



**Clackmannanshire
Council**

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Greenfield, Alloa, Scotland, FK10 2AD (Tel.01259-450000)

Resources and Audit Committee

Thursday 1 May 2014 at 10.00 am

Venue: Council Chamber, Greenfield, Alloa, FK10 2AD

Date	Time
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RESOURCES AND AUDIT COMMITTEE

Resources

- scrutiny of corporate budgets, financial performance and asset management
- scrutiny of decision-making of other Standing Committees and the Council, with the ability to call in decisions (inc Council)
- initiate or undertake scrutiny reviews
- monitor the performance of the organisation against agreed outcomes, standards and targets
- scrutiny of community planning and its effectiveness
- monitoring of service and financial performance of Finance & Corporate Services
- oversee the development and implementation of frameworks for managing Council resources and the development and application of the Council's governance framework
- ensure systematic appraisal of the Council's control environment and framework of internal control, particularly via monitoring and review of the Annual Governance Statement

Audit

Receive the following reports and accompanying analysis:

- external audit reports and action plans resulting from such
- internal audit update reports and action plans resulting from such
- internal audit results of investigations
- Annual Statement of Accounts

Consider and monitor the operational and strategic internal audit plans and reviewing internal audit performance.

Monitor and review actions taken on internal and external audit recommendations.

Promote internal control by the systematic appraisal of risk management processes, including corporate risk strategy and risk management procedure.

23 April 2014

A MEETING of the RESOURCES AND AUDIT COMMITTEE will be held within the Council Chamber, Greenfield, Alloa, FK10 2AD, on THURSDAY 1 MAY 2014 at 10.00 am.

NIKKI BRIDLE
Director of Finance & Corporate Services

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RESOURCES AND AUDIT COMMITTEE – MEMBERS (Committee Quorum 4)

Councillors

Wards

Councillor	Archie Drummond	(Convenor)	2	Clackmannanshire North	INDP
Councillor	Donald Balsillie		2	Clackmannanshire North	SNP
Councillor	Janet Cadenhead		4	Clackmannanshire South	LAB
Councillor	Craig Holden		4	Clackmannanshire South	SNP
Councillor	Kathleen Martin		5	Clackmannanshire East	LAB
Councillor	Bobby McGill		2	Clackmannanshire North	LAB
Councillor	Jim Stalker		1	Clackmannanshire West	LAB
Councillor	Gary Womersley		3	Clackmannanshire Central	SNP



MINUTES OF MEETING of the RESOURCES AND AUDIT COMMITTEE held within the Council Chamber, Greenfield, Alloa, FK10 2AD, on TUESDAY 11 MARCH 2014 at 10.00 am.

PRESENT

Councillor Archie Drummond, Convenor (In the Chair)
Councillor Donald Balsillie
Councillor Ellen Forson (S)
Councillor Kathleen Martin
Councillor Bobby McGill
Councillor Jim Stalker
Councillor Graham Watt (S)
Councillor Gary Womersley

IN ATTENDANCE

Nikki Bridle, Director of Finance and Corporate Services
David Thomson, Solicitor, Legal Services (Clerk to the Committee)
Stuart Crickmar, Head of Strategy and Customer Services
Ahsan Khan, Head of Housing and Community Safety
Julie Burnett, Support Services Manager
Iain Burns, Team Leader, Internal Audit
Liz Shaw, Chief Accountant
Brian Forbes, Customer Services Manager
Lindsay Todd, District Registrar
Lindsay Robertson, Audit and Assurance Manager, Deloitte. (Agenda Item 04)
Pat Kenny, Advisory Director, Deloitte. (Agenda Item 04)

RA.79 APOLOGIES

Apologies for absence were received from Councillor Cadenhead and Councillor Holden. Councillor Graham Watt attended as substitute for Councillor Cadenhead and Councillor Forson attended as substitute for Councillor Holden.

RA.80 DECLARATIONS OF INTEREST

None.

RA.81 MINUTES OF MEETINGS:

(i) RESOURCES AND AUDIT COMMITTEE - 5 DECEMBER 2013

The minutes of the meeting of the Resources and Audit Committee held on Thursday 5 December 2013 were submitted for approval.

Decision

The minutes of the meeting of the Resources and Audit Committee held on Thursday 5 December 2013 were agreed as a correct record and signed by the Convenor.

(ii) RESOURCES AND AUDIT SUB-COMMITTEE - 10 DECEMBER 2013

The minutes of the meeting of the Resources and Audit Sub-Committee held on Tuesday 10 December 2013 were submitted for approval.

Decision

The minutes of the meeting of the Resources and Audit Sub-Committee held on Tuesday 10 December 2013 were agreed as a correct record and signed by the Convenor.

RA.82 EXTERNAL AUDIT: PLANNING REPORT 2013/14

A report which set out the planned external audit activity during 2014/15 in respect of the audit of the financial year 2013/14 was submitted by the Council's external auditors, Deloitte.

The Committee heard from Mr Pat Kenny, Advisory Director, and Mr Lindsay Robertson, Audit and Assurance Manager, Deloitte, and had opportunity to put questions to Mr Kenny and Mr Robertson.

Motion

That Committee agrees the recommendations set out at paragraph 2.1 of the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

Decision

Having discussed the proposed external audit plan for financial year 2013/14 the Committee agreed unanimously to note the report.

RA.83 INTERNAL AUDIT AND FRAUD PROGRESS REPORT

A report which provided an update on work completed from the Internal Audit and Fraud Annual Plan 2013/14 was submitted by the Internal Audit and Fraud Team Leader.

The report also provided an update on the progress of implementation of recommendations to 31 December 2013 by officers from previous Internal Audit reports.

Motion

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Gary Womersley.

Decision

Having commented on and challenged the report and progress made on the Internal Audit and Fraud Annual Plan 2013/14, the Committee agreed to note the information set out in the report.

RA.84 CLACKMANNANSHIRE COUNCIL INTERNAL AUDIT AND FRAUD ANNUAL PLAN 2014/15

A report which presented the Clackmannanshire Council Internal and Audit Fraud Annual Plan 2014/15 was submitted by the Internal Audit and Fraud Team Leader.

Motion

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Ellen Forson.

Decision

The Committee agreed unanimously to approve the Annual Internal Audit and Fraud Annual Plan 2014/15, subject to it being submitted to Council for approval.

Action

Internal Audit and Fraud Team Leader

RA.85 COUNCIL FINANCIAL PERFORMANCE 2013/14

A report which provided the Committee with an update on the financial performance of the Council to date in respect of both revenue and capital spend for the current financial year 2013/14 was submitted by the Chief Accountant. Projected outturns up to March 2014 are also set out in the report.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Gary Womersley.

Decision

Having commented on and challenged the report, the Committee agreed unanimously to note:

- (i) the forecast general fund revenue overspend for the year of £0.251m.
- (ii) the progress on delivering the planned savings in the year.
- (iii) the overspend of £0.621m forecast on the Housing Revenue Account.
- (iv) the underspend on General Services capital of £6.673m of which £2.672m are savings in delivery of programme with remainder carried forward to 2014/15.
- (v) the underspend on HRA capital of £1.150m of which £0.371m are savings in delivery of programme with remainder carried forward to 2014/15.

RA.86 REGISTRATION SERVICES - ANNUAL STATISTICAL REVIEW FOR 2013

A report which provided the Committee with an annual review of service activity within Registration Services was submitted by the Customer Services Manager.

Motion

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Ellen Forson.

Decision

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

The Convenor congratulated staff on their standard of performance throughout 2013.

RA.87 RESOURCES AND AUDIT IMPROVEMENT PLAN

A report which outlined an Improvement Plan for 1 April 2014 to 31 March 2015 was submitted by the Head of Strategy and Customer Services.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Ellen Forson.

Decision

Having commented on and challenged the draft Performance Management guide, the Committee agreed unanimously that a scrutiny improvement and development workshop should be arranged before the next Committee in May 2014 for all elected members.

Action

Head of Strategy and Customer Services

RA.88 RESOURCES AND AUDIT FORWARD PLAN

A report which presented a forward plan for Resources and Audit Committee for the year 1 April to 31 March 2015 was presented by the Head of Strategy and Customer Services.

Motion

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

Decision

Having commented on and challenged the report, the Committee agreed the forward plan for 2014/15 as set out at Appendix 1, subject to it being submitted to Council for approval.

Action

Head of Strategy and Customer Services

**RA.89 STRATEGY AND CUSTOMER SERVICES PERFORMANCE AND
FINANCE REPORT**

A report which updated Committee on the performance and finance position for Strategy and Customer Services for the third Quarter of 2013/14 was submitted by the Head of Strategy and Customer Services. The performance element of the report related to the service's Business Plan for 2013/14.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

Decision

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

**RA.90 SUPPORT SERVICES PERFORMANCE AND FINANCE REPORT 1.9.13 -
31.12.13**

A report which highlighted service activity, achievements and performance between September and December 2013 was submitted by the Senior Support Services Manager. The report also includes financial performance with the aim of providing a complete overview of performance for quarter three.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Gary Womersley.

Decision

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

* * * * *

The Convenor, on behalf of the Committee, thanked David Thomson as Clerk to the Resources and Audit Committee and wished him all the best in his retirement as this was the last meeting that he would clerk.

Councillors Womersley, McGill and Watt, also passed on their good wishes for his retirement, thanking him for his advice and support over the years.

ENDS 11:45 am



MINUTES OF MEETING of the RESOURCES AND AUDIT SUB COMMITTEE held within the Council Chamber, Greenfield, Alloa, FK10 2AD, on WEDNESDAY 19 FEBRUARY 2014 at 10.00 am.

PRESENT

Councillor Archie Drummond, Convenor (In the Chair)
Councillor Gary Womersley
Councillor Donald Balsillie (S)
Councillor Jim Stalker (From Item 5)

IN ATTENDANCE

Cherie-Ann Jarvie, Service Manager, Strategy and Performance
David Thomson, Solicitor, Legal Services (Clerk to the Committee)
Chief Superintendent David Flynn, Divisional Commander, Police Scotland
Chief Inspector Stephen Sneddon, Area Commander, Police Scotland
Jim Cattanach, Divisional Business Assurance Officer, Police Scotland
LSO Kenny Rogers, Stirling and Clackmannanshire, Scottish Fire and Rescue Service
Gordon Pryde, Stirling and Clackmannanshire, Scottish Fire and Rescue Service

Before the start of business, the Convenor advised that three additional papers had been provided for the meeting, copies of which had been made available to Members. The Convenor advised that "The Proposed Changes to the Policing Model Across Forth Valley" is to be taken as an appendix to Item 5 on the Agenda - Police Performance Report for Clackmannanshire Quarter 3 2013/14. There is also a copy of a letter from the Convenor to Chief Inspector Stephen Sneddon for information which has resulted in the production of a report "Forth Valley Closed Circuit Television Partnership. In term of Standing Orders 11.5 the Convenor intimated that the report would be considered at today's meeting as he was satisfied that it was a matter of urgency which should be dealt with before the next meeting of the Sub Committee.

R&ASC.17 APOLOGIES

Apologies for absence were received from Councillor Craig Holden and Councillor Bobby McGill. Councillor Balsillie attended as substitute for Councillor Holden.

R&ASC.18 DECLARATIONS OF INTEREST

None.

**R&ASC.19 MINUTES OF MEETING: RESOURCES AND AUDIT SUB COMMITTEE 10
DECEMBER 2013**

The minutes of the meeting of the Resources and Audit Sub Committee held on 10 December 2013 were submitted for approval.

The minutes of the meeting of the Resources and Audit Sub Committee held on 10 December 2013 were agreed as a correct record and signed by the Convenor.

R&ASC.20 FIRE PERFORMANCE REPORT - QUARTER THREE 2013/14

A report which provided the Sub Committee with the quarter three performance of the Scottish Fire and Rescue Service (SFRS) in Clackmannanshire was submitted by the Local Senior Officer (LSO) for Clackmannanshire and Stirling. The report was based on performance against objectives and targets set out in the interim Local Fire Plan for Clackmannanshire 2013/14.

The LSO advised a change on Page 15 of the Covalent report (reference number SAP FIR 01a) - the number of accidental dwelling fires in Quarter 3 should be 5, not 4 as noted in the report.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Gary Womersley.

Decision

Having commented on and challenged the report as appropriate, the Sub Committee agreed to note the information set out in the report for quarter three performance of the SFRS in Clackmannanshire.

Councillor Stalker joined the meeting at this point in the proceedings.

R&ASC.21 POLICE PERFORMANCE REPORT FOR CLACKMANNANSHIRE - QUARTER THREE 2013/14

A report which provided the Sub Committee with the quarter three performance of Police Scotland in the Clackmannanshire local authority area was submitted by the Local Police Commander (LPC). The report was based on performance against the Local Policing Plan (LPP) for Clackmannanshire and identified emerging trends.

The LPC also submitted an additional appendix, which set out the proposed changes to the Policing Model across Forth Valley.

The Sub Committee heard a presentation on Policing Clackmannanshire (April-December 2013) from Chief Superintendent David Flynn, Divisional Commander, Police Scotland, and had opportunity to put questions to Chief Superintendent Flynn.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

Decision

Having commented on and challenged the report as appropriate, the Sub Committee agreed to note the information set out in the report for quarter three performance of Police Scotland in the Clackmannanshire local authority area.

R&ASC.22 FORTH VALLEY CLOSED CIRCUIT TELEVISION PARTNERSHIP

A report which provided the Sub Committee with information about the operation and outcomes of the Forth Valley CCTV Partnership in respect of Clackmannanshire was submitted by the Local Police Commander (LPC).

In term of Standing Orders 11.5 the Convenor intimated that the report would be considered at today's meeting as he was satisfied that it was a matter of urgency which should be dealt with before the next meeting of the Sub Committee.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Gary Womersley.

Decision

Having commented on and challenged the report as appropriate, the Sub Committee agreed to note the information set out in Forth Valley Closed Circuit Television Partnership report.

ENDS 11.55 am

Report to Resources and Audit Committee

Date of Meeting: 1 May 2014

Subject: Annual Report 2013/14: Funding to Voluntary Organisations

Report by: Strategy and Performance Manager

1.0 Purpose

- 1.1. The purpose of this report is to provide committee with an overview of funding to voluntary organisations during 2013/14.

2.0 Recommendations

- 2.1. It is recommended that committee note, challenge and comment on the report.

3.0 Considerations

- 3.1. The Council is required to demonstrate best value and comply with procurement legislation when employing third parties to supply the Council with goods and services. The Accounts Commission publication, *ALEOS: are you getting it right?* Sets out good practice arrangements and expectations with regard to the management and monitoring of funding to voluntary organisations (attached at Appendix 1). Whilst Clackmannanshire Council do not operate any ALEO's as such, there is an clear expectation that the same good practice principles set out in the guidance apply to any third party the Council funds, including voluntary organisations.
- 3.2. Following an internal audit report in August 2012, a number of recommendations were made to ensure sound management of voluntary organisations supplying the Council with goods and services.
- 3.3. A number of improvements have been made in the way that the Council manages funding to voluntary organisations over the past year. Among these have been revision of the Council's code of practice for Funding External Bodies; a common Service Level Agreement template to be used across the Council; a central register of all voluntary organisations funded by the Council and clear description of roles for monitoring officers.
- 3.4. Whilst improved processes and increased managerial oversight has strengthened our overall framework, which includes ensuring that all

arrangements have an up to date SLA, there remains considerable scope for improvement.

- 3.5. A key area is the quality of SLAs. If these funding arrangements are to improve outcomes, then SLAs must be developed in a way that is outcome-focused. An independent report by ODS Consulting indicated that too many of our SLAs are concerned with inputs or process, which does not necessarily drive the changes that we need, indeed, inadvertently, they may preserve the status quo or inhibit sustainability.
- 3.6. The report also highlighted that the quality of monitoring remains inconsistent across services despite considerable efforts over the past year.
- 3.7. To address these issues further, a programme of mandatory training is now being scheduled for all monitoring officers which will focus on the role of monitoring officers in managing Service Level Agreements and on effectively monitoring outcomes. This training will be delivered in April 2014. We are also exploring training for a number of organisation we fund, particularly those who were rated 'B' in the recent review.
- 3.8. In their report, *ALEOs: are you getting it right?* the Accounts Commission say: *"Councils must have clear reasons for using ALEOs. They must understand the impact on people who use services. Clear roles and responsibilities and effective monitoring are essential"*. Many of our funding arrangements are long-standing; the reasons for funding sometimes historic with the rationale lost in the midst of time or previous policy priorities. In some cases, it was not even clear whether councillors had approved the funding arrangement.
- 3.9. The recent review of funding to voluntary organisations, and incorporation in the 2014/15 budget process, has enabled Council to determine which organisations it funds and why, firmly in line with Accounts Commission guidance.
- 3.10. It is worth noting that the Chief Executive recently received a letter from the Chair of the Accounts Commission reminding the Council of its duties and responsibilities following failure in a particular ALEO that Highland Council had involvement with, which had serious financial consequences as a result of weak governance. We were firmly reminded of the need for robust governance and accountability arrangements, sound risk management, full assessments of skills requirements and rigorous option appraisals for initiatives that councils provide through ALEOs.
- 3.11. A recent internal audit follow up report on our management of ALEOs has been completed, providing further assurance to Committee on progress made, and ongoing areas for improvement. It is also worth noting that the effective management of ALEOs is attracting significant attention at a national level. As a result, further internal and external audits feature in Clackmannanshire Council's audit plans for 2014/15..

Register of Organisations Funded in 13/14

- 3.12. The table below summarises organisations funded in 2013/14 and the level of funding provided. Total funding provided to voluntary organisations amounted to £1.97 million in 13/14 (including ring fenced Criminal Justice Projects).

