to be adversely affected by numerous management changes and the lack of progress in the development of a shared Fostering and Adoption service with Stirling Council.	
Housing and homelessness The quality of housing and homeless services and the resulting outcomes.	No scrutiny required	The council has identified the main issues facing them with regards to homelessness applications and action plans are in place and are being monitored by SHR. The council's performance was better than the national average with regards to the amount of rent arrears owed in 2012/13 (5.4% compared to 6.8% nationally). The council is well ahead of the national average for properties that meet the Scottish Housing Quality Standard. The LAN does not have any immediate concerns with regards to the council's performance in any areas of housing and homelessness. An on-site examination of the council's systems and progress was conducted in March 2014 by SHR. This found the council's data gathering and systems were robust and the reported progress against the Scottish Housing Quality Standard was reliable. As a result, no further engagement is proposed. The LAN will monitor the council's performance during 2014/15 with regards to its plans to improve its homelessness service and on rent arrears. This monitoring will be fed into the shared risk assessment process for the AIP in 2015.	No specific scrutiny activity
Non-regulated services Particular strengths and challenges in the range of non-regulated services	No scrutiny required	Of the seven main areas, the council performs well, with performance levels that are slightly above average or in line with national averages. The main areas of concern where SPI performance is lower than average relates to roads maintenance. There are regular reports to	No specific scrutiny activity

Area	Risk assessment	Current position	What we plan to do
provided by the council, and any significant changes to performance.		councillors on performance.	

Improving and transforming public services/public performance reporting

32. The following table provides an assessment of scrutiny risk relating to how the council is improving and/or transforming public services, and the extent to which it is meeting its public performance reporting obligations under the Local Government in Scotland Act 2003.

Area	Risk assessment	Current position	What we plan to do
<p>Improving and transforming public services</p> <p>The council's arrangements for continuing to deliver services with reducing resources and growing demand, and what impact this is having on service outcomes.</p>	No scrutiny required	<p>The context for transforming council services is clearly set out in the SOA, which demonstrates a clear understanding of the financial challenges and demographic demands. The council have also set the policy and planning to take account of reducing resources.</p> <p>The council is continuing to develop its approaches to Shared Services with Stirling Council on Education and Children's Services. The LAN's view progress on these areas will be addressed through inspection and validated self-evaluation activities during 2014.</p> <p>The 'Making Clackmannanshire Better' transformation programme is seen as the major enabler of improved services and outcomes for citizens but is also key to the council achieving the required budget savings over the next three years. In addition the programme will impact on all council services.</p> <p>It is therefore essential that the appropriate best in class transformation and change management approach is applied to ensure the objectives of the programme are delivered. Appropriate change management capacity</p>	No specific scrutiny activity

Area	Risk assessment	Current position	What we plan to do
		<p>and capability will be essential.</p> <p>The LAN's view is that it is too early to assess the impact of this work. It will be a focus of the External Auditor's work in 2014.</p> <p>Progress and monitoring:</p> <p>2012/13 End of Year Key Performance Indicator Report (report to council June 2013)</p> <p>Overall:</p> <p>42.2% of Indicators improving</p> <p>6.7% of Indicators remaining consistent</p> <p>43.8% of Indicators declining</p> <p>7.8% of Indicators not known at time of reporting</p> <p>Analysis of the areas where performance has declined shows that the bulk of decline has been in Housing and Corporate Services.</p> <p>Quartile performance</p> <p>40% of Indicators are in the top quartile (static from last year but increasing trend)</p> <p>29.1% are in the 2nd quartile (static from last year, mixed trend)</p> <p>23.6% are in the 3rd quartile (static from last year, mixed trend)</p> <p>7.3% are in the bottom quartile (static from last year, mixed trend).</p>	

Area	Risk assessment	Current position	What we plan to do
		The LAN will monitor this area in 2014 through the work of the external auditor.	
<p>Public performance reporting (PPR)</p> <p>The progress that is being made by councils in meeting their PPR obligations.</p>	No scrutiny required	<p>The council has improved its performance in respect of Statutory Performance Indicators and was ranked second out of 32 councils.</p> <p>The assessment of PPR councils' arrangements for meeting reporting requirements for SPI1 & 2 found the council was:</p> <p>SPI1: Fully meeting 2 areas (employees, sustainable devpt.), partially meeting 3 areas (responsiveness to its communities, procurement, equalities & diversity), not meeting 1 area (assets).</p> <p>SPI2: Fully meeting 3 areas (benefits administration, protective services, waste mgt.), partially meeting 8 areas (community care, criminal justice social work, cultural & community services, planning, education of children, child protection & children's social work, housing & homelessness, roads & lighting), not meeting 0 area.</p> <p>The LAN has considered the council's arrangement for collecting, recording and publishing accurate and complete information and identified no significant issues.</p>	No specific scrutiny activity

Appendix 1: Scrutiny plan

CLACKMANNANSHIRE COUNCIL 2014/15												
Scrutiny activity year 1	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Education Scotland - review of Careers Information Advice and Guidance							x					
Audit Scotland: housing benefit risk assessment (end of 2014/15 - timing TBC)												
National or supported self-evaluation work year 1												
Audit Scotland: Targeted follow-up of Arms length external organisations (ALEOs)		x										
Audit Scotland: Targeted follow-up of <i>Major capital investment in councils</i>			x									
Education Scotland: Validated self-evaluation of shared services in education across Clackmannanshire and Stirling councils			x									

Note: The focus of the AIP is strategic scrutiny activity - that is, scrutiny activity which is focused at a corporate or whole-service level. However, there will also be baseline scrutiny activity ongoing at a unit level throughout the period of the AIP, for example, school and residential home inspections. Scrutiny bodies also reserve the right to make unannounced scrutiny visits. These will generally be made in relation to care services for vulnerable client groups. The annual audit of local government also comprises part of the baseline activity for all councils and this includes work necessary to complete the audit of housing

benefit and council tax benefit arrangements. Education Scotland, through the Area Lead Officer and Local Partnership Agreement, will continue to support and challenge education services regularly and as appropriate. The Care Inspectorate will continue to regulate care services and inspect social work services in accordance their responsibilities under the Public Services Reform (Scotland) Act 2010.