Project Name	Service	Funding 2013/14
Play Alloa	Education	£18,018
Clackmannanshire Primary Schools Sports Association	Education	£488
Clackmannanshire Sports Council	Education	£6,923
Clackmannanshire Secondary Schools Sports Association	Education	£488
Total Education		£25,917
Clackmannanshire Citizens Advice Bureau	Housing	£128,700
Open Secret	Housing	£16,433
Soup Pot	Housing	£2,925
WISH (Women in Sport and Health)	Housing	£19,500
Action for Children PATH	Housing	£341,091
Clackmannanshire Women's Aid	Housing	£157,248
Total Housing		£665,897
Barnardo's Services for Young Offenders	Criminal Justice	£19,000
SACRO (Safeguarding Communities Reducing Offending)	Criminal Justice	£22,000
APEX Trust Scotland	Criminal Justice	£44,000
Total Criminal Justice (through Scottish Government)		£85,000
Central Carers Association	Social Services	£58,188
People First (Clackmannanshire)	Social Services	£22,172
Addictions Support and Counselling	Social Services	£8,640
Community House	Social Services	£38,180
Candies Cuisine	Social Services	£29,328
Barnardo's (Freagarrach)	Social Services	£45,000
Homestart	Social Services	£76,889
Action for Children (Tayvalla)	Social Services	£93,410
Action for Children (Tullybody Families)	Social Services	£160,875
Who Cares?	Social Services	£7,630
Total Social Services		£540,312
SAMH	Partnership – Integrated Mental Health Service	£159,800
Reachout with Arts in Mind	Partnership – Integrated Mental Health Service	£47,200
Clackmannanshire Healthier Lives	Partnership – Integrated Mental Health Service	£191,770
Total Integrated Mental Health Service		£398,770
Central Scotland Rape Crisis and Sexual Abuse Centre	S&CS	£14,320
Central Scotland Regional Equality Council	S&CS	£7,722
Hawkhill Community Association	S&CS	£36,013
Cafe Society	S&CS	£21,996
Sauchie Active 8	S&CS	£34,827

Project Name	Service	Funding 2013/14
Artist in Residence Project	S&CS	£4,780
Arts Forum	S&CS	£3,958
OAP Associations	S&CS	£3,000
Total Strategy and Customer Services		£126,616
Ochil Leisure Enterprises	Community Regeneration	£75,000
CMEE (Community Maintenance and Environmental Enterprise)	Community Regeneration	£40,050
Funded Halls and Trusts	Community Regeneration	£14,625
Total Community Regeneration		£129,675

4.0 Sustainability Implications

4.1. There are no direct sustainability implications arising from this report.

5.0 Resource Implications

5.1. *Financial Details*

5.2. There are no financial implications arising from this report.

5.3. *Staffing*

5.4. There are no staffing implications arising from this report.

6.0 Exempt Reports

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

7.0 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)

Contract Standing Orders

8.0 Equalities Impact

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

Yes No N/A

9.0 Legality

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

10.0 Appendices

10.1 Appendix 1: *ALEOS: are you getting it right?* Accounts Commission

11.0 Background Papers



11.1 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

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Cherie Jarvie	Strategy and Performance Manager	2365

Approved by

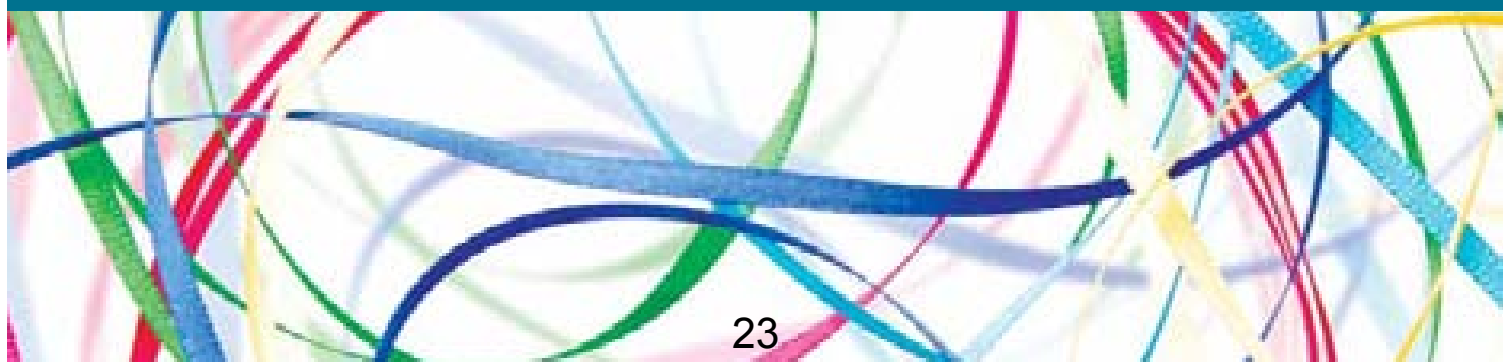
NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Head of Strategy and Customer Services	
Nikki Bridle	Director of Finance and Corporate Services	

How councils work:
an improvement series for councillors and officers

Arm's-length external organisations (ALEOs): are you getting it right?



Prepared for the Accounts Commission
June 2011



The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requires local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

Decisions to use ALEOs should be based on an options appraisal and sound business case

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Sound governance is needed from the outset

Conditions attached to the use of public funds should be clear

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Clarity on roles and responsibilities is vital

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Performance monitoring should be clear from the start, risk-based and proportionate

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The principles of Best Value apply equally to ALEOs, and need to be maintained

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Councillors and officers require ongoing advice and training

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About our 'how councils work' series

The Accounts Commission seeks to support improvement in best value and resource management, recognising these as two key components vital to the successful delivery of council services.

The purpose of the 'how councils work' series of reports is to stimulate change and improve performance. We select topics based on the recurring themes and issues from our Best Value audit work, the work of local auditors and our annual overview report. We draw mainly on our existing audit work but supplement it with new audit work and other information.

This is the second report in the series. The first report examined roles, responsibilities and working relationships of elected members and council officers in achieving best value.



What have auditors found?

These boxes appear throughout this report and represent case studies from individual councils. They have been drawn from Audit Scotland audit reports. They are not key findings for all councils.

Introduction



ALEOs are arm's-length external organisations that can be used by councils to deliver services.

- 1.** Increasing budget pressures and service demands present risks and challenges to councils and the services they provide. This requires councils and councillors to review their services and consider options that may better meet the needs of service users and citizens, and offer improved value for money.
- 2.** One option may be to set up and fund an arm's-length external organisation (ALEO). Currently, councils use ALEOs to deliver a wide range of activities such as leisure services, economic development and property maintenance.
- 3.** ALEOs may offer an alternative to more traditional 'in-house' or contract-based service delivery and usually take the form of companies or trusts. They are 'arm's-length' because the council retains a degree of control or influence, usually through a funding agreement, and 'external' because they have a separate identity to the council.
- 4.** ALEOs by their nature are one step removed from council control and, as a result, governance and financial arrangements can be complex. There is a risk service users and citizens have less input and influence over how services are provided. There is also the potential for conflicts between the interests of the council and the ALEO.
- 5.** ALEOs are now an established part of local government in Scotland and play an increasing role in service delivery. In the past decade, for example, the number of ALEOs set up to deliver leisure services has almost doubled.
- 6.** The main drivers for using ALEOs are to reduce costs or to improve services. ALEOs may qualify for business rates relief, attract grants or may be able to trade to generate income. However, it is not just about money. ALEOs may offer different and better ways of providing services and can make services more accessible. It is important that councils and councillors are clear about the anticipated benefits from using an ALEO to deliver services.
- 7.** While the ALEO takes on responsibility for service delivery, the council remains responsible for ensuring that the ALEO uses the public funds the council provides to the ALEO properly and can demonstrate best value. In other words, the council remains accountable for the funds used to deliver public services, regardless of the means by which the service is delivered. Consequently, it is important for the council to be able to 'follow the public pound' to the point where it is spent. This requires well-thought-through governance arrangements from the outset and action to ensure those arrangements are applied effectively in practice.
- 8.** Strong governance requires clear roles and responsibilities, both for those at the council responsible for monitoring the ALEO and for those asked to be a representative on the board of the ALEO. Representation in particular requires careful consideration. Councillors and officers serving on ALEO boards face challenges in finding an appropriate balance between their responsibilities to the council and to the ALEO.
- 9.** Pressures on budgets mean that councils are looking at alternative ways of delivering services. This may lead to further and more innovative use of ALEOs and, for that matter, decisions to withdraw funding from existing ALEOs and to bring services back into council control. At the same time, ALEOs themselves face a challenging financial and operating environment. Councils need good information so they have early warning of difficulties and are ready to deal with any financial and service risks that may arise.
- 10.** To date, our audit work has not highlighted widespread problems. But it has highlighted concerns over the management of ALEOs in specific cases, including situations where poor governance has resulted in risks to public money, service performance and the reputation of councils. There is also increasing public interest in ALEOs, particularly the impact on services and council finances where ALEOs fail to deliver. There has also been interest in staff recruitment practices in ALEOs and in payments to councillors who have taken up roles on the boards of ALEOs. These factors, along with the quickly changing local government context, confirm that the time is right for this report.

About our report

- 11.** This is the second report in our 'how councils work' series. It is aimed at councils that are considering setting up ALEOs to deliver services, as well as those with existing ALEOs. It is designed to promote and encourage good practice in the way ALEOs are set up and operated. Our report will be of particular interest to officers and councillors who are responsible for monitoring ALEO performance or who serve on ALEO boards.
- 12.** Our report sets out good practice in the way councils deliver services through ALEOs. It focuses on how councils establish ALEOs and maintain governance and accountability for both finance and performance. It highlights areas that work well and where improvement may be required.
- 13.** Our report draws on our audit work across all 32 councils, including our Best Value audit work and reports that have highlighted particular concerns or issues arising from the use of ALEOs. We have reviewed council documentation and have drawn on survey work conducted in councils as part of recent performance audits.

14. We hope this report will stimulate discussion among councillors and officers that will lead to change and improvement. The report aims to support all councils by signposting readers to sources of information and guidance, and by providing examples from our audit work. We have also included checklists and other self-assessment tools that councillors and officers may find helpful.

Part 1. Setting the scene



ALEOs are an established part of local government. The principles of openness, integrity and accountability apply equally to ALEOs as to council-run services.

Key messages

- Councils are increasingly using ALEOs as an alternative way of delivering services at a time of significant budget reductions.
- Where appropriate, ALEOs can offer the potential for reduced costs, new sources of income and greater flexibility. However, there may also be increased risks.
- The 'following the public pound' principles continue to provide the basis for sound governance of ALEOs.

ALEOs are now an established part of local government

15. Councils decide the best way to deliver services to meet the needs of the communities they serve. Most commonly, councils provide services 'in-house' through their own departments and employees or through contracts with other public, private and third sector or voluntary suppliers. Councils can also create separate organisations to deliver services. The term, arm's-length external organisations, or ALEOs, is often used to describe such organisations.

16. ALEOs deliver council services, but do not operate within traditional council structures. They are 'external' because they have a separate identity to the council, and are 'arm's-length' because the council retains some control or influence, usually through a funding agreement ([Exhibit 1](#)).

17. Under an arm's-length arrangement, the delivery of a service or activity becomes the responsibility of a separate organisation. As such, the council loses direct control over the day-to-day management of the service. However, it remains

accountable for how public money is spent and the quality of services delivered. This association also means that there are ongoing financial and reputational risks for the council if things go wrong.

18. Public funds and assets may also move from the direct control of the council to the control of the ALEO. This can range from relatively small sums or, where an ALEO manages an entire service, large-scale payments and asset transfers. Council support for ALEOs ranges from grants to third sector organisations to payments to trusts set up by councils to manage all of their leisure and cultural facilities, for example. The ALEO may be a one-off to deliver a particular project or may be part of a large group involving holding companies and complex structures.

19. We have not sought to quantify the current number of ALEOs and what they spend because of the time and cost to councils and to us. However, a brief review of councils' accounts shows that the majority of the 32 Scottish councils operate ALEOs and that there are currently

around 130 major ALEOs in total. Councils typically operate between one and four ALEOs, although three councils operate 14 or more ALEOs. These figures do not include the many smaller organisations that receive some level of council funding which are otherwise independent of the council.

20. Councils consider alternative ways of providing services and ALEOs continue to feature strongly in the range of options considered. Our audit work indicates that the numbers and variety of ALEO arrangements has continued to grow. For example, our 2010 performance audit report, *Physical recreation services in local government*,¹ found that the number of ALEOs set up to provide leisure services has almost doubled in the last decade ([Exhibit 2](#)).

ALEOs can offer financial and other benefits

21. ALEOs can offer financial and operational advantages. Under current arrangements, charities, for example, can qualify for business rates relief. ALEOs can also have greater freedoms to trade, for example, by offering

Exhibit 1

What are ALEOs and what do they do?

We define arm's-length external organisations as companies, trusts and other bodies that are separate from the local authority but are subject to local authority control or influence. Control or influence can be through the council having representation on the board of the organisation, and/or through the council being a main funder or shareholder of the organisation.

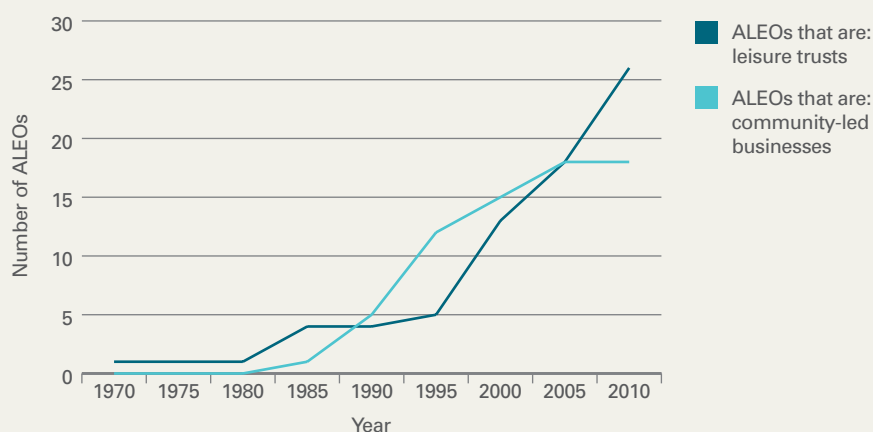
ALEOs can take many forms including companies limited by guarantee or shares, community enterprises, such as industrial and provident societies, trusts and Scottish Charitable Incorporated Organisations. Examples of the services they deliver include leisure, transportation, property development, and more recently, care services. ALEOs are often set up as non-profit making organisations such as charities to promote public benefit in areas such as health, education, recreation and equal opportunities.

Source: Audit Scotland

1 *Physical recreation services in local government*, Audit Scotland, October 2010.

Exhibit 2

Growth in the use of leisure ALEOs



Source: Audit Scotland

services to other public and private sector organisations and this can help them to attract grants and private sector investment. ALEOs can have more flexibility in deciding employee terms and conditions to meet their business needs. The financial and tax implications of ALEOs are complex and specialist advice is essential. Councils also have to be aware that the tax position may change if central government policy changes.

22. Councils have used ALEOs to deliver more routine activities, as well as more innovative projects. Examples include transport services, energy schemes, and property development companies. These can offer new sources of income but there can be related risks. There have been cases where councils have had to provide unplanned financial support to ALEOs and, in more extreme cases, have had to wind-up ALEOs and take responsibility for their services and financial commitments.

23. Councils should be clear about their aims before choosing the most suitable option for delivery. All delivery models have advantages and

disadvantages and councils should choose the optimum arrangement to meet their needs. Councils should be risk aware, but not risk averse; this requires them to be clear about the risks involved and to have a coherent strategy for managing them.

24. Exhibit 3 (overleaf) provides examples of different delivery approaches including the potential advantages and disadvantages commonly associated with them. In practice, combinations of these options are often used. For example, ALEOs can have trading companies as subsidiaries, or can contract areas of activity to private sector providers. Partnership working can also be a feature of all these delivery approaches.

25. In summary, ALEOs can bring financial and operational advantages. However, it is not always clear whether these are realised in practice or if they are sustainable over time. Councils need to review whether their ALEOs have achieved their intended benefits such as cash savings or improved customer satisfaction and, overall, assess whether they can

demonstrate value from the money and other resources provided to the ALEO.

The 'following the public pound' principles provide the basis for sound governance

26. ALEOs are not new and are an established part of local government. In 1996, the Accounts Commission and the Convention of Scottish Local Authorities (COSLA) published a Code of Guidance² in response to growing concerns about the implications for control and accountability arising from the use of ALEOs. The focus was on self-regulation and based on the premise that, to ensure public money is used properly, it must be possible to 'follow the public pound' across organisational boundaries.

27. The Code was published some time ago and since then there have been important developments in governance and professional practice – we refer to this elsewhere in this report. There have also been significant changes in local government legislation, including councils' responsibilities for Best Value and Community Planning.³ However, the six principles in the Code are as relevant today as they were when the Code was first published (Exhibit 4, overleaf).

28. The Following the Public Pound Code aims to ensure that the principles of openness, integrity and accountability apply equally to funds or other resources that are transferred to ALEOs. The Code received statutory backing in 2005⁴ and, as a result, councils are required to comply with the Code when they establish and deal with ALEOs.

29. The Code continues to provide the foundation for how councils should manage their relationships with ALEOs. Our *Following the Public*

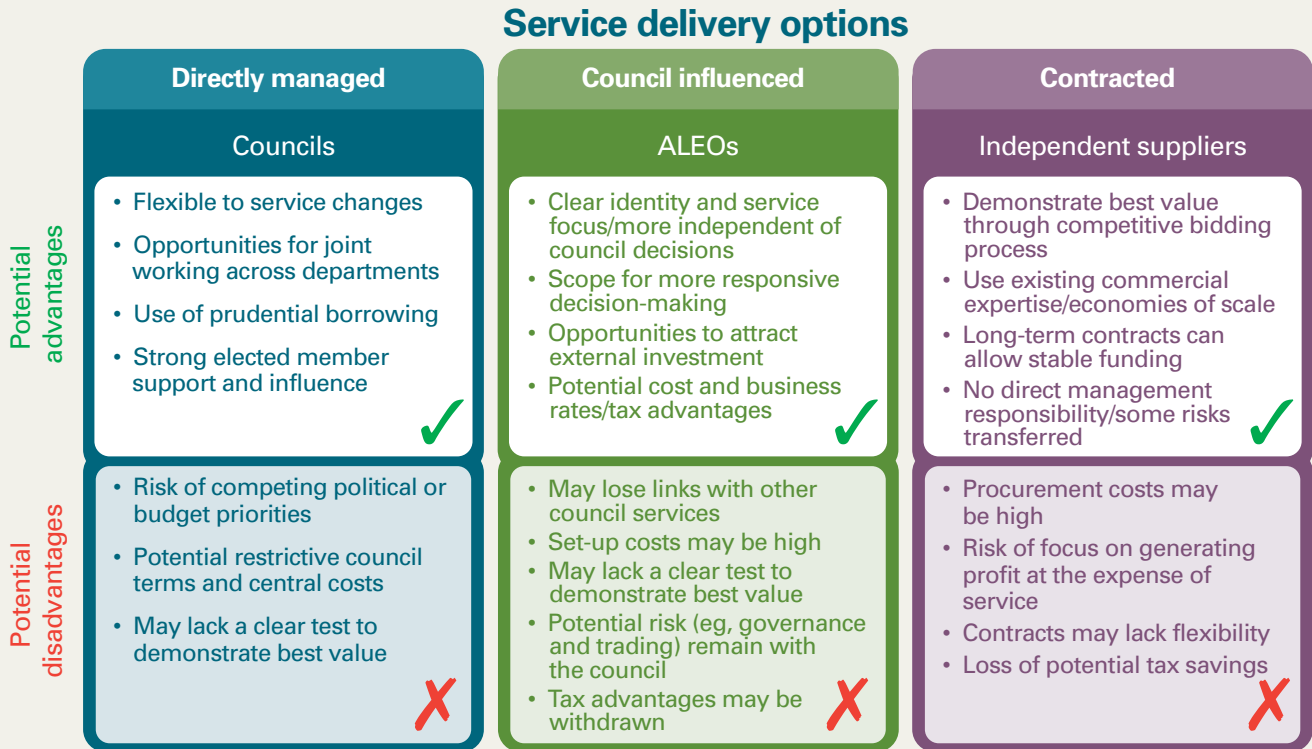
2 Code of Guidance on Funding External Bodies and Following the Public Pound, Accounts Commission/Convention of Scottish Local Authorities, 1996.

3 The Local Government in Scotland Act 2003.

4 Direction by Scottish ministers under section 51 of the Local Government in Scotland Act 2003, June 2005.

Exhibit 3

Overview of delivery options and their potential advantages/disadvantages



Source: Audit Scotland

Pound report of 2005⁵ found that no council fully complied with the Code. The report recommendations included councils putting in place better monitoring of their ALEOs that is proportionate to the risks involved.

30. Our report explores what councils need to do to get this right from the start. We then go on to consider the steps councils need to take on an ongoing basis to keep things right, ie to ensure that ALEOs remain the best option and that governance remains fit for purpose. Keeping it right applies to new ALEOs and those where councils have an ongoing involvement.

Exhibit 4

Following the public pound principles

The principles of openness, integrity and accountability apply to councils in their decisions on spending public money. These apply equally to funds or other resources which are transferred to ALEOs. The Code sets out six principles that require councils to:

1. have a clear **purpose** in funding an ALEO
2. set out a suitable **financial regime**
3. **monitor** the ALEO's financial and service performance
4. carefully consider **representation** on the ALEO board
5. establish **limits** to involvement in the ALEO
6. maintain audit access to support **accountability**.

Source: Audit Scotland

Part 2. Getting it right from the start



Councils must have clear reasons for using ALEOs. They must understand the impact on people who use services. Clear roles and responsibilities and effective monitoring are essential.

Key messages

- Any decisions to use an ALEO to deliver services should involve an appraisal of the options available and a sound business case, using expert advice when necessary.
- Governance for ALEOs can be complex; strong and effective governance is required from the outset.
- Councils should specify the business practices and standards they expect the ALEO to observe.
- Clarity about roles and responsibilities is vital.
- Monitoring of ALEOs should be risk-based and proportionate.

Decisions to use ALEOs should be based on an options appraisal and sound business case

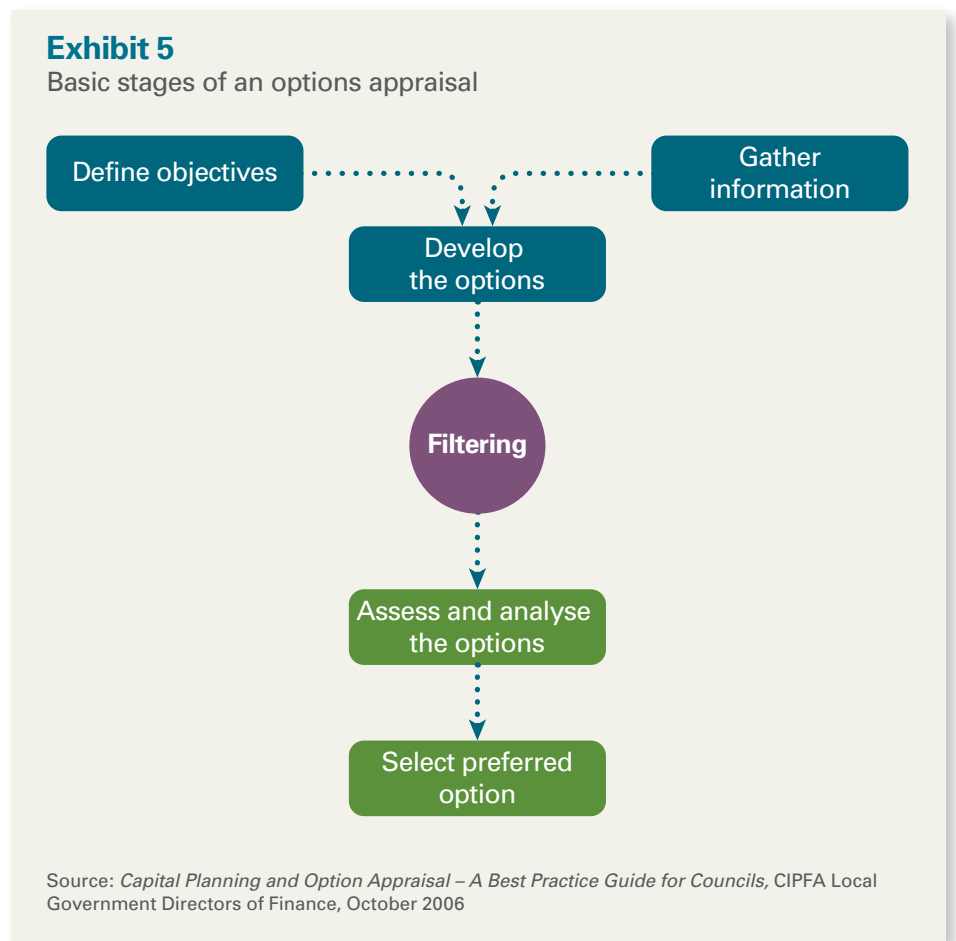
31. Best Value requires councils to make the best use of the resources available to them. This includes identifying the best way of delivering services. It follows that councils should be able to demonstrate the benefits of any decision to create an ALEO, or to continue service provision through an existing ALEO.


32. Councils need to assess the options that best meet their objectives. This requires an understanding of the options available including in-house provision, partnership and contracting options, as well as the option to use an ALEO if appropriate. It also requires rigorous analysis and understanding of the pros and cons of each option.

33. Any decision to set up an ALEO should flow from an options appraisal. However, our Best Value audit work has shown that many councils do not have a well-developed approach to options appraisal.


34. There is a considerable amount of guidance available on options appraisal and this report does not attempt to cover the process in detail. **Exhibit 5** sets out the basic stages of a typical options appraisal; these principles apply equally when considering new ways of service delivery that may include delivery through an ALEO.

35. Options appraisal should consider the risks involved, the financial implications and governance arrangements. Having good-quality information on costs that allows valid comparisons between the options is essential.



 **What does it look like in practice?**

- Being clear what your aims and objectives are.
- Knowing the market and identifying all the options.
- Involving stakeholders such as service users and the local community.
- Being clear about the risks associated with each option, both long and short term.
- Being objective and impartial when assessing the options.



36. Options appraisal also requires good information about what service users and communities need and the potential impact on them if there is a change in how services are delivered. The ability of citizens and service users to influence the way councils provide services flows from good community engagement and is a fundamental principle of Best Value. This is particularly important in the case of core services such as social care on which vulnerable people are dependent.

37. Councils considering the use of ALEOs should assess the impact of ALEOs on service users and citizens in general. This includes how community views are represented, including the role of councillors.

38. Councillors need to oversee options appraisals that involve potential major shifts in how services are provided. They have a key role, for example, in agreeing the broad objectives of the options appraisal, in the appraisal process itself or in scrutinising the process and emerging proposals.

39. Rigorous options appraisal requires expertise in legal, business and operational matters and the process can be expensive and time-consuming. Councils need to consider whether they have sufficient expertise in-house and may need specialist consultancy support, eg in relation to charity law and tax-related matters, such as VAT. Councils should also learn from their own and other councils' experience of using ALEOs and factor that in to the options appraisal.

40. Exhibit 6 provides examples of the governance and operational questions that councils need to ask when considering service delivery options and preparing a detailed business case for their preferred option.

Exhibit 6

Examples of governance and operational issues to consider in options appraisal

Legal and governance	Business and operational
Is there a clear statutory basis for undertaking the activity?	Does the activity fit in with the council's objectives?
How will governance work – including the means of council control and representation?	What are the service implications, eg quality, access, marketability, pricing?
How will the ALEO be accountable to the community and the service user?	How will services users be involved and customer satisfaction measured?
How will the council demonstrate that the ALEO offers best value and assure that it accounts for all public money provided to the ALEO?	What are the financial implications, eg taxation, treatment of profits, ability to attract investment and residual liabilities for the council?
What are the implications of EU and other procurement law, for example on the award of the contract or service delivery agreement?	What is the payback time, allowing for initial set-up costs?
How will obligations including equal opportunities, best value and sustainable development, data protection and freedom of information be observed?	Are there benefits in sharing services with other councils or partners?
How will the delivery method be reviewed, and what is the basis for withholding funds or terminating the arrangement?	What will be the impact on demand, including the council's ability to subsidise any increase?
How will council employees and assets be treated including transfer arrangements and pensions?	How will flexibility or changes to delivery be allowed for?
What are the statutory financial reporting and auditing requirements?	What are the operational risks, including future changes in legislation or the marketplace?
	What management information will be shared by the ALEO to demonstrate financial control and best value?

Source: Audit Scotland



Want to know more?

- *Healthy Competition – How councils can use competition and contestability to improve services* (Audit Commission)
<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/healthycompetition.aspx>
- *The Green Book Appraisal and Evaluation in Central Government* (HM Treasury)
http://www.hm-treasury.gov.uk/d/green_book_complete.pdf
- *Improving strategic commissioning in the culture and sport sector: Guidance paper 2 Options appraisal, the business case and procurement* (Local Government Improvement and Development – formerly IDeA)
<http://www.idea.gov.uk/idk/aio/19049726>
- *Making Choices: Volume 2: A Practice Guide to Best Value, Procurement and Competitiveness* (Scottish Government)
<http://www.scotland.gov.uk/Resource/Doc/158566/0042999.pdf>

- How will we safeguard our interests such as assets and other resources made available to the ALEO?
- How will we know how well the ALEO is doing, through our scrutiny of both service and financial performance?

43. While the use of arm's-length arrangements can offer innovative ways of delivering services, strong governance arrangements need to be in place to ensure that ALEOs contribute effectively to the delivery of the council's corporate objectives and priorities. It is vital to establish sound governance from the outset. We have seen councils struggle to exert good and effective governance well after the ALEO was set up and, as a result, services and public funds were exposed to risk. This is particularly important where ALEOs are set up to deliver fast-moving, innovative projects.

44. The fact that an ALEO may be a separate organisation from the council is unlikely to be at the forefront of service users' and taxpayers' minds. One consequence of using more complex delivery structures involving ALEOs is that the public may be less clear about who is responsible for services and, for example, who they should complain to if they are unhappy with the services they receive. Maintaining transparency is a key objective in good governance.

Conditions attached to the use of public funds should be clear

45. The funding relationship between councils and ALEOs is typically set out in a service or management agreement. These should set out what is expected from the arrangement, specifying the money and other resources the council will provide and what it expects from the ALEO in return. The agreement should include criteria for the council withholding its funding, or for terminating its relationship with the ALEO.

Exhibit 7

What do we mean by governance?

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Source: *Delivering Good Governance in Local Government*, SOLACE/CIPFA, 2007

Sound governance is needed from the outset

41. Governance is about clear direction and control and is central to the success of all organisations. It is important that councils meet good governance standards, for example, by demonstrating strong leadership, effective community engagement and robust scrutiny (Exhibit 7).

42. Delivering projects or services through ALEOs is likely to make governance more complex. However, the same principles of good governance apply and councils will be best placed to safeguard their interests where they ask fundamental

questions and act on them at the outset. Key questions which councils and councillors need to ask themselves include:

- Are we clear about our overall expectations of the ALEO?
- How well do we understand the financial commitment and risks flowing from the decision to set up and support the ALEO?
- How do we ensure that governance arrangements in the council and the ALEO are sound and that those with an active role receive adequate training and advice?

46. The written agreement should also cover the accounting and audit requirements. Accounting must follow the legal requirements for company or charity financial reporting, and the agreement should state the arrangements for audit access to records held by the ALEO. Many ALEOs include an audit committee as part of their internal governance structure. These should be chaired by a non-executive member and ensure that the board is aware of, and acts on, risks, and other financial and performance information.

47. As part of the annual audit, external auditors appointed by the Accounts Commission review compliance with accounting standards and the Commission/COSLA Code. The Commission cannot appoint auditors to ALEOs but the auditors the Commission appoints to councils have the right of access to information for the purpose of their audit.

48. Beyond finance, there is also scope for the agreement to cover other aspects, to ensure that business practices and standards councils expect in the direct delivery of services are observed by ALEOs in spending public money ([Exhibit 8](#)).

49. ALEOs are seen as an extension of the council and there are potential reputational risks to the council from its association with the ALEO. Consequently, where business practices in the ALEO fall below the standards expected from the council itself, or where there are significant governance failings, this has the potential to affect stakeholders' views about the council as a whole.

Councils should set a clear policy for any payments to board members

50. We consider the question of representation on boards in the following section. However, in attaching conditions to funding at the outset, councils should also set a clear policy and rationale for any payments to board members. The payment of councillors as board members can be a contentious issue, and there have



What have auditors found?

Two examples of what the auditors found in individual councils:

- The council did not establish any clear limits for its involvement in the project and did not appear to have developed any contingency plans to be used in the event of a significant change in circumstances.
- Corporately, the council did not establish effective governance. As a result, it was not well placed to deal with key issues when they emerged and was not aware of the significance of the company's decision to pursue a high-risk service-delivery option.



What does it look like in practice?

Auditors have noted good practice where a council put restrictions on the payment of council officers or elected members who are non-executive directors of arm's-length companies or trusts. Its policy states that such duties should generally be regarded as part of their role of office and will not entitle the post holder to additional payment other than appropriate expenses incurred in the course of board business.

Exhibit 8

Attaching conditions to the funding arrangements

In agreeing funding arrangements, councils should consider conditions for the ALEO that align with their own legal requirements and policies. As a minimum, they should address:

- equalities
- sustainability
- recruitment and employment practices
- data protection and handling
- freedom of information principles
- standards and behaviour
- arrangements for engaging with citizens and service users.

Source: Audit Scotland

been examples where ALEOs have faced criticism for amounts paid to councillors to attend board meetings.

51. There is potential conflict of interest, or the appearance of a potential conflict, if councillors receive payments directly from ALEOs. In

such circumstances it can be difficult to demonstrate the principles of good governance.

52. Whether councillors receive payments from the council as a result of their role on ALEO boards is a policy matter for councils to



What have auditors found?

An example of what the auditors found in a council:

- There are no criteria set for the selection of individuals to sit on company boards. It is not clear how the council, on an ongoing basis, decides whether this representation fulfils the council's objectives.

decide. However, in terms of good governance, the determining factors should be the substance of the councillors' role rather than the fact that the position happens to be on an ALEO board as opposed to, for example, a council committee.

53. We note that a similar point was made by the Scottish Local Authorities Remuneration Committee (SLARC), an independent advisory body responsible for making recommendations to Scottish Ministers on the salary and allowances paid to councillors. As part of its 2010 review⁶ SLARC considered the appointment of elected members to the boards of companies or to organisations established, owned or funded by local authorities. SLARC noted that additional payments from arm's-length organisations to councillors for sitting on a board undermines the principles of the existing remuneration scheme for councillors. It has set out a number of recommendations including that no additional remuneration other than that provided in the current remuneration scheme should be paid to councillors for serving on such bodies.

Clarity on roles and responsibilities is vital

Representing the council's interests

54. It is common practice for councils to nominate councillors or officers for positions on the boards or governing bodies of ALEOs. Councillors or officers as board members can have

an important role in the governance of the ALEO, for example, in overseeing how the ALEO is managed. Where this works well, it can provide important links between the council and the ALEO and can help ensure that the board acts in the interest of the council as major shareholder, for example. It also recognises the importance of the council's community leadership role and provides an opportunity for council representatives to ensure the ALEO is being properly run and that council funds are being used effectively.

55. Councils should set clear criteria for the skills and experience required of board members. They should also have a clear and transparent selection process to make appointments to boards.

56. Councils need to consider very carefully the question of representation. Having established that they want representation, councils need to assess the advantages and possible risks. They then need to consider the skills, expertise and qualifications required to carry out the representation role effectively. Depending on the services that the ALEO will provide, it may be appropriate for the ALEO board to reflect specific interests. For example, councillors with a background in sport or leisure may be well placed to represent their council on the board of a leisure trust. Specifying criteria will help ensure that the appointment process is transparent and will help support clarity about roles and responsibilities.

57. Taking on a direct role in the ALEO brings with it new responsibilities, including legal duties. For example, councillors and officers serving as directors of an ALEO that is constituted as a company assume personal responsibilities under the Companies Acts. They owe a duty to shareholders and creditors of the company and may be personally liable if the company engages in wrongful trading or if any other offence arises in the company. As we say in our report on physical recreation services,⁷ the companies' legislation was not framed specifically to the circumstances of ALEOs and councillors, but it still applies.

58. Similarly, councillors and officers serving as trustees on charities must observe the legal provisions which apply to charities and trusts. Crucially, officers and councillors need to be aware of the risks and where to get advice if they need it. The Office of the Scottish Charity Regulator (OSCR) *Who's in Charge* guidance⁸ sets out the duties of charity trustees including the need for clear responsibilities and behaviours to ensure the charity has the required degree of independence and provides public benefit through its activities.

59. Councils must consider representation and take steps before the ALEO is established. Key issues are:

- to ensure the appropriate composition of the board to bring the mix of skills and experience required to govern the organisation
- to set out why the council will be represented on the ALEO board and what is expected of individuals from the council who are asked to sit on the ALEO board
- to make clear how those individuals will be supported in the role.

⁶ 2010 Review of Remuneration for Local Authority Councillors, SLARC, March 2011.

⁷ Physical recreation services in local government, Audit Scotland, October 2010.

⁸ Who's in Charge, The Office of the Scottish Charity Regulator, March 2011.

- to consider how service users and communities will be represented, including the role of councillors

Managing potential conflicts of interest

60. Representation on the boards of ALEOs by its nature introduces the potential for conflict of interest for individuals who have roles in both

the ALEO and the council. Members and officers who act as directors of companies have difficult obligations to balance. For example, councillors have a duty under the Code of Conduct to act in the interests of the council. However, at the same time, as company directors they are required to act in the interests of the company. It is important that potential conflicts

are thought through at the outset, in particular to avoid any situation where conflicts become irreconcilable ([Exhibit 9](#)).

61. Some roles may be incompatible or can pose real risk to governance and accountability. For example, a councillor or officer who scrutinises an ALEO on behalf of the council, or makes funding decisions affecting an ALEO, should not be a board member of the ALEO. More generally, the dual roles may mean that individuals have access to council information that may not be appropriate to disclose at ALEO board meetings – and vice versa, in respect of commercially sensitive information that is available as a board member of an ALEO. Councils may avoid this situation by specifying the information they require, as part of the funding agreement established at the start.

62. In practice, this heightens the need for councillors to be aware of the potential for conflicts of interest. Where councillors also serve as members of the ALEO they should be clear that they continue to have a responsibility to the council. This goes beyond simply declaring an interest and withdrawing from council discussions about the ALEO; they need to anticipate the nature of the agenda item and likely deliberations and decide what action they should take, seeking advice from officers where appropriate.

The councillor role

63. Councils often nominate councillors to contribute to the work of ALEOs. This can involve councillors taking a position on the board of the ALEO, so it is important that he or she is clear from the start what this different dimension means.

64. The first report in our 'how councils work' series⁹ explored roles and responsibilities in councils in the widest sense, but also reflected on

Exhibit 9

Competing responsibilities

The Councillors' Code

Duty – You have a duty to act in the interests of the council as a whole and all the communities serviced by it.

Appointments to partner organisations – If you become a director of a company as a nominee of the council you will assume personal responsibilities under the Companies Acts. It is possible that a conflict of interest may arise for you as between the company and the council. In such cases it is your responsibility to take advice on your responsibilities to the council and to the company. This will include questions on declarations of interest.

Source: *The Councillors' Code of Conduct*, Scottish Government, December 2010

Guidance for Charity Trustees (OSCR)

Where a charity trustee is faced with a conflict of interest between the interests of the charity and those of a person or organisation responsible for their appointment as a charity trustee, the interests of the charity must come first. The charity trustee must act in the interests of the charity to which they have been appointed, not in the interest of the person or organisation which appointed them, for example a local authority or another charity.

If in relation to a particular issue the conflict of interest is irreconcilable, then the charity trustee in question must make this known to the other charity trustees, and not take part in any discussion or decision-making on the issue.

Source: *Guidance for Charity Trustees*, OSCR, June 2009

The Companies Act

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole.

A director of a company must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. This applies in particular to the exploitation of any property, information or opportunity.

Source: *The Companies Act 2006*



What do councillors say?

Councillors serving on the boards of ALEOs gave different views about the role involved, pointing to the need for more clarity:

“My role is to see where the council money is going, what it’s used for, and to ensure that policies are followed.”

“I’m there to represent the council – to take the line of the council – I’m not there in my own right.”

“I am representing the council to make sure that things are done in accordance with council policy and to make sure that the money is spent as it should.”

Source: *Roles and working relationships: are you getting it right?*, Audit Scotland, August 2010



What have auditors found?

Three examples of what the auditors found in individual councils:

- The main concern arising relates to the actions taken by council staff following the resignation of the management committee. While this may have been in good faith and in the interests of maintaining the service which the ALEO was set up to deliver, they effectively assumed management responsibility for the ALEO. This was a wholly inappropriate role for council officers to adopt. It is important that councils and their officers are clear about their respective roles and responsibilities in dealing with any ALEO.
- Officers were not clearly aware of their responsibilities and relevant monitoring procedures. Where specific responsibilities were assigned, including maintaining a watching brief to represent the council’s interest, there is little evidence to suggest that these roles were delivered effectively.
- There was a potential for conflict of interest arising from a lack of appropriate separation between the responsibilities of council officers and the advisers to the company. For example, an officer became involved in the financial affairs of the company and was appointed company treasurer, resulting in conflict of interest and blurring the boundaries between the council’s finances and those of the company.

the specific circumstances which apply when councillors and officers are required to become board members of ALEOs.

65. As part of that work, we spoke to a sample of councillors from across six councils. Most of those we spoke to who are appointed to an external body said they felt confident in their role, through experience or by drawing on support from council officers and other board members.

66. Despite this confidence, councillors said they were on the board to represent the council and its best interests, which suggests they may not be clear about what the role fully involves, such as the new and additional responsibilities attached to being a trustee or a member of a company board.

67. Those who did not feel confident in the role said they were unsure about what is expected of them when they were first appointed. [Part 3](#) of

our report considers the need for ongoing advice and training for council representatives working with ALEOs.

68. Elected members have a unique perspective and can draw on their deep understanding of the needs of the communities they serve in their work with ALEOs. This can help ensure that services provided by the ALEO are consistent with the council’s overall aims, and align with local need. However, it may be possible to bring these advantages into the ALEO without the legal responsibilities attached to being a director, trustee or member of a board. Councillors could, for example, serve on a subcommittee of the ALEO, in an advisory capacity, or take on the role as an observer or adviser that would not require formal membership of the ALEO. Where councils pursue this option they should ensure that responsibilities are clear and seek advice about any wider implications arising from such a role.

The officer role

69. Statutory officers in councils have specific duties as set out in legislation and discharge their role as part of wider responsibilities in their councils. They have an important, independent role in promoting and enforcing good governance and for making sure that councils comply with legislation. In summary:

- The Head of Paid Service (the chief executive) is responsible for all aspects of the management of the council. Together with councillors, he or she is responsible for promoting good governance.
- The Chief Financial Officer (the director of finance or equivalent) is responsible for the financial affairs of the council.
- The Monitoring Officer (the head of legal services or equivalent) is responsible for advising the

council about the legal position of proposed actions.

70. Each of the statutory officers' responsibilities extends to cover their council's governance arrangements for its interests in an ALEO, in setting up the ALEO and monitoring its performance. Guidance on the Chief Financial Officer's role, for example, sets out what is expected of him or her in relation to ALEOs (Exhibit 10).

71. Lines of accountability can become less clear where an officer is involved with an ALEO. Where council officers take an executive, or operational role in an ALEO such conflicts can be avoided by using secondments. The officer will then be an employee of the ALEO and responsible solely to the ALEO board. In the specific case where a senior officer is appointed to the board of an ALEO he or she will assume new responsibilities that change the nature of his or her ongoing working relationship with the council's chief executive.

72. Council officers are often required as part of their duties in the council to oversee the council's interests in the ALEO or to provide support in other ways. This can help to safeguard the council's interests and to share expertise. However, officers need to be clear about the role and its limitations. In particular, they must avoid becoming too close to the ALEO or finding themselves in a position where their responsibilities to the council are compromised. For example, an officer who oversees the ALEO's finances on the council's behalf should not take on a formal financial management function in an ALEO.

73. Liaison involving officers may provide the opportunity for oversight without the need for direct representation on the ALEO's board. Some councils use designated officers to manage and maintain their relationship with ALEOs. As these officers are not board members they can protect the council's interests

Exhibit 10

The role of the chief financial officer in relation to ALEOs

"Consistency of standards and transparency in financial activities are essential. In this context, CIPFA's view is that the statutory role of the chief financial officer does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest."

Source: *The role of the chief financial officer in local government*, CIPFA, 2010



What does it look like in practice?

An example of good practice from an individual council:

- The council has decided that no officer should hold a trustee or directorship position with any of the ALEOs the council engages with. This was based on the potential for conflicts of interest to arise between an officer's responsibilities to the council as an employer and that officer's responsibilities and personal liability when appointed to an outside body. The council saw a continued role for councillors on the boards of ALEOs, but recognised that councillors must be very clear in their responsibilities.



Want to know more?

- *Code of Guidance on Funding External Bodies and Following the Public Pound* (Audit Scotland)
http://www.audit-scotland.gov.uk/docs/local/2003/nr_040311_following_public_pound.pdf
- *Code of Conduct for Councillors* (Audit Scotland)
<http://www.scotland.gov.uk/Publications/2010/12/10145144/12>
- *Delivering Good Governance in Local Government* (SOLACE/CIPFA)
http://www.cipfa.org.uk/panels/corporate_governance/good_gov_briefing.cfm
- *Guidance for Charity Trustees* (Office of the Scottish Charity Regulator)
<http://www.oscr.org.uk/CharityTrusteeDuties.stm>

without any potential conflict of interest. The officers have a monitoring role and attend company or board meetings as observers, keeping up to date on company operations and performance. These link officers should be sufficiently

senior to highlight significant risks and issues to the council and to ensure that appropriate action is taken. However, arrangements such as these do not replace the need for effective performance reporting to the council.


Performance monitoring should be clear from the start, risk-based and proportionate

74. Performance management is the process of managing and improving activities using good management information in areas such as customer satisfaction, risks, and costs. Councils should consider the arrangements for performance monitoring before the ALEO is operational. Our audit work has found scope for improvement in performance management in councils generally. This includes the way councils monitor services delivered through ALEOs.

75. Councils should set clear objectives for services delivered through ALEOs and put appropriate monitoring systems in place, including tailored performance indicators. The council should have an overview of how well ALEOs are meeting their objectives, while the ALEOs themselves should also monitor more detailed day-to-day operational issues. Mechanisms should be in place to identify and act on under-performance including trigger points to review the delivery agreement.

76. Performance monitoring should be proportionate to the scale of the activity and the risks involved. Our audit work found that councils tended to focus on the financial position of ALEOs, often relying on annual audited accounts. However, these are often available long after a matter of interest to the council has emerged. We have recommended that councils do more to monitor performance, including regular financial reporting, and service outcomes.



77. Councils are required under the Accounting Code to produce group accounts, which draw together the council's financial interests in organisations in which it has interests and control. The Code sets out the circumstances when the degree of influence or control requires organisations to be included in the



What does it look like in practice?

As an example of good practice, one council requires its ALEOs to:

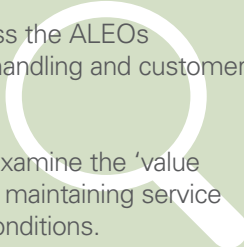
- provide the council with appropriate information and assistance to monitor service performance including risks
- provide quarterly reports on financial and operational performance to council-nominated officers
- provide a twice-yearly performance report to council dealing with Key Performance Indicators (KPIs)
- submit annual performance report to council on financial and operational performance, service satisfaction and board member training
- annually review and agree KPIs and performance measurement framework.

What have auditors found?

An example of good scrutiny practice in one council:

- The council has an external governance and scrutiny committee that is responsible for scrutinising the performance of the council's ALEOs.
- The committee's scrutiny activity includes performance, risks, financial management, partnership working, contractual compliance and compliance with equalities obligations.
- It also receives reports on themes common across the ALEOs including service interdependencies, complaints handling and customer care, audit reporting, and absence management.
- The committee's ongoing work programme will examine the 'value added' from ALEOs and will review proposals for maintaining service performance and quality in the current financial conditions.



group; these organisations will often include ALEOs. The group accounting process aims to ensure that councils provide a true and fair picture of the extent of their activities. It also provides an opportunity to look across the group at the overall asset and liability position and at how ALEOs feature in the group.

Risk management

78. Service delivery through ALEOs can involve greater risks. This can be due to more complex governance structures, the financial environment in which they operate, or because of the type of service they deliver. It is important that councils are risk aware and have systems in place to monitor and manage risks. This

includes financial, technical, business, and legal risks. Councils must also be aware that where ALEOs run into financial difficulties they may be liable for any losses incurred either as guarantors, or as a result of some other obligation.

79. Our work, including Best Value audits, has shown that risk management is generally not well developed in councils. We have recommended that councils regularly review their risk exposure across arm's-length organisations. Councils should be aware of the potential risk to their strategic priorities posed by each individual ALEO.

80. Councils' risk registers should cover all activities delivered by ALEOs. Each ALEO will have its own particular risks. These will depend on the type and size of the organisation, the level of funding, the type of service provided, and its client group. Lower levels of expenditure can be relatively high risk due to the nature of the services they provide. Conversely, higher expenditure areas may not have such high operational risks, but councils should regularly monitor them as the impact of failure on council finances and service users would be substantial.



What have auditors found?

Good practice in one council involved putting in place increased scrutiny of a trust that was under-performing. The committee overseeing the trust was provided with additional performance information that assured it that improvements were being made. This highlights the need for councils to have a strong risk awareness and to be informed of how well ALEOs are performing on an ongoing basis.



Want to know more?

- Audit Scotland's risk management Best Value toolkit
<http://www.audit-scotland.gov.uk/work/toolkits/>
- A range of tools and guidance materials are available on the CIPFA website:
<http://www.cipfa.org.uk/>
- The HM Treasury's guide to risk management principles
http://www.hm-treasury.gov.uk/d/orange_book.pdf

Part 3. Keeping it right



Councillors and officers must be aware of how ALEOs perform and take prompt action when required. They must ensure they have the skills and knowledge to carry out their role.

Key messages

- Councils need good-quality monitoring information of ALEOs so they are aware of their finances, risks and performance. Information should be current to allow prompt action to be taken.
- Councils should periodically review their ALEOs to ensure they remain the best option for service delivery, and to ensure effective governance is in place.
- Councils should decide the trigger points for reviewing or terminating the delivery agreement, and take prompt action where required.
- Ongoing training and guidance should be provided so that councillors and officers involved in any capacity with ALEOs have the skills they need to undertake their duties.

The principles of Best Value apply equally to ALEOs, and need to be maintained

81. Getting the set-up and related arrangements for ALEOs right from the start is vital. It is equally important to make sure that the arrangements remain fit for purpose and remain effective in changing circumstances. This part of our report is also relevant where councils already use ALEOs to deliver services.

82. As with council-run services, ALEOs should be able to demonstrate Best Value, and effective systems for performance management and review are an important part of this. The toolkit in [Appendix 2](#) brings together good management practice that applies in managing ALEOs and key steps necessary to move from basic to more advanced practices.

83. Councils need to be vigilant and aware of risks affecting the ALEOs that they fund. This applies equally

to members of ALEO boards and to councillors with a role in the council committees that oversee ALEOs. Councillors and officers should actively challenge how well ALEOs provide value for money and offer improved services for users. This requires them to have sufficient information on the ALEO's financial position, performance and risks.

84. Council representatives should also be aware of ongoing governance risks such as the potential for conflicts of interest. Conflicts are less likely where the objectives of the ALEO and the council are consistent and clearly defined. The situation can arise where these interests diverge and the actions of one organisation can be at odds with the other. For example, if an ALEO has discretion to alter the nature of the services it provides or its pricing policy, this may affect the uptake of services. Council and ALEO representatives must remain vigilant to ensure that the organisations continue to operate in line with their intended objectives.

85. Effective monitoring is especially important in the current financial environment where quick action may be required to protect services and the council's interests and reputation. Performance information should be current and meaningful to allow the

council providing the funding to take prompt action when issues arise. Reporting limited to annual financial statements or a narrow set of measures is not sufficient. Councillors should draw attention to any gaps in the information they receive to ensure that they can undertake their scrutiny role effectively.

86. Our physical recreation study found instances where councils only reported the performance of sports and physical recreation ALEOs to committee intermittently or not at all. In some cases, council officers received performance reports, but did not report performance or significant issues to committees. The study found that a significant proportion of councils monitored performance through very narrow statutory performance indicators. This is despite significant funding and the scale of the leisure activities involved.

87. Council nominees on boards have indicated to us that they can generally balance their roles with the council and an ALEO. However, in practice it is not always straightforward and conflicts of interest can arise that can make it difficult for councils to govern their ALEOs effectively.



What have auditors found?

In one council the situation arose where:

- The council and its partners created an arm's-length company to manage a small group of historic properties to support tourism in the area.
- The company ran into financial difficulties and the board, which included councillors, took the decision to close down some of these tourist attractions. This decision was not reported to the council despite it being the main funder of the organisation.
- The councillors, acting as company directors, made the decision in the financial interests of the company. However, tourism is a priority area for the council, and this decision conflicted with the council and its partners' objectives to provide important tourism facilities.



What have auditors found?

Three examples of what the auditors found in individual councils:

- The elected member on the ALEO board could have done more at key stages to ensure the council was aware of developing problems in the ALEO. At key stages he should have reassessed the balance between his responsibilities to the company and his corporate responsibilities to the council as a whole.
- To date, the council has been reliant on board members to raise any issues with arm's-length companies. We have noted instances where relevant information has not been presented to the council on a timely basis. Having a member or officer on the board is not a sufficient monitoring mechanism in itself.
- We found that one council continued to fund an ALEO while being unaware that it was in serious financial difficulty. At the same time, another funding partner was aware of the risks faced by the ALEO and had already suspended its funding.

over the medium term where they are unclear of what level of funding they will receive. The situation can also arise where a council chooses to reduce funding in response to surpluses generated by ALEOs. However, this can be a disincentive to ALEOs achieving their objectives, such as increasing service uptake.

93. As with services delivered directly by a council, it is equally important that ALEOs have their own mechanisms in place to review and continually improve their services. Councillors and officers should satisfy themselves that these are effective in practice and review and update their service agreements with the ALEO accordingly. Reviews of the effectiveness of ALEOs should take into account stakeholder and service-user feedback and examine areas such as governance, financial and resource management, performance, and the capacity for future improvement.

94. Termination agreements should be in place for all ALEOs, setting out the circumstances that may give rise to a review and, ultimately, situations where the council may move to end the agreement with the ALEO. The trigger points to review or terminate agreements with ALEOs should be clearly understood by all parties. This should cover explicitly the arrangements for the return of any council-owned assets and the steps needed to ensure that service users' interests are protected. The implications for the workforce will be a major issue, including, for example, liabilities for pensions.

95. We have found that the termination process can be complex in practice. Difficulties can arise where agreements are not in place, or where councils have not made their reasons for discontinuing services through ALEOs clear. This can result in difficult negotiations and potential legal action.

88. Councils that have an overview of their ALEOs are better placed to demonstrate Best Value in the way they use their resources. They should also understand how ALEOs contribute to the council's overall aims, and the risks and levels of funding committed to them. Councils are better placed to do this where they disclose ALEO activities in their group accounts to give a clear picture of their activities and liabilities, including ALEOs. They should also ensure that their strategic and service plans incorporate ALEO activity. Councils should be able to identify and review or wind-up ALEOs that are dormant or ineffective. Maintaining a register of ALEOs can help councils to achieve this.

89. Councils should regularly review their ALEOs to ensure they continue to meet their objectives and remain the most appropriate option for service delivery. Scrutiny procedures should be in place to identify and act on under-performance including trigger points to withhold funding or to review the activity.

90. Councillors and officers should be alert to issues affecting service users. They should review customer satisfaction information and check that ALEOs are effectively undertaking any requirement to engage with service users and citizens. They should also be aware of how any changes to their policy on pricing and concessions impact on target client groups.

91. Councillors should be aware of how their spending decisions affect both council-run services and services delivered through ALEOs. ALEOs are vulnerable to reduced funding from councils and other partners. Situations can arise where ALEOs need to make difficult budget decisions such as reducing service levels or increasing prices.

92. Council officers and councillors need to consider the impact of their funding on the ability of ALEOs to plan their business. ALEOs that are more dependent on council funding will find it more difficult to manage budget reductions. ALEO boards find it difficult to plan their activities

Councillors and officers require ongoing advice and training

96. Council representatives should not underestimate the commitments involved and responsibilities associated with a board position. Previous audit work¹⁰ noted that on average boards required 30 per cent more time of members than expected. Councillors and officers working in connection with ALEOs need to ensure they are competent to undertake the role.

97. Officers and councillors should be supported with guidance and training. Our audit work suggests that one in four councillors had not received training and support and did not feel clear of their role on external bodies. There are many issues that need to be understood including effective governance and the legislation covering companies, charities, and employment law, for example. We

would expect basic training to be compulsory for any councillor or officer who is taking up a role in an ALEO, with an annual review or update to ensure that key matters remain at the forefront of those involved in ALEOs.

98. We found that councillors are keen to receive training and many would have welcomed training or at least information about the organisations they were representing.

99. We have noted that while councils offer training in these areas, its actual uptake can be limited. Councils should monitor the effectiveness of training and its uptake. We found good practice where councillors are required to undertake a minimum period of training per year, for example as part of their continuous professional development. This may include training on the Code of Conduct for councillors, and more specific training on ALEOs ([Exhibit 11](#)).



What do councillors say?

“At first I had no idea what was expected of me.”

“I’ve attended three meetings of the Trust and am still finding my feet.”

“There’s no support – you just get on with it.”

“There was no training provided but this would be a way to overcome the lack of clarity I felt about the role during the first few meetings.”

Source: Survey conducted as part of *Roles and working relationships: are you getting it right?*, Audit Scotland, August 2010.

Exhibit 11

Training – getting it right

Areas to consider include:

- directors’ and charity trustees’ duties under companies and charities legislation
- directors’ liabilities to third parties
- shareholders’ rights
- codes of conduct, registration of interest, duties of confidentiality
- health and safety
- procurement, employment and environmental law
- wrongful trading, enforcement, disqualification and sanctions
- insurance.

Source: Audit Scotland

Part 4. Key points for action



There are a number of actions councillors and officers must take to strengthen their working practices and relationships with ALEOs.

The tables below outline key points for action for councillors and officers involved with ALEOs

Getting it right from the start

Councils must:

- observe the Accounts Commission/COSLA Code, and other guidance to understand their responsibilities and good practice when involved with ALEOs
- base any decision to set up an ALEO on sound options appraisal and feasibility assessments including risks
- ensure that where they use an ALEO it fits their priorities or policy objectives
- consider governance at the outset to ensure the council and the ALEO can effectively:
 - scrutinise performance and be held accountable
 - monitor costs, performance, and risk
 - engage service users and citizens
- clearly understand and set out the roles of boards, committees and the council in the articles of association or other constitutional documents
- set clear criteria for appointing representatives to the boards of arm's-length organisations, their required skills and experience, and any payments to board members
- agree clauses to terminate or review the delivery arrangement at the outset, taking into account the impact on services and their users, employees, and assets.

Keeping it right

Councils must ensure that council representatives involved in ALEOs:

- are aware of how well council objectives are being met by the ALEO
- carry out their scrutiny or management roles effectively, and take action on any shortcomings or under-performance
- are risk aware and satisfied that risks to the council and the ALEO are identified and acted upon
- act quickly on potential conflicts of interest, including declaring interests and seeking advice
- take action to withhold funding or to review or terminate the agreement, particularly where services or public money are at risk
- take action where the intended objectives of the ALEO are not being met, or diverge from council priorities
- periodically review their delivery arrangements to ensure that the best use is made of resources and that clear governance is in place
- review or wind-up ALEOs that are no longer active or effective, or contribute to the council's aims
- ensure that they have the skills and training to undertake their role.

Appendix 1.

A tool for checking progress

Checklist to support good management of ALEOs	Assessment	Required actions/timescale
Rationale for an ALEO		
<ul style="list-style-type: none"> • How clear are we on the objectives we are trying to achieve? • Are we satisfied that these fit in with the council's priorities? • Are we aware of the risks of the ALEO option on services and communities, the employees and the council? • How well do we understand any advantages of the ALEO delivery option compared to other options? • How will we know whether these advantages have been achieved in practice? 		
Governance of ALEOs		
<ul style="list-style-type: none"> • Are we clear how the services delivered through ALEOs are accountable to service users and citizens in general? • Do we understand how the money paid to the ALEO is accounted for? • Are we satisfied that we understand our roles on boards and committees, and know when to act on any potential conflicts of interest? • Are we aware of any conflicts in roles between council and ALEO representatives, for example in: <ul style="list-style-type: none"> – scrutiny – award of funds – strategic or operational decisions? 		

Checklist to support good management of ALEOs	Assessment	Required actions/timescale
Are we aware of how well ALEOs are performing, including:		
<ul style="list-style-type: none"> • How well the ALEO is meeting its objectives? • What areas perform well, and what needs improvement? • How satisfied are service users? • Is the ALEO providing value for money? • Do service levels need to be changed – and what flexibility is there to do this? 		
Are we aware of the risks faced by the council and the ALEO, including:		
<ul style="list-style-type: none"> • Is it financially sound, eg with appropriate levels of reserves? • Its ability to generate income or finance its borrowings? • What are the risks to services and the people that use them? • What are the risks to the council, eg liabilities for borrowings? • Is there a need to withhold funding or to review or wind-up the ALEO? • What are the implications for services, employees and assets if this is the case? 		

Appendix 2.

Toolkit for improving the governance of ALEOs

How well does the council ensure that effective governance and accountability is maintained when the council delivers services through ALEOs, including companies and trusts?			
	Basic practice	Basic and better practice	Advanced practice
1. How clear is the council about its reasons for delivering services through ALEOs?	<p>The decision to set up or engage with ALEOs is within the council's powers, follows an appraisal of options for service delivery and is linked to its strategic aims/policy.</p> <p>The council establishes from the start clear limits to its involvement, a timetable for achieving objectives and the circumstances in which the agreement will be terminated.</p>	<p>An overall statement of purpose is expressed in key documents.</p> <p>A regular review is carried out to ensure that the services provided by the ALEO remain aligned with the council's current objectives.</p> <p>The council identifies specific circumstances that will trigger a review of its involvement, eg changes in key personnel in the ALEO.</p>	<p>Where services are delivered through ALEOs, the council has a well-developed and soundly based strategy for the delivery of services in this manner which is clearly linked to the council's wider strategic objectives and priorities.</p>
2. How well does the council understand the financial commitment and risk to which it is exposed through ALEOs?	<p>The council defines the nature of the financial relationship, its commitment to the ALEO (shareholding, grant, loan, guarantee, etc) and contributions are not open-ended in duration or amount.</p> <p>There is a written agreement about the transfer of public assets which safeguard their title and use.</p> <p>Minimum accounting and auditing arrangements are stated in the agreement.</p>	<p>Before entering into an agreement with an ALEO, the council assesses risks and documents the results.</p> <p>Service Level Agreements or equivalent are in place which specify the financial arrangement.</p> <p>A corporate register of all financial commitments to ALEOs allows the council to assess its overall commitment to its ALEOs.</p>	<p>Risk assessment extends beyond financial risks to other areas, eg reputational risk.</p> <p>The council identifies specific governance, finance and performance indicators that give early warning of potential problems and acts when required.</p> <p>Contingency plans are in place to ensure that service delivery is maintained if the agreement ends.</p>

How well does the council ensure that effective governance and accountability is maintained when the council delivers services through ALEOs, including companies and trusts?			
	Basic practice	Basic and better practice	Advanced practice
<p>3. How effective are the council's arrangements for monitoring the financial and service performance of ALEOs, maintaining accountability and for ensuring audit access?</p>	<p>The council stipulates how and at what intervals it intends to monitor financial and service performance.</p> <p>The council has identified members of staff who will monitor the ALEO's performance.</p> <p>The council ensures its external auditors have right of access to key records of the ALEO and to any explanations they consider necessary from representatives of the ALEO.</p> <p>There are no significant performance or financial concerns about the ALEO that are not being actively managed.</p>	<p>Targets (SMART) and methods of measurement are agreed and documented at the start.</p> <p>Monitoring reports provide timely and good-quality information about the ALEO's performance in delivering services and impact.</p> <p>The council scrutinises monitoring reports and follows up where performance does not meet agreed standards.</p> <p>Staff of the council responsible for monitoring the ALEO are clear about their role and are supported in it; those involved in monitoring financial performance are suitably qualified.</p> <p>Access rights for internal and external audit are covered in the agreement.</p>	<p>Monitoring extends beyond financial and service performance to employment practices, equality requirements, purchasing policies and sustainability.</p> <p>The council receives and scrutinises forward plans. The council takes a risk-based approach to monitoring and targets resources accordingly.</p> <p>Where the council is one of a number of public organisations involved in the ALEO, it ensures that liaison and monitoring of the ALEO is coordinated.</p> <p>The reasons for providing services through an ALEO and the impact are clear in reports to stakeholders, including the public.</p>
<p>4. Where members or senior officers are appointed to the board or equivalent of ALEOs, how clear are they about their role?</p>	<p>The council has considered the question of representation and is clear about why it wants representation and is transparent in its decision about which members or senior officers will be involved and why. The council has a clear policy for any payments to board members.</p> <p>Members and senior officials are properly advised of their responsibilities to the council and the ALEO, including questions of declaration of interests. They exhibit this understanding through their behaviour and performance.</p>	<p>Training and support is provided to council representatives so they are clear about their responsibilities to the council and the ALEO.</p> <p>The council has a register of interests which records potential conflicts of interest that may arise from member or senior officer involvement in the ALEO.</p> <p>Members and senior officials are effective in performing their role as board members.</p>	<p>The council safeguards itself from risks incurred by members/senior officers in their dealings with the ALEO, eg liability insurance.</p> <p>Specialist training is provided to members/senior officers, eg on company or trust law. Training continues over the period of the member/senior manager involvement and impact of training is measured.</p> <p>The council reviews representation in ALEOs, makes changes in light of experience and considers rotating representation.</p>

Arm's-length external organisations (ALEOs): are you getting it right?

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Report to Resources and Audit Committee

Date of Meeting: 1st May 2014

Subject: Council Financial Performance 2013/14

Report by: Chief Accountant

1.0 Purpose

- 1.1 This paper provides an update on the financial performance of the Council to date in respect of both revenue and capital spend for the current financial year, 2013/14. Projected outturns up to March 2014 are set out in the report.

2.0 Recommendations

- 2.1. The Committee is asked to
- 2.2. note the forecast general fund revenue underspend for the year of £0.906m.
- 2.3. note the progress on delivering the planned savings in the year
- 2.4. note the overspend of £0.323m forecast on the Housing Revenue Account
- 2.5. note the underspend on General Services capital of £7.607m of which £2.636m are savings in delivery of programme with remainder carried forward to 2014/15.
- 2.6. note the underspend on HRA capital of £1.608m of which £0.409m are savings in delivery of programme with remainder carried forward to 2014/15.

3.0 Background

- 3.1. Following the changes to the political decision making structures introduced last year, Service Committees receive budget monitoring reports which provide more detail of the spending activity within their remit.
- 3.2. This overall report summarises the financial position of the Council and complements service reporting arrangements. Given that this report consolidates all of the detailed service financial data, it is intended that the Resources and Audit Committee focuses on the corporate financial position.

- 3.3. Service outturn figures have been presented to the Education committee on the 24th April and will be presented to the Housing , Health and Care Committee on the 22nd May and the Enterprise and Environment Committee on the 5th June. In line with usual practice, it is anticipated that detailed scrutiny of individual service outturn figures will be undertaken at this time, allowing the Resources and Audit Committee to remain focused on its corporate scrutiny remit.
- 3.4. During the course of the year the cycle of outturn reporting for service committees and Resources and Audit Committee have become misaligned. This position is currently under review with a view to ensuring that within each discrete committee cycle, the same month's outturn and corporate outturn are reported. This will necessitate all services to report their financial outturn for each committee cycle rather than in alternate committee cycles as at present. Work is currently in hand to realign operational and reporting timetables to enable this change to be implemented.

4.0 General Fund Revenue

- 4.1 This summary reflects as far as possible any further service reconfiguration implemented since the start of the year. Projected outturns for the full year have been prepared following discussions with Service Managers.
- 4.2 Overall the Council's net expenditure this year is expected to record an under spend of £0.906m an increase of £0.655m on the previously reported underspend. The main reasons for this changed position are:-
- Reduced tonnage of waste to landfill
 - Additional income from the PCU
 - Unfilled vacant posts

This is off-set by other minor under and over-spends across all service areas.

- 4.3 The variances presented in this report reflect the changes from the last Resource and Audit Committee. However the reduction in tonnage of waste to the landfill site has previously been reported to the Enterprise and Environmental Service committee.
- 4.4 The additional income from the PCU has not previously been outturned. Any additional income within the PCU should be off-set by additional costs in other service areas. Additional costs have been shown against HRA spend but the corresponding income was not projected by the PCU. This information should be available from the regular dialogue and/or exchange of information between the Service and Accountancy. Paragraph 4.5 sets out the key actions which are being taken to prevent this from happening in the future.

4.5 Changes arising from the implementation of the senior management restructure approved in the 2014/15 Budget will provide an opportunity to review and amend (as appropriate) the way in which both HRA and PCU budgets are managed. Key areas under discussion and/or development are:

- The PCU will no longer be a stand alone service but will operate as an integral function within the overall HRA service. This action will technically remove STO status with appropriate works being recharged at cost . It is anticipated that it will also create the opportunity for administrative efficiencies.
- The utilisation of the Servitor system can be considered in the context of the wider management of the service.
- Resourcing of the reconfigured services can be considered with a view to streamlining service delivery.

The HRA service and the PCU are currently working with Accountancy Service to scope and deliver the enhanced alignment, stream-lining and subsequent reconciliation of the various budgets.

4.6 The largest service overspend is within Social Services. However, Social Services have an action plan which for Adult Care includes a review of Adult commissioning, the implementation of the Clackmannanshire Charging Policy which will be fully implemented by April 2014 and the sharing of Team Leaders posts in assessment and care management and business and strategy services. A review of all children in External foster care and residential schools is also being planned by the service. Changes are also being made to the procedures for processing Kinship care payments.

4.7 Table 1 below provides an overview of the Council's outturn position within each Service Expenditure area. The commentary aims to flag the key reasons for material variances from the approved budget.

Table 1 Summary of Service Budget Variances

Service	Annual Budget	Projected 31.03.14 (under)/over	Commentary
Support Services	£6.334m	(£19k)	The under spends in support services are due to the impact of the following :- Overspend:- Accountancy - changes in staffing structure, progression planning for retirement and backfill for long term absence cover £13K. Revenues & Payments - ongoing implementation cost of Payroll/HR system £104K. These overspends have been fully offset by:- Staffing underspends - IT and Governance £138K
Strategy and Customer Services	£6.884m	(£328k)	Savings are a result of the following:- Staff turnover, vacancies, restructure and additional registrar income (273K). This is an increased under spend from previously reported mainly due to additional business support staffing savings. In recognition of this emerging position, the current underspend was offered and approved as 2014-15 budget savings.

Service	Annual Budget	Projected 31.03.14 (under)/over	Commentary
Facilities Management	£24.482m	(£465k)	<p>The forecast under spend in FM is due to savings in the following areas :-</p> <p>Waste Management - mainly due to reduction in tonnage sent to landfill (300K) and vacancy management (£143K) :-</p> <p>Property Costs - reduced utilities usage (£260K)</p> <p>One-off rebate on property rates of (£230K).</p> <p>This under spend is partially off-set overspends in the following areas :-</p> <p>Auto Enrolment - budget held corporately £135K</p> <p>Asset Management - shortfall in fees and rent, additional staff employed to assist in Kilncraigs move and promote the sale of buildings £119K</p> <p>Legal costs are now estimated to be paid as a result of a legal case involving a contract to install kitchens in Council properties £104K</p> <p>Leisure Services - price increases not yet implemented £190K</p> <p>Repairs to public buildings - failures found in the statutory testing and servicing programmes including fixed wire testing £150K.</p>
Social Services	£26.055m	£746k	<p>The forecast overspend for Social Services is due to the impact of overspends in the following areas:-</p> <p>Adult Assessment and Care Management Team. Care Home payments - complex contract arrangements £546K</p> <p>Budgeted savings that have not been realised £310K.</p> <p>Childcare - Clacks locality - difficulties in employing social workers has resulted in additional staffing costs as a direct result of having to employ additional agency staff - £355K</p> <p>Fostering - lack of internal foster carers and an increasing number of children requiring foster care £140K</p> <p>Pensions auto enrolment £81K</p> <p>These overspends are partially offset by vacancy savings.</p>
Education	£33.984m	(£6k)	<p>The forecast underspend is due to the impact of :-</p> <p>Teaching vacancies were the service have been unable to source supply cover.</p> <p>ASN transport costs.</p> <p>ASN placement income of £55K.</p> <p>These under spends are off-set by over spends across</p>

Service	Annual Budget	Projected 31.03.14 (under)/over	Commentary
			the service mainly related to:- Auto enrolment £145K. Regrading of support staff £66K. Budgeted saving not fully actioned £30K. Pupil conveyancing £136K.
Housing	£2.973m	£82k	Overspends reported are as a result of the following :- DWP housing benefit subsidy - shortfall in income £385K Shortfall in rent from homeless and specialised accommodation £174K. These overspends are partly offset by savings arising from :- Unallocated budgets (£173K). Vacancies - homeless team (£33K) Homeless strategy funding not fully committed (68K) Other minor under spends.
Community and Regulatory	£5.460m	(£100k)	Mainly unfilled vacant posts
PCU	(£0.952m)	(£227k)	Additional income previously undeclared
Corporate Adjustments	£899m	(£422k)	Savings within Corporate are a result of :- Auto Enrolment - costs included in Services (£274K) Voluntary Severance (£298K) Living wage costs and other minor adjustments (£28K). These savings are off-set by the following:- Procurement and Voluntary Organisation - savings to identified within individual services £178K
Misc Services & Non Distributed Costs	£1.157m	£30k	Additional costs of dilapidations Drummond House £6K Costs of lump sum severance £24K
Total	£107.275m	(£724k)	

4.8 The lower level of borrowing requirement last year has translated into reduced capital financing payments in the current year of £325k. This is offset by a reduction in the interest received on the Council's revenue balances of £261k. resulting in a net saving this year of £54k

4.9 The mid year Council tax return has indicated an increase in the tax base which will generate additional income of £198k.

4.10 The 2013/14 budget incorporated approved management and policy savings of £3.944m. At this point in the year we are able to report that 83% have been achieved this financial year. Table 2 below sets this out for each council service portfolio.

Table 2 Budgeted 2013/14 savings progress

Department	Savings full year 13-14 £000	Progress 13-14 £000	Comments
Support Services	216	193	Savings achieved other than delay in increases in income.
Strategy and Customer	273	273	Savings Achieved
Facilities Management	636	498	Work ongoing to deliver a number of the savings
Social Services	1,035	764	Work ongoing to deliver a number of the policy savings
Education	950	904	All savings achieved other than changes to term time contracts
Housing	264	264	Savings Achieved
Community and Regulatory	329	329	Savings Achieved.
Corporate	241	38	Work ongoing to review of target savings throughout Services
	3,944	3,263	

5.0 Housing Revenue Account

5.1 It is forecast that the Service will achieve a surplus in the year of £3.884m which is £323k less than budgeted in the HRA Business Plan. This is a reduction in expenditure of £298K from the figures previously reported.

5.2 Staffing costs are recording a saving of £290k due to current vacancies and the ongoing reconfiguration of the Service.

5.3 Repairs and maintenance is projecting an overspend by £649K as a result of additional work found on the cyclical inspection and maintenance programme, and an increase in the number of void houses. A review of the Cyclical maintenance works is ongoing. It is the intention of the service to reduce the number of void properties to ensure maximum usage of current housing stock.

6.0 Capital

General Services

6.1 **Appendix A** to this paper details the General Services capital programme for the current year where individual projects are listed within the various asset management plans. As previously reported the revised gross budget for the current year totals £19.834M. A considerable amount of work is still ongoing with Services to realign the phased budgeted spend of each project

6.2 Appendix A records variances between budgeted and actual spend to date as well as projecting the spend for the full year. Brief comments on project status are also recorded.

6.3 Overall, the General Services capital programme is expected to record an underspend of £7.607m against the revised gross budget compared to the previously reported underspend of £6,673m. £2.636m of this underspend is a saving with the remainder carried forward to financial year 2014/15.

6.5 The significant projects that contribute to the current underspend position are detailed in Table 4 below together with the movements from previously reported and comments are also recorded in Appendix A:

Table 4 General Services capital budget variances

Project	Variance Dec(£000)	Variance Feb£'000	Movement	Comments
Village / Town Centre Initiative (Phases 1 and 2)	(350)	(250)	100	Phase 1 has commenced on-site at Sauchie but Phase 2 has still to be identified and will not commence until 2014/15.
3-12 School Development	(72)	(33)	39	Carry forward of funding flat roof replacement programme £72K but overspend on summer programme.
Autism Unit	(93)	(70)	23	Work scheduled Summer 2014
Redwell School	(1,300)	(1,300)	(0)	Grant received 13-14. Anticipated 14-15
Property Asset Management Improvements	122	69	(53)	Additional essential works undertaken at Kilncraigs and Kelliebank
Property Asset Management Improvements - Kilncraigs (Phase 2)	(50)	(50)	(50)	Will not be fully spent 13-14. Carried forward to 14-15why ?
Property Asset Management Improvements - Kelliebank(phase 2)	(280)	(250)	30	Estimated completion date July 2014
CCTV	(58)	(90)	(32)	Partnership concentrating on other priorities.
Black Devon Landfill	(80)	(80)	(0)	£70K saving on project. £10K carried forward for retentions to 2014-15
Lornshill Academy	(60)	(210)	(150)	Carry forward of grant funding
Speirs Centre	(700)	(700)	(0)	Carry forward to 2014-15. Completion anticipated May 2014.
Contaminated Land	(53)	(53)	(0)	Budget not required
Drainage	(20)	(20)	(0)	Seasonal restrictions
Photovoltaic	(441)	(441)	(0)	The spend to save solar

Project	Variance Dec(£000)	Variance Feb£'000	Movement	Comments
Installations				photovoltaic project is nearly complete with one building remaining with underspend due to some installations being financially unviable.
Roads	(0)	(403)	(403)	Delay in start of projects
Heritage Centre Improvements	(186)	(186)	(0)	Further work to be determined via CSGN funded master plan in 2014-15
Off the shelf purchase of Temporary Accommodation	(2,202)	(2,207)	(5)	Spend to save. 20 units purchased. No further purchases.
The Orchard Conversion	(372)	(372)	(0)	In design and programmed to be on site late 2014. resulting in slippage into 2014/15
IT - Schools	(0)	(30)	(30)	Will not take place until 14-15
IT - Digital Broadband	(0)	(100)	(100)	Carried forward to 14-15
IT - I-trent	(0)	(36)	(36)	Delay in phase 2 of HR/ Payroll project due to project management issues with Supplier
IT Welfare Reform	(0)	(100)	(100)	Not required 13-14 may be required 14-15
Vehicle replacement	(524)	(723)	(199)	Review of vehicle life . Replacements extended to 2014-15.

Housing Revenue Account

- 6.6 **Appendix B** to this paper details the HRA capital programme for the current year where individual projects are listed within the various asset management plans.
- 6.7 Overall, the HRA capital programme is expected to record an underspend of £1.608m against the approved budget of £9.313m compared to the previously reported underspend of £1.150K. Of this underspend £0.392m are savings and the balance of £1.216m being carried forward to the 2014/15 financial year. The significant projects that contribute to this position are detailed in Table 5 below and comments are also recorded in Appendix B:

Table 5 HRA capital budget variances

Project	Variance December £'000	Variance February £'000	Movement £'000	Comments
Conversions & Upgradings	(506)	(683)	(177)	Difficulties in ensuring we comply with current sound proofing regulations has caused a delay in the Orchard project. Completion is now estimated to be during financial year 2014/15.
Council New Build Housing	240	15	(225)	Overspend relates to Hallpark project and retention costs of Alva / Tullibody new build.
Safe Electrical Systems	(263)	(450)	(187)	The 13-17 programme is delayed and still at procurement stage. This will result in a carry forward of budget to 2014-15.
Communal Areas	(100)	(141)	(41)	Under spend Door Entry. Ongoing discussion with Private Tenants to agree process for private tenant contributions.
Fuel Efficient Central Heating	(43)	(23)	20	Actual payment made in year less than estimated during 2012/13.
Housing Benefit Management System	(440)	(440)	(0)	Review by Head of Service. Budget no longer fully required.

7.0 Conclusions

- 7.1 General Services revenue spend is anticipated to record an underspend of £0.906m in the year. This is an increase on the under spend reported last month. This masks a position of a range of under and overspend outturn positions between services. Actions are in hand to further improve the accuracy of outturn reporting particularly with the reconfiguration of PCU within the Housing Service.
- 7.2 There is good progress in delivering the approved savings of £3.944m.
- 7.3 The Housing Revenue Account is anticipating an overspend of £0.323m mainly as a result of additional maintenance costs. However if the void position improves then this will ensure optimum usage of housing stock and avoid future capital costs.

7.4 The current review of the capital programme indicates that underspends (and savings) of £7.607m on General Services and £1.608m on HRA will arise, and the specific projects involved are detailed within the report.

8.0 Sustainability Implications

8.1 None

9.0 Resource Implications

9.1 Financial Details

9.2 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

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

9.4 Staffing

9.5 None

10.0 Exempt Reports

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

11.0 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)

12.0 Equalities Impact

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

Yes No

13.0 Legality

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

14.0 Appendices

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

Appendix A General Services Capital

Appendix B HRA Capital

15.0 Background Papers

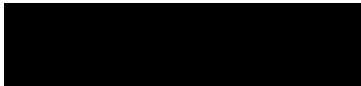
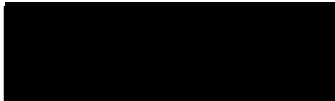
15.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Liz Shaw	Chief Accountant	2072

Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Support Services Manager	
Nikki Bridle	Director of Finance and Corporate Services	

General Services Capital Programme Budget 2013/14	Annual Budget 2013/14	Actual Expenditure to 28/02/14	Actual Income to 28/02/14	Net Expenditure to 31/01/14	Projected Out-turn 31.03.14	Variance Budget v Projected	Comment
Property Asset Management Plan							
3-12 School Development (Primary & Nursery) & School Fund & Additional 12-13 Funding							
School Estate Strategy	0	0	0	0	0	0	
Toilet Prov Upgrade Tilly PS	0	453	0	453	453	453	
DDA	10,000	7,554	0	7,554	10,000	0	
Asbestos Removal - Various	3,600	3,999	0	3,999	3,999	399	
School Ground Development 4 7	0	200	0	200	200	200	
Internal Upgrade Clackmannan PS	0	796	0	796	796	796	
External Fabric Upgrade	6,080	0	0	0	6,080	0	
Toilet Prov Upgrade Tilly PS		375	0	375	375	375	
Abercrombie PS Toilet Upgrade	8,250	8,250	0	8,250	8,250	0	
Central Heating Installation Park PS	80,000	29,616	0	29,616	80,000	0	
2013-14 Summer Programme	267,490	297,993	0	297,993	298,000	30,510	
Playground Upgrade Restore	108,000	70,803	0	70,803	108,000	0	
Flat Roof Replacement	684,000	581,175	0	581,175	612,000	(72,000)	
TOTAL 3-12 SCHOOL DEVELOPMENT	1,167,420	1,001,214	0	1,001,214	1,128,153	(39,267)	
Alva Autism Unit	100,000	9,619	0	9,619	30,000	(70,000)	Works being carried out in summer 2014
Lornshill Academy - Floodlights	0	0	(151,178)	(151,178)	(151,178)	(151,178)	Sports Scotland funding for floodlighting - extended process for agreeing terms nearing completion. Carry Forward Funding
Demolition of Lornshill Academy & Construct Car Parking & Football Pitch & Running	82,990	23,344	0	23,344	23,344	(59,646)	
Demolition Alva / Alloa Academy	0	11,128	0	11,128	11,198	11,198	Retention paid in 13/14
School Building Alarm Systems	19,950	15,795	0	15,795	19,950	0	
Forthbank Waste Recycling Project & Accomodation Rationalisation	0	(14,434)	0	(14,434)	3,000	3,000	Complete - retention to be paid in 13/14
Alloa Town Centre Regeneration: Speirs Centre	2,685,650	1,219,432	(289,863)	929,569	2,085,650	(600,000)	Committed and on-site
Speirs additional funding	100,000				0	(100,000)	
Speirs additional funding							
Redwell	3,374,770	5,508,761	(4,335,585)	1,173,176	2,074,770	(1,300,000)	Committed and on-site. Full Amount of Grant for 50% of costs received in year £4.3M
Safe Route to Schools - Redwell Pleasure Grounds (Sustrans match funding)	50,000	100,000	0	100,000	50,000	0	Scheduled for early 2014
Tillicoultry Asset Plan: Conversion of family centre to community hub	10,000	7,210	0	7,210	41,000	31,000	Complete - retention to be paid in 13/14
Tillicoultry Asset Plan: Redevelop existing CAP/Library to housing	127,540	88,879	0	88,879	127,540	0	Tenders received - work to be completed Mar 2014
Property Asset Management Improvements	145,850					68,987	
Bank Street		4,360		4,360	25,000		Tenders being prepared
Sauchie hall		36,987		36,987	36,987		No retention
Kelliebank		149,717		149,717	152,850		Committed and on-site at Kelliebank Depot
TOTAL PROPERTY ASSET MANAGEMENT IMPROVEMENTS	145,850	191,064	0	191,064	214,837	68,987	
Property Asset Management Improvements - Kilncraigs	250,000	77,400		77,400	200,000	(50,000)	
Property Asset Management Improvements - Kelliebank	400,000	107,475	0	107,475	150,000	(250,000)	Design agreed, planning and warrant in progress
Village / Town Centre Initiative (Phase 1: Sauchie)	250,000	45,789	0	45,789	250,000	0	On site. Due to complete October 2014
Village and Small Towns Initiative Phase 2	250,000	0	0	0	0	(250,000)	Phase 2 to be identified will not commence until
CCTV	90,260	0	0	0	0	(90,260)	No expenditure expected in 2013/14. Partnership resources concentrating on Remploy situation. Slow progress on camera assessment work which will eventually result in capital expenditure.
Asbestos Removal	0	452	0	452	0	0	
Kilncraigs 1936 BPRA Project	0	36,687	(97,342)	(60,655)	0	0	IT Costs to be recharged to Contractor as part of overall project
Photovoltaic installations							Spend to save. Project completed with viable installations only. Project underspend.
TOTAL PHOTOVOLTAIC INSTALLATIONS	861,630	410,323	0	410,323	420,700	(440,930)	
Heritage Centre Improvements	500,000	388,165	0	388,165	313,823	(186,177)	Kilncraigs improvements completed / nearing completion. Tillicoultry Cemetry wall at tender. Further greenfield cemety and wall improvements to be determined via CSGN funded masterplan in

Appendix A

Overspend / (Saving)	C/fwd to 14/15	Total
		0
		453
		0
		399
		200
		796
		0
		375
		0
		0
		30,510
		0
	(72,000)	(72,000)
32,733	(72,000)	(39,267)
	(70,000)	(70,000)
	(151,178)	(151,178)
(40,000)	(19,646)	(59,646)
11,198		11,198
		0
3,000		3,000
	(600,000)	(600,000)
	(100,000)	(100,000)
	(1,300,000)	(1,300,000)
		0
31,000		31,000
		0
68,987		68,987
0		0
0		0
0		0
68,987	0	68,987
	(50,000)	(50,000)
	(250,000)	(250,000)
	0	0
0	(250,000)	(250,000)
0	(90,260)	(90,260)
0		0
0		0
		0
(429,930)	(11,000)	(440,930)
		0
	(186,177)	(186,177)

General Services Capital Programme Budget 2013/14	Annual Budget 2013/14	Actual Expenditure to 28/02/14	Actual Income to 28/02/14	Net Expenditure to 31/01/14	Projected Out-turn 31.03.14	Variance Budget v Projected	Comment
Digital Broadband	100,000	0	0	0	0	(100,000)	Work not completed in year due to procurement delays will be required in 14-15
Total Capital Programme	19,834,280	13,557,756	(5,187,887)	8,369,869	12,227,233	(7,607,047)	
General Capital Grant							
General Capital Grant	(4,065,000)	0	(3,697,678)	(3,697,678)	(4,065,000)	0	
Invest to Save (HR/Payroll Phase 2, L&D and H&S Modules)	(27,500)				(27,500)	0	
Total Capital Programme	15,741,780	13,557,756	(8,885,565)	4,672,191	8,134,733	(7,607,047)	

Appendix A

Overspend / (Saving)	C/fwd to 14/15	Total
	(100,000)	(100,000)
(2,635,884)	(4,971,163)	(7,607,047)
(2,635,884)	(4,971,163)	(7,607,047)

Housing Capital Programme 2011/12 to 2014/15: Period to Feb 2014 update	13-14 Budget Expenditure	13-14 Budget Income	13-14 Net Budget	Projected Outturn 31.03.14	Variance Budget v Projected	Comment	Carry Forward to 2014/15
SCOTTISH HOUSING QUALITY STANDARD							
TACKLING SERIOUS DISREPAIR PRIMARY BUILDING ELEMENTS							
Structural Works	150,000	0	150,000	151,000	1,000		
SECONDARY BUILDING ELEMENTS							
Damp/Rot	50,000	0	50,000	500	(49,500)	No expenditure on major contract this year.	
Roofs / Rainwater / External Walls	610,000	0	610,000	649,027	39,027	Extra work done on Render & Roof contract	
Window & Doors - External Doors	80,000	0	80,000	118,000	38,000	Extra works done by PCU	
ENERGY EFFICIENCY							
Fuel Efficient Central Heating	928,000	0	928,000	905,339	(22,661)	An accrual was made in 12-13 for expenditure still to be paid in the Community Energy Savings Programme. The amount paid this year is £147,000 less than accrued. This under spend is looking to be carried forward to help fund future Energy Efficiency projects. Central Heating 2013-16 Replacement project late in starting £58k under spend required next year to complete project	205,000
MODERN FACILITIES & SERVICES							
Kitchen Renewal	50,000	0	50,000	100,000	50,000	Additional kitchens required from voids.	
Bathrooms	3,387,204	0	3,387,204	3,422,888	35,684	Bathroom replacement continuing MITIE and PCU on site.	
HEALTHY, SAFE & SECURE							
Safe Electrical Systems/ CO Detectors	607,417	0	607,417	157,104	(450,313)	There have been delays getting the projects started this year with subsequent under spends on the projects. The under spend of £370k will be required to fund the projects once they start.	370,310
Communal Areas (Environmentals)	270,778	0	270,778	129,643	(141,135)	Under spend in Door Entry programme until issues with Private Tenants resolved. The issue is around those closes where there are tenants who have previously bought their Council House. A solution as to how we ensure that those private tenants pay for their share of the costs when the work is done has still to be achieved.	141,135
NON-SHS ELEMENTS PARTICULAR NEEDS HOUSING (CITC)							
Conversions & Upgradings	953,800	0	953,800	270,644	(683,156)	Under spend is due to Orchard project where the conversion of maisonettes to 1 bedroom flats is experiencing difficulties in ensuring that we comply with current soundproofing regulations, no expenditure forecast. Will be required next year.	480,000
Disabled Adaptations	50,000	0	50,000	68,201	18,201	Extra expenditure on Social Services clients	
Water Supply Pipe Replacement	5,000	0	5,000	250	(4,750)		
Demolitions	0	0	0	2,755	2,755		
Environmental & Footpath Improvement/Feasibility Work	215,000	0	215,000	165,225	(49,775)	HRA Roads & Footpath under spend relates to transfer of costs from Env Imp programme.	19,300
Council New Build Housing (Transforming Communities)	2,255,000	0	2,255,000	2,269,850	14,850	Overspend on Hallpark project and retention costs of Alva/Tullibody new Build	
Other Costs / Housing Business Management System	515,000	0	515,000	75,000	(440,000)	Scope of Hsg Business Mgt System reduced	
TOTAL CAPITAL EXPENDITURE	10,127,199	0	10,127,199	8,485,426	(1,641,773)		1,215,745
SALE OF COUNCIL PROPERTY	0	(814,000)	(814,000)	(781,000)	33,000	Lower than expected level of House Sales	
NET EXPENDITURE	10,127,199	(814,000)	9,313,199	7,704,426	(1,608,773)		

Report to Resources and Audit Committee

Date of Meeting: 1st May 2014

Subject: Risk Based Scrutiny Reviews; Progress Update

Report by: Strategy and Performance Manager

1.0 Purpose

- 1.1. The purpose of this report is to report on progress on the risk based scrutiny reviews on Supporting Vulnerable People and Families in Clackmannanshire and Community Engagement in Clackmannanshire.

2.0 Recommendations

- 2.1. It is recommended that Committee note, challenge and comment on the report.

3.0 Considerations

- 3.1. At its meeting on the 5th December 2014, Resources and Audit Committee received the findings of two reviews; Supporting Vulnerable People and Families and Community Engagement. Both reviews identified a number of areas for improvement and made a number of recommendations. Committee were asked to note that progress against these improvement actions will take place through the Community Well-being Partnership, under the Clackmannanshire Alliance, and through Making Clackmannanshire Better.
- 3.2. A number of recommendations were identified through the reviews. Under Supporting Vulnerable People and Families four broad recommendations were made;
- Service Design; Customer Focussed Service Delivery;
 - Use and Management of Vulnerable People data and tracking of progress;
 - Review use of community assets and one-stop shops;
 - Interventions to build resilience and coping strategies.
- 3.3. These four elements have been used to inform and are now clearly defined within the draft Target Operating Models approved at Council on 21 February 2014, and as such will begin to form the blueprint for public service design as part of the making Clackmannanshire Better Programme. More detail, including plans to conduct test of change in Tullibody were considered by the

MCB Steering Group in April 2014. Improvement actions have also been incorporated into the Community Wellbeing Partnership Team draft plan that was considered by the Alliance in March 2014.

- 3.4. Under Community Engagement three broad recommendations were made:
- Community Capacity Building and Community Engagement; Information and practical toolkits
 - Communication and Consultation
 - Development of structures that support participation in the design of local community services
- 3.5. Improvement actions for each review have now been incorporated into the Community Well-being Partnership team draft plan which was considered by the Alliance in March 2014. Early progress has been made, particularly in relation to community capacity building and community engagement through development of a community engagement toolkit and investment and support provided for local communities to develop local action plans. Lessons learned through early pilot work with Tullibody has informed our planned approaches and details on these, as well as planned tests of change will be considered by the MCB steering group in April 2014. Progress will continue to be monitored through the MCB programme management and Clackmannanshire Alliance.

4.0 Sustainability Implications

- 4.1. There are no direct sustainability implications arising from the report.

5.0 Resource Implications

5.1. Financial Details

- 5.2. There are no direct financial implications arising from the report.

5.3. Staffing

- 5.4. There are no direct staffing implications arising from the report.

6.0 Exempt Reports

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

7.0 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)

Clackmannanshire Single Outcome Agreement 2013/23

8.0 Equalities Impact

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

9.0 Legality

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

10.0 Appendices

10.1 none


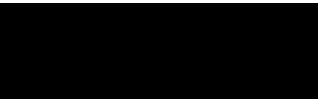
11.0 Background Papers

11.1 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

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Stuart Crickmar	Head of Strategy & Performance	01259 452127

Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Head of Strategy & Performance	
Nikki Bridle	Director of Finance & Corporate Services	

Report to Resources and Audit Committee

Date of Meeting: 01 May 2014

Subject: Internal Audit and Fraud Progress Report

Report by: Internal Audit and Fraud Team Leader

1.0 Purpose

- 1.1. This report provides an update on work completed from the Internal Audit and Fraud Annual Plan 2013/14, which was recommended to full Council for approval by the Resources and Audit Committee on 2 May 2013, in accordance with the Financial Regulations. Further to this the report provides an update of progress made on the 2014/15 Annual Plan which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014.
- 1.2. The report also provides an update on the progress of implementation of recommendations to 31 March 2014 by Officers from previous Internal Audit Reports.

2.0 Recommendations

- 2.1. The Committee is asked to note, comment on and challenge the report and progress made on the Internal Audit and Fraud Annual Plan 2013/14 and the 2014/15 Plan.

3.0 Considerations

Progress Against 2013/14 Plan

- 3.1. Progress on completion of the Assurance element of the Annual Plan 2013/14, is summarised in the table below, with more detail being provided in **Appendix A.**

Status of Audits		%
To be Commenced	0	0%
Onsite/On going	0	0%
Draft Report Issued	5	29%
Final Report Issued	12	71%
Total	17	100%

Progress Against 2014/15 Plan

- 3.2. Progress on completion of the Assurance element of the Annual Plan 2014/15, is summarised in the table below, with more detail being provided in **Appendix B**.

Status of Audits		%
To be Commenced	15	88%
Onsite/On going	2	12%
Draft Report Issued	0	0%
Final Report Issued	0	0%
Total	17	100%

- 3.3. To provide members with more information on progress of the plans we have provided terms of reference for audits that are currently ongoing or are due to start in the near future and have been agreed. These are provided at **Appendix C** and cover the following reviews;

- Devolved School Management
- Savings and Efficiencies- Overtime.

Final Reports- Assurance

- 3.4. The following reports from the 2013/14 plan are provided for:-
- Targeted Follow Up Of Review Of Arm's-Length External Organisations (**Appendix D**)
 - Council Tax (**Appendix E**)
 - Corporate & Public Performance Reporting (**Appendix F**).

Fraud

- 3.5. The Internal Audit and Fraud Team continues to investigate benefit fraud having received over 124 referrals with over 85 investigations commenced up

to the end of February 2014. In that time investigations have identified over £131,365 of over payments with over 40 sanctions issued.

Progress of Follow Up

- 3.6. Within Action Plans from previous Internal Audit Reports, there were 68 recommendations arising from 16 reports which were due for implementation by 31 March 2014. Of these, 26 recommendations have been implemented, 29 are in progress and 13 are no longer applicable. Recommendations are considered no longer applicable if they cover issues that have either been superseded by other events and are therefore dropped or have been carried forward in other reviews.
- 3.7. The progress made by Officers on these recommendations is summarised in **Appendix G** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

- 3.8. Work on the 2013/14 Internal Audit and Fraud Plan is now complete with final or draft reports issued for all reviews. In addition work on the 2014/15 plan has now commenced. Further progress has been made on implementing and addressing recommendations from previous reports.
- 3.9. Members are asked to note the report and progress made.

4.0 Sustainability Implications

- 4.1. There are no sustainability implications.

5.0 Resource Implications

5.1. Financial Details

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. No
- 5.3. Finance has been consulted and have agreed the financial implications as set out in the report. Yes

6.0 Exempt Reports

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

7.0 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)

Financial Regulations.

8.0 Equalities Impact

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

Yes No

9.0 Legality

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

10.0 Appendices

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

Appendix A - Progress on 2013/14 Internal Audit and Fraud Annual Plan

Appendix B - Progress on 2014/15 Internal Audit and Fraud Annual Plan

Appendix C - Terms of Reference

Appendix D - Targeted Follow Up Of Review Of Arm's-Length External Organisations

Appendix E - Council Tax

Appendix F - Corporate & Public Performance Reporting

Appendix G - Progress Of Follow Up Of Internal Audit Reports

11.0 Background Papers

11.1 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

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Senior Support Services Manager	
Nikki Bridle	Director Finance & Corporate Services	

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2013-14	Corporate	Final Report Issued
Assurance				
Information Governance- Document Management.	5	2013-14	Corporate and Governance	Final Report Issued
Business Continuity Planning (BCP) & Disaster Recovery (DR)	5	2013-14	Corporate and Emergency Planning Unit	Final Report Issued
Welfare Reform	6	2013-14	Corporate	Final Report Issued
Procurement	6	2013-14	Corporate & Services to Communities- Facilities Management	Draft Report Issued
Corporate and Public Performance Reporting	6	2013-14	Corporate & Customer Services	Final Report Issued
Shared Services- jointly managed Services with Stirling Council	6	2013-14	Corporate	Draft Report Issued
Adult Care- Commissioning of Care and Corporate Appointees	4	2013-14	Social Services	Final Report Issued
Funding applications including European Funds	6	2013-14	Services To community- Economic Development	Final Report Issued
Schools PPP/PFI Contract Monitoring	6	2013-14	Services to Communities- FM	Final Report Issued
Roads Management- Road Costing System.	6	2013-14	Services to Communities - Roads & Transportation	Final Report Issued
ICT Asset Management Plan	5	2013-14	ICT Service	Draft Report Issued
Devolved School Management	6	2013-14	Education	Draft Report Issued
Payroll and HR	6	2013-14	Corporate & Revenues & Payments	Final Report Issued
Fixed Asset Register	5	2013-14	Corporate Finance & Services to Communities- FM	Final Report Issued

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2013/14

APPENDIX A

Audit	Audit Weeks	Annual Plan	Service	Progress
Council Tax	4	2013-14	Corporate Services- Revenues	Final Report Issued
ALEOs	1	2013-14	Corporate and across selected services	Final Report Issued
Review of Savings and Efficiencies	4	2013-14	Corporate and across a selection of services	Draft Report Issued
Fraud				
Fraud Detection and Recovery	54	2013-14	Audit and Fraud	Ongoing
National Fraud initiative- Phase Two	6	2013-14	All Services submitting data	Ongoing
Data matching	4	2013-14	All Services	Ongoing
Fraud Awareness and Training	5	2013-14	Corporate and all services	Ongoing
Other				
Follow Up	4	2013-14	All Services	Ongoing

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2014-15	Corporate	To Be Commenced
Assurance				
Absence Management	6	2014-15	Corporate and Governance	Ongoing
Health and Safety	6	2014-15	Corporate and Governance	Ongoing
Community Planning	5	2014-15	Corporate & Strategy and Customer Services	To Be Commenced
Social Housing Charter	5	2014-15	Services To Communities- Housing and Community Safety	To Be Commenced
Housing Allocations Policy	6	2014-15	Services To Communities- Housing and Community Safety	To Be Commenced
Social Work Joint Review	3	2014-15	Social Services	To Be Commenced
Procurement	5	2014-15	Finance and Corporate Services	To Be Commenced
Education Joint Review	3	2014-15	Education	To Be Commenced
Adult Care- Commissioning of Care	4	2014-15	Social Services	To Be Commenced
Information Governance	3	2014-15	Corporate	To Be Commenced
External Funding Arrangements including ALEOs	4	2014-15	Corporate and across selected services	To Be Commenced
Housing Benefit and Council Tax Reduction Scheme	6	2014-15	Revenues and Payments.	To Be Commenced
Budget Management and Monitoring	5	2014-15	Corporate & Accountancy	To Be Commenced
Treasury Management	4	2014-15	Accountancy	To Be Commenced
General Ledger	6	2014-15	Accountancy	To Be Commenced
Change Management	6	2014-15	Corporate	To Be Commenced

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2014/15

APPENDIX B

Audit	Audit Weeks	Annual Plan	Service	Progress
ICT Asset Management Plan and IT Contract Management.	6	2014-15	Corporate & IT	To Be Commenced
Fraud				
Fraud Risk Assessment / Prevention	6	2014-15	All Services	To Be Commenced
Fraud Detection	48	2014-15	Internal Audit and Fraud	Ongoing
Review Fraud and Whistleblowing policies	2	2014-15	Corporate	To Be Commenced
National Fraud Initiative	6	2014-15	All Services submitting data	To Be Commenced
Data matching	4	2014-15	All Services	Ongoing
Fraud Awareness and Training	5	2014-15	Corporate and all services	Ongoing
Other				
Follow Up	4	2014-15	All Services	Ongoing

**INTERNAL AUDIT TERMS OF REFERENCE****SERVICE:** Education**AUDIT AREA:** Devolved School Management**AUDIT YEAR:** 2013/2014**INTRODUCTION AND SCOPE**

Devolved School Management (DSM) delegates to school level a substantial measure of control over resources and spending. DSM Guidelines are issued by the Scottish Government and aim to empower headteachers to meet local needs. The DSM Guidelines are supported by a self evaluation toolkit which is intended to enable Councils to assess the 'fitness for purpose' of local DSM schemes.

This review will use the evaluation toolkit to assess the Clackmannanshire Council DSM scheme to provide assurance on its 'fitness for purpose'

RISKS

The following risks could prevent the achievement of the objectives of Devolved School Management, or result from the non-achievement of the objectives, and have been identified as within scope for this audit;

- Decision making is not at the appropriate point leading to a lack of empowerment
- DSM framework does not facilitate appropriate partnership working
- Lack of accountability and responsibility inhibits effective management of resources at local level
- Funding carry forward arrangements impact on local flexibility.

AUDIT OBJECTIVE: Our audit work will be designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified above.

**INTERNAL AUDIT TERMS OF REFERENCE****SERVICE:** Corporate**AUDIT AREA:** Savings and Efficiencies- Overtime**AUDIT YEAR:** 2013/2014**INTRODUCTION AND SCOPE**

Clackmannanshire Council, in common with all public sector organisations, faces continuing challenging financial targets. The Council needs to identify just over £7million of savings for 2014/15. A number of initiatives and efficiencies have already been identified.

Director's Group have identified overtime payments as an area that requires scrutiny of current procedures. This includes considering opportunities for efficiencies and identification of processes, including authorisation, where more robust guidelines may be required. This review will consider these areas.

RISKS

The following risks could prevent the achievement of savings and efficiencies in relation to overtime payments, or result from the non-achievement of the objectives, and have been identified as within scope for this audit;

- Inaccurate reporting leads to ineffective monitoring of overtime levels.
- Poor authorisation controls lead to a lack of effective challenge.
- Inconsistent application of controls through lack of formal documented procedures.

AUDIT OBJECTIVE: Our audit work will be designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified above.

TARGETED FOLLOW UP OF REVIEW OF ARM'S-LENGTH EXTERNAL ORGANISATIONS

APPENDIX D

1. INTRODUCTION

- 1.1 This report details the findings of the targeted follow up of the Internal Audit review of Arms Length External Organisations (ALEOs), the report of which was presented to the Resources and Audit Committee in February 2013. The review forms part of the Internal Audit and Fraud Plan for 2013/14, which was recommended to full Council for approval by **the Resources and Audit Committee on 2 May 2013**.

2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit was to provide assurance that issues raised in the above mentioned report are being appropriately addressed and that subsequent monitoring requirements put in place by the Council are being adhered to.
- 2.2 Internal Audit, in conjunction with Strategy and Performance Management, identified the key risks relating to the audit. In our opinion there have been significant improvements in the control environment operating in relation to the funding of external organisations. We can provide overall **reasonable** assurance that risks are being adequately mitigated against.

Key Risk	Assurance Assessment
Issues raised in the original audit report have not been addressed.	Reasonable

TARGETED FOLLOW UP OF REVIEW OF ARM'S-LENGTH EXTERNAL ORGANISATIONS

APPENDIX D

3. FINDINGS

- 3.1 Within the Internal Audit review of Arms Length External Organisations (ALEOs), the report of which was presented to the Resources and Audit Committee in February 2013, limited assurance was provided against three of the five key controls identified. This review sought to consider progress against implementation of agreed management actions and so provide an update on the assurance originally provided and to highlight any ongoing issues. Any other matters arising that are identified will also be reported.
- 3.2 We originally only provided limited assurance that the Council has formal, comprehensively documented policies and procedures for managing funding to external organisations. We raised three recommendations in relation to this control and we are satisfied that all three have now been addressed. A revised Code Of Practice Funding External Bodies And Following The Public Pound has been introduced which includes relevant guidance and has been circulated to all relevant staff. There is also a central register of externally funded bodies in place and Service Committees should be receiving regular updates however this is not yet happening in all instances. Social Services performance report does not include information on external funding provided to external bodies or provide confirmation that SLAs are in place and are up to date. The Service has provided a report to the Housing Health and Care Committee on commissioned services however this includes all external commissioning and does not identify which are being provided under SLAs and whether these are up to date.
- 3.3 While there is still some improvement required around consistency of reporting to Service Committees we can now provide **significant** assurance that the Council has formal, comprehensively documented policies and procedures for managing funding to external organisations.
- 3.4 We also only provided limited assurance that formal agreements which set out the expectations of the Council and the organisation are in place where the Council provides funding to external bodies. Again we can report significant improvements in this area. We raised two recommendations in relation to this control and we are satisfied that both have been largely addressed. A pro-forma SLA template is in place with compliance being monitored through service committees. As mentioned above however there has not been formal assurance provided that SLAs are in place for all external funding arrangements overseen by Social Services. We can however still provide **reasonable** assurance that formal agreements which set out the expectations of the Council and the organisation are in place where the Council provides funding to external bodies.
- 3.5 The final area where we could originally only provide limited assurance was over whether the Council regularly monitors the performance of the Funded Body with periodic reviews of service delivery. There were three issues raised in relation to this and each have been either fully or partially implemented. Services are responsible for monitoring external bodies that they provide funding to and while there is widespread evidence of this happening it is not yet universal as Social Services have not yet fully put arrangements in place. An annual review of funding to external organisations provided by Finance and Corporate Services was presented to the June Resources and Audit Committee however again this is not something done universally. Similarly review of external organisations finance is not being undertaken universally although we are aware that training is being provided to monitoring officers to facilitate this further. We are also aware that officers are being more proactive in visiting organisations to gauge performance.
- 3.6 While there are still issues around elements of the monitoring we can now provide **reasonable** assurance that the Council regularly monitors the performance of the Funded Body with periodic reviews of service delivery.
- 3.7 There have been significant improvements in the management and monitoring of funding provided to external organisations. We are now satisfied that there are robust corporate arrangements in place that provide services with a platform to undertake responsibilities. However there are still some gaps in implementation of these corporate arrangements. As a result we will undertake

TARGETED FOLLOW UP OF REVIEW OF ARM'S-LENGTH EXTERNAL ORGANISATIONS
APPENDIX D

further work at service level as part of our 2014/15 annual plan to review how arrangements are bedding in and whether they are addressing risks appropriately.

- 3.8 The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

TARGETED FOLLOW UP OF REVIEW OF ARM'S-LENGTH EXTERNAL ORGANISATIONS
APPENDIX D

4. RECOMMENDATIONS

4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2 The Management Action Plan contains the following priority of recommendations.

Priority Assessments	Number
Priority 1	
Priority 2	2
Priority 3	
Priority 4	

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Not all service committees are receiving regular monitoring updates on external funding.	Updated corporate arrangements are not universally implemented.	2	Heads of Service to be reminded of need to report performance.	Head of Strategy and Customer Services Head of Social Services Head of Resources and Governance Head of Housing and Community Safety Head of Development and Environment	30/06/14
5.2	Updated corporate arrangements are in early stages of being implemented at service levels.	Inconsistent application of new arrangements could lead to gaps and inconsistencies in operational monitoring of external funding.	2	Internal Audit will carry out further more in depth work into implementation of corporate arrangements. Any issues will be reported on with appropriate responsible officers identified at that point in time.	Internal Audit and Fraud Team Leader.	31/12/14

INTRODUCTION

- 1.1 This report details the findings of the Internal Audit review of Council Tax. The review forms part of the Internal Audit and Fraud Plan for 2013/14, which was recommended to full Council for approval by **the Resources and Audit Committee on 2 May 2013**.
- 1.2 The council tax is to help pay for the services Councils provide. There is only one bill for each house or other dwelling, but the adults living there may have to share the payment. The bill has a personal component and a property component; it is based on the value of the property relative to others in the local area. Bills may be reduced because of the personal circumstances of the people resident in the house.
- 1.3 Revenues Service has responsibility for annual billing, collection, current and previous year arrears recovery, write offs and reporting of Council Tax. The council tax income due to be collected for 2013/14 is £18,611,723. We did not review 2014/15 billing process as arrangements were at an early stage when the review was carried out.

2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit was to review and evaluate the key controls around how the Council administers and manages Council Tax. Council Tax Benefit was not reviewed, as this is included in the Internal Audit and Fraud 2014/15 Annual Plan.
- 2.2 Internal Audit, in conjunction with Revenues management, identified the key risks relating to Council Tax systems. In our opinion there is a good control environment operating in relation to the arrangements the Council has in place for mitigating the risks associated with Council Tax. We can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Billing information is not accurate leading to maximum council tax income not being achieved.	Significant
Council tax systems are not efficient or effective.	Reasonable
Council tax reporting is inadequate (system functionality).	Limited

3. FINDINGS

- 3.1 We can provide significant assurance that billing information is accurate. The Council approves Council Tax Charges for the forthcoming financial year in a timely basis in accordance with legislation. An annual billing schedule ensures that the annual billing of council tax is accurate and complete. However, a large quantity of paper evidence has been produced for previous annual billing exercises. Indications are that this will happen again for the 2014/15 exercise with evidence being scanned in afterwards. There is however a facility within the Northgate Council Tax system to save evidence electronically.
- 3.2 Training sessions are arranged for all relevant staff when changes are made to Council Tax processes. Over the years a significant level of written instructions have been prepared. There is now a level of duplication across instructions and elements of the instructions may no longer be current. It may be prudent to undertake a review.
- 3.3 There was no annual reconciliation of the Valuation List files to the Council Tax system in 2012/13 and 2013/14. However, our testing on changes notified by the Assessor in 2012/13 and 2013/14 provided assurance that all changes were correctly input to the Council Tax system. The option to carry out this reconciliation as an automatic process has been recently raised with Northgate (the suppliers of Council Tax electronic systems), as there is still a risk that changes to property details in year are not entered for whatever reason.
- 3.4 Sufficient evidence was found that discounts and exemptions are being properly awarded and reviewed. The Council participates in the biennial Audit Commission NFI data match of council tax data to electoral registration data. An exercise has been completed for 2011/12 with the 2013/14 review due to start in March 2014. The results of the 2011/12 exercise resulted in 650 single person discounts being removed with income recovered of £110,000.
- 3.5 We can provide reasonable assurance that council tax systems are efficient and effective. Full reconciliations between the general ledger and the Council Tax system and between the two council tax bank accounts and the general ledger are being completed monthly and independently reviewed by the Revenues Team Leader. Direct debit payments are the preferred and main method of payment with good automated controls in place to transfer the payments into the council tax system. The Council Tax Direct Debit take up for 2012/13 was 58.15%; however, this is no longer a performance measure.
- 3.6 Council employees are currently able to pay their tax via monthly payroll deductions. These deductions require to be manually input to the council tax system and create significant workload for payroll and revenues staff. Consideration should be given to whether this is an efficient method of collecting payments.
- 3.7 We found a small number of examples where credit balances on some accounts are not being reviewed and investigated, leading to overpayments not being refunded. These accounts related to commercial organisations who pay for vacant flats held. While the amount of money involved is not material there is potential reputational risk.
- 3.8 We are satisfied that write offs in July 2013 from the Council Tax system were formally authorised at a Council meeting in June 2013 and the council tax accounts written off complied with the Corporate Recovery Write Off Policy.
- 3.9 Revenues performance measures have identified a significant drop in the Council Tax collected within the year of 4.02% at 31 January 2014 from 77.31% in the previous year. This may be partly due to previous years arrears balances not progressed to warrant stage. These accounts will be progressed to warrant stage in 2014/15.
- 3.10 The total of council tax accounts suppressed in February 2014, was 2,634 with a total outstanding balance of £767,835.67. This includes 1,866 special agreements at a value of £441,569.97 and 679 accounts with permanent suspensions for various reasons, at a value of £303,404.71. It was found that these suspensions are not properly monitored with recovery proceedings not therefore

carried out for a number of accounts. Due to the large amount of permanent suspensions, billing and arrears issues were found with 58% of a sample of permanent suspensions tested. Action is now being taken to address this with a work plan to be put in place to review the suspensions. There is also now a requirement for officers to input end dates for all suspensions. For some recent suspensions tested however we identified that an end date is still not always being inputted. The audit also identified that suspensions due to cases referred to Money Advice for a significant period had not been lifted due to a lack of feedback from Money Advice.

- 3.11 We can only provide limited assurance that systems for reporting on council tax are adequate. There are significant system limitations on the availability of council tax reports. This includes limited reporting of discounts and exemptions awarded. Where reports are available there are issues of completeness, for example the report detailing account suspensions does not including suspensions input by some council tax officers. The lack of council tax reporting has been raised with Northgate. Significant staff resources are spent manually extracting information from the Council Tax system to respond to requests from other Council services and Freedom of Information requests. Improved Council Tax reporting would therefore be a considerable saving in the staff time required to respond to these requests.
- 3.12 The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

4. RECOMMENDATIONS

4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2 The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	-
Priority 2	2
Priority 3	8
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	A large number of paper evidence has been produced for previous annual billing exercises. If repeated this will be required to be manually scanned into electronic files. There is a facility within the Northgate Council Tax system to save the evidence electronically.	Non-productive staff time.	3	A costing has been received from Northgate and will be implemented when new web based version of council tax operating systems is in place and patch release is passed over.	Revenues Supervisor (Collection) and Revenues Supervisor (Assessment and Billing)	30/6/14
5.2	Over the years a significant level of written instructions have been prepared. There is now a level of duplication across instructions and elements of the instructions may no longer be current.	Records are difficult to access and processes may be undertaken incorrectly due to out of date procedures.	3	Staff will be requested to look over the processes and remove duplicates.	Revenue Controllers (Assessment and Billing)	30/6/14
5.3	There was no annual reconciliation of the Valuation List files to the Council Tax system for the previous two years. The option to carry out this reconciliation as an automatic process has been recently raised with Northgate.	Records and accounts are not updated to record new and amendments to properties with a loss of income resulting from incorrect and non-billing.	3	Awaiting costing from Northgate. No reconciliations will be carried out until the new web based version of council tax operating systems is in place.	Revenues Supervisor (Collection) and Revenues Supervisor (Assessment and Billing)	30/6/14
5.4	Payroll deductions for council tax payments require to be manually input to the council tax system.	Payroll deductions of council tax payments are not an effective way of collecting council tax income with considerable time required to process these payments. Also, a risk of input errors and mispostings of payments.	3	This will be reviewed later this year. If no automation of payroll deductions then we will be changing to Direct Debit in time for next year's annual billing.	Revenues Supervisor (Recovery)	31/3/15

COUNCIL TAX

APPENDIX E

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.5	Credit balances relating to certain council tax accounts are not being regularly reviewed and investigated with Council Tax payers not notified of credit balances.	Potential errors and mispostings are not identified. In addition, these credits could be transferred to clear other council debt. There is also a potential reputational risk.	3	Credit balances are now checked against all systems and any overpayments are transferred to any other debts. This is done on a regular basis. There may be cases where refund is not immediate but this could be because we would transfer after annual billing to the new financial year. Refunds are not done after December and will be picked up again after annual billing.	Revenues (Recovery) Supervisor	Implemented
5.6	Suspensions are not being properly monitored. There is a significant level of suspended council tax accounts and testing indicated that there are potential issues with a large proportion of these.	Debt recovery is inefficient.	2	Work plan now in place with suspensions now reviewed daily in conjunction with the arrears timetable.	Revenues (Recovery) Supervisor	Implemented
5.7	Suspensions due to cases referred to Money Advice have not been lifted due to a lack of feedback from Money Advice.	Debt recovery is inefficient.	3	Work plan now in place with suspensions now reviewed daily in conjunction with the arrears timetable.	Revenues (Recovery) Supervisor	Implemented
5.8	Testing indicates that recent changes to requirements around suspensions inputs are not being implemented. There are still examples where suspensions are input to the system with no end date.	Income not received when due with an adverse effect on cash flow.	3	Work plan now in place with suspensions now reviewed daily in conjunction with the arrears timetable.	Revenues (Recovery) Supervisor	Implemented
5.9	The report of suspensions from the Council Tax system is not picking up all suspensions. Suspensions input by some council tax users are not being extracted.	Income not received when due with an adverse effect on cash flow. Debt recovery is inefficient. This highlights the above need for end dates to be input into the Council Tax system for all suspensions.	3	Awaiting costing and report from Northgate. No updates will be released until the new web based version of council tax operating systems is in place.	Revenues (Recovery) Supervisor	30/9/14

COUNCIL TAX

APPENDIX E

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.10	There are significant issues with council tax reports including limited reporting of discounts and exemptions awarded. This issue has been raised with Northgate.	Council Tax reporting is inadequate. Significant staff resource is spent manually extracting information required by other Council services and Freedom of Information requests.	2	Awaiting costing and report from Northgate. No updates will be released until the new web based version of council tax operating systems is in place.	Revenues Supervisor (Collection), Revenues Supervisor (Assessment and Billing).	30/9/14

1. INTRODUCTION

- 1.1 This report details the findings of the Internal Audit review of Corporate and Public Performance Reporting. The review forms part of the Internal Audit and Fraud Plan for 2013/14, which was recommended to full Council for approval by the Resources and Audit Committee on 2 May 2013.
- 1.2 Clackmannanshire Council requires good quality performance management information that clearly reflects its priorities, accurately measures outcomes and meets the needs of all its users and stakeholders. This also supports open and transparent government through the Council demonstrating its use of resources to deliver efficient and effective services; including the extent to which the Council is achieving its objectives; how well services are performing; and areas for improvement.

2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit was to review and evaluate the high level controls around how the Council administers and manages its corporate planning and public reporting performance arrangements to ensure that all plans and performance reports are aligned and integrated across Council Services and functions, enabling the Council's performance to be accurately measured and reported to all stakeholders in a meaningful way.
- 2.2 Internal Audit, in conjunction with Strategy and Performance, identified the key risks relating to the audit. In our opinion there is a reasonable control environment operating in relation to the arrangements the Council has in place for mitigating the risks associated with the measurement and reporting of its performance. We can provide overall **reasonable** assurance that risks are being adequately mitigated against.

Key Risk	Assurance Assessment
The Council's Performance Reporting Framework is not aligned to corporate plans and priorities leading to the Council not achieving its objectives and service improvement not being achieved.	Reasonable
The Council's Performance Management and reporting arrangements do not accurately measure Service and Corporate Performance	Significant
Council performance is reported in a form that is not easy understood and meaningful to Council Stakeholders, including service users	Reasonable
The cost and time taken to obtain performance information exceeds the benefits derived from it	Reasonable

3. FINDINGS

- 3.1 Overall reasonable assurance can be provided that the Council's Performance Reporting Framework is aligned to corporate plans and priorities. While no specific Performance Management Strategy exists, the Council recognises the importance of planning and performance within its Governance Strategy as being one of its fundamental strands of good Governance. Complimentary to this, the Council's annual Service Business Planning Guidance and recently drafted Performance Management Guidance for Council Members, provides direction and focus for developing its performance management arrangements.
- 3.2 The Council's business planning hierarchy is well defined, cascading from the Single Outcome Agreement (SOA), down through the Council's Corporate Plan to Services' business and team plans. Linkage between each tier is provided through the Council's nine corporate strategic priority areas. At each level, actions and activities should be directed and focused towards the achievement of these strategic priorities. It was noted that one of the strategic priorities was omitted from the Council's current Corporate Plan, 2012-17. This was merely an oversight and we have received assurance that future iterations will include all priorities. We have confirmed that the priority in question is within the 2013-14 Business Plans of those Council Services to which it is relevant.
- 3.3 Across Council Services there is an appropriate range of the Corporate Priorities included within 2013-14 Business Plans. Each 2013-14 Service Business Plan was found to include the mandatory corporate priority "The Council is effective, efficient and recognised for excellence", Support Services and Strategy and Customer Services align their respective service objectives and actions to two Corporate Priorities. We challenged whether this apparent limited range for these two services was appropriate and received assurance that these services are legitimately focussing on those corporate priorities that are most relevant to them in their day-to-day operations and activities.
- 3.3 The Corporate and Service Business plans all include a range of indicators against which performance is measured and reported. Business Planning Guidance is prepared annually for Heads of Services providing advice to them in the drafting of their business plans. This guidance also includes a template to provide consistency across Services in the format, structure and content of their business plans. Additionally, the Strategy and Quality Development (S&QD) Team provide a range of direct guidance and support, including a quality check of a draft business plan, when requested, before submission to the Council Management Team (CMT) for approval.
- 3.4 We reviewed Clacks Improvement Model (CIM) completed assessment reports and noted a range of performance management issues that appear to be common across Council services. These include: limited evidence of services setting targets; limited management commentary and narrative to explain service performance and demonstrate the link between the PI, service delivery and outcome; limited benchmarking or comparative data used to demonstrate service performance. Presently no process exists to identify and review these common issues from a Council wide perspective. Additionally, not all completed CIM Service assessment reports were found to contain an accompanying action plan to address the highlighted areas for improvement. Furthermore, where action plans have been completed, there is limited evidence of follow-up and recording or monitoring of progress of implementation of agreed actions.
- 3.5 Significant assurance can be provided that the Council's Performance Management and reporting arrangements accurately measure its service and corporate performance. In 2012-13, the Council reported performance using a suite of over 250 corporate and statutory PIs. Covalent, the Council's Performance Management System, is used to co-ordinate and administer the performance data and information for its subsequent reporting. For PIs reported statutorily, Covalent includes standard definitions and methodology to ensure consistency in values reported. Statutory PIs are also subject to annual review by external audit who found no issues with the figures reported in 2012-13. Further assurance around the accuracy of the values of PIs being reported by the Council is provided by the results of our testing. A sample of PIs, which the

Council reported performance against in 2012-13, were checked and the reported values verified against source evidence, with no material variances being found.

- 3.6 The Council reports its corporate and service performance to a range of stakeholders and users, including: Clackmannanshire residents; service users; members; employees and; Government bodies and agencies. Each group has a differing set of needs and requirements. Reasonable assurance can be provided that the Council reports its performance in a form that is meaningful and understandable.
- 3.7 Internally, the performance reporting of Council Services is driven by the quarterly meeting cycle of the Council's Service Committees. The frequency and format of reporting by Services has been consistent since the introduction of the revised Service Committee Structure in summer 2012. Corporate performance is reported to the Resources and Audit Committee and is aligned to the timetable for the annual reporting of statutory PIs and SOA updates. An administrative timetable assists to help co-ordinate the collection and correlation of data to ensure statutory reporting deadlines are met.
- 3.8 A standard template from Covalent is used for reporting Corporate and Service performance. These reports use a suite of icons to help visually illustrate and compare performance, with a brief explanatory narrative also usually provided. Our review of 2012-13 Corporate and Service performance reports noted however that the narrative usually provides limited or no explanation for actual performance, including how actions and their subsequent outcomes have impacted on Corporate and Service performance. For example, a number of PIs within 2012-13 Service performance reports either did not include a target or where one existed, no specific value was attributed to it
- 3.9 Externally, performance is reported primarily: via Clacks Web and the Council's quarterly newsletter, "The View". Using their Clacks 1000 survey panel, the Council obtain regular feedback on performance information and how it is communicated.
- 3.10 The dedicated performance page on Clacks Web provides a range of corporate and service performance information. Of sixteen Council services represented on the performance page, the information being reported for six is not current. In our opinion the performance information provided is limited. When performing their annual assessment of the Council's Public Performance Reporting arrangements, Audit Scotland use the information presented on this page as the basis for assessing how the Council is judged to be performing against the range of assessment criteria. Consideration should be given to reviewing the presentational layout and content of the performance page to better demonstrate improvement in the Council's PPR arrangements.
- 3.11 Reasonable assurance can be provided around the Council arrangements to mitigate against the cost and time taken to obtain performance information exceeding the benefits derived from it. Covalent helps support the Council's internal and external performance reporting, by automating the collection, administration and reporting of performance information and data. This supports Services complying with internal deadlines for Management and Committee reporting and externally, complying with deadlines for reporting to external scrutiny bodies. However, what is less clear, is the amount of time and resource Council Services spend on performance data collection, measurement and reporting. While, Covalent provides a visual snapshot of the level of performance data and information being recorded across Council Services, little investigation has been taken corporately on the cost of obtaining and reporting performance information versus the benefits derived from it. There is the risk that some Services maybe expending time and resource collecting performance information and data, and are not obtaining tangible benefits from doing so.
- 3.12 The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

4. RECOMMENDATIONS

- 4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.
- 4.2 The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	-
Priority 2	2
Priority 3	3
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	<p>A number of common performance management issues were observed across Service CIM Assessment Reports.</p> <p>No process exists at a corporate level to review these.</p>	Issues common across Council Services are not being addressed.	2	Corporately, a review will be undertaken with appropriate improvement actions taken where required.	Strategy and Performance Manager	31st March 2015
5.2	<p>A number of CIM assessment reports do not contain an action plan to address issues raised from the review., and</p> <p>Where action plans have been drafted, limited evidence exists to assess and verify status of agreed improvement actions.</p>	Appropriate improvement actions are not being taken or implemented adequately to address issues.	2	Arrangements for the Governance of the CIM process will be reviewed with appropriate direction issued to address finding.	Strategy and Performance Manager	31st October 2014
5.3	<p>A number of PIs reported within 2012-13 Corporate and Service Performance Reports did not have either:</p> <ul style="list-style-type: none"> - A target allocated to it or - A specific value for a target 	Measurable and meaningful comparison of performance against targets is difficult.	3	Guidance has been prepared and issued to Elected Members on Performance Management to support them in challenging and scrutinised Services performance including the ways in how it is presented. Impact of this guidance will be reviewed.	<p>Strategy and Performance Manager</p> <p>Head of Housing and Community Safety Head of Development and Environment</p>	31st March 2015

CORPORATE & PUBLIC PERFORMANCE REPORTING

APPENDIX F

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.4	Elements of performance information reported on the "Reviewing Council Progress and Performance" page on Clacksweb is not current .	Users unable to get a proper picture of performance and potential reputational risk.	3	The Performance Management information and content will be reviewed and updated as required.	Strategy and Performance Manager And Web Development Manager	31st July 2014
5.5	Little investigation has been undertaken of cost versus the benefits to Council Services obtaining and reporting performance .	The cost of obtaining performance information exceeds the benefits derived from its use.	3	Council Services will be canvassed to assess extent of the benefits they obtain from the performance information they collect and report on against the cost derived of obtaining it.	Strategy and Performance Manager	31st October 2014

Report Title	Priority				Number of Recommendations	Recommendations				Priority	
	1	2	3	4		Implemented	In Progress	Not Applicable Now	Outstanding	1 - 2	3 - 4
Roads Management - Roads Costing System	-	-	3	-	3	3	-	-	-	-	-
Payroll and HR		1	4	1	6	1	5	-	-	-	-
Arm's Length External Organisations	3	6	2	-	11	-	-	11 (a)	-	-	-
Adult Care - Commissioning of Care and Corporate Appointees	3	2	3	-	8	2	6	-	-	-	-
Data Protection - Corporate	-	2	-	-	2	-	2	-	-	-	-
Risk Management Arrangements	-	1	6	1	8	6	2	-	-	-	-
Non Domestic Rates Income	-	1	-	1	2	-	2	-	-	-	-
Income Collection & Cash Receipting	-	1	3	-	4	2	2	-	-	-	-
Purchase Orders to Payment of Suppliers	-	4	1	-	5	3	2	-	-	-	-
Licensing Arrangements	-	-	1	2	3	3	-	-	-	-	-
Purchase Cards	-	1	-	-	1	-	1	-	-	-	-
Information Governance	1	3	1	-	5	-	5	-	-	-	-
Funding Applications including European Funds	-	1	1	-	2	2	-	-	-	-	-
Welfare Reform	-	-	2	1	3	3	-	-	-	-	-
Schools PPP/PFI Contract Monitoring	-	1	2	-	3	1	2	-	-	-	-
Trading Standards	1	-	1	-	2	-	-	2 (b)	-	-	-
TOTAL	8	24	30	6	68	26	29	13	0	-	-

(a) - Taken forward as part of the 2013/14 ALEOs Follow Up Review

(b) - Implementation of these actions would not have any impact on Clackmannanshire Council

(a) - Taken forward as part of the 2013/14 ALEOs Follow Up Review
(b) - Implementation of these actions would not have any impact on Clackmannanshire Council

Report to Resources and Audit Committee

Date of Meeting: 01 May 2014

Subject: Internal Audit and Fraud Annual Report

Report by: Internal Audit and Fraud Team Leader

1.0 Purpose

- 1.1. This report provides the annual Internal Audit opinion on the Council's internal control environment as required by Clackmannanshire Council Financial Regulations and Performance Standard 2450 of the Public Sector Internal Audit Standards (PSIAS). The report also outlines internal audit and counter fraud work undertaken in the year which presents the progress made by the Internal Audit and Fraud Team.
- 1.2. A "reasonable" assurance opinion has been provided in the report which has been arrived at following consideration of audit work carried out in line with the annual plan and other sources of assurance including progress on audit recommendations and Internal Audit and Fraud team involvement in Annual Governance Statement Assurance processes. We previously provided "reasonable" assurance for 2012/13.
- 1.3. In line with best practice the report will be used by Clackmannanshire Council to inform its Annual Governance Statement.

2.0 Recommendations

- 2.1. The Committee is asked to note, comment on and challenge the report and the opinion contained within.

3.0 Considerations

- 3.1. In December 2011, following an options appraisal, the Council approved the restructure of the audit team into an integrated Audit and Fraud Team. The integrated in-house Internal Audit and Fraud Service now comprises one team providing both the Council's internal audit and corporate and benefit fraud arrangements. There is still some ongoing uncertainty around the creation of the Single Fraud Investigation Service (SFIS) and the potential impact on the service. Developments are being kept under review. This however presents an opportunity to further develop and strengthen corporate counter-fraud activity.

- 3.2. It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system.
- 3.3. To form an opinion on the Council's control environment, Internal Audit prepares an Annual Plan which sets out the audits which will be completed during the financial year. The audits in this plan are selected with a view to determining whether the risks facing the key corporate and service objectives are being adequately managed and financial and non financial controls are operating effectively. We will work with External Audit to consider the level of reliance they can place on our work in the future. The 2013/14 Annual Internal Audit and Fraud Plan was recommended to full Council for approval by the Resources and Audit Committee on 2 May 2013.

4.0 Conclusion

- 4.1 This report provides the Internal Audit annual opinion on the operation of the Council's internal control environment. This year's assessment provides a "reasonable" assurance opinion. Further detail and the annual internal audit opinion are included in the attached report, which includes at Appendix B a definition of Assurance Assessments.

5.0 Sustainability Implications

- 5.1 There are no sustainability implications.

6.0 Resource Implications

- 6.1 *Financial Details:* Not applicable.

- 6.2 *Staffing:* Not applicable

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 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)

Financial Regulations.

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 It has been confirmed that 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 - Internal Audit and Fraud Annual Report (which includes an appendix A on Internal Audits Completed in 2013/14 and appendix B defining Assurance Assessments)

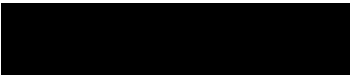
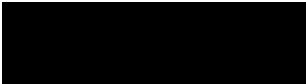
12.0 Background Papers

- 12.1 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

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Iain Burns	Internal Audit and Fraud Team Leader	226231

Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Senior Support Services Manager	
Nikki Bridle	Director Finance & Corporate Services	



INTERNAL AUDIT AND FRAUD

ANNUAL REPORT

APRIL 2013 TO MARCH 2014

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1. INTRODUCTION

- 1.1 The purpose of this report is to provide an independent assurance statement on the effectiveness of the financial and non financial internal controls operating within Clackmannanshire Council in the period April 2013 to March 2014.
- 1.2 The provision of an Annual Report by the Internal Audit and Fraud Team Leader is required under the Council's Financial Regulations (s.24.2) and by Performance Standard 2450 of the Public Sector Internal Audit Standards (PSIAS). The purpose, authority and responsibility of Internal Audit is formally defined in the Internal Audit Charter which is appended to the Financial Regulations. We will work with External Audit to consider the level of reliance they can place on our work in the future.
- 1.3 It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. PSIAS requires that the annual internal audit opinion must conclude on the overall effectiveness of the organisation's framework of governance, risk management and control in a report that incorporates;
- The opinion;
 - A summary of the work that supports the opinion; and
 - A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 1.4 This report has been prepared in line with the above requirements.

2. AUDIT OPINION

- 2.1 To form an opinion on the Council's control environment, Internal Audit prepares an Annual Plan which incorporates the audits to be completed during the financial year. The audits in this plan are selected with a view to determining whether the risks facing the key corporate and service objectives are being adequately managed and financial and non financial controls are operating.

Basis of Assurance

- 2.2 I am able to provide **reasonable** assurance upon the adequacy and effectiveness of Clackmannanshire Council's framework of governance, risk management and control in the year to 31 March 2014. Internal Audit did identify a number of significant weaknesses, particularly within the Information Governance- Document Management and the Adult Care-Commissioning of Care and Corporate Appointees reviews. However I am satisfied that appropriate action has been identified by management to deal with issues.
- 2.3 This Audit Opinion has been compiled to be consistent with the format used for the Council's Annual Governance Statement. It therefore presents the opinion of the Council's Internal Audit Team Leader for consideration.
- 2.4 In forming my opinion on the Council's control environment, I have relied on different sources, including:
- The audit work undertaken by the Internal Audit and Fraud Team during the year to 31 March 2014,
 - Progress made by management in the implementation of Internal Audit recommendations,
 - Reports issued by the Council's external auditors, Deloitte LLP and other review agencies,
 - My involvement in the Annual Governance Statement assurance process led by the Governance Manager.
- 2.5 Internal Audit completed 17 reviews during 2013/14, with final or draft reports issued before the end of the financial year. I am content, therefore, that the breadth and depth of coverage is sufficient to allow me to provide a balanced opinion on the overall adequacy of the Council's control environment.
- 2.6 As Members are aware, Internal Audit use a set of Assurance

Categories to provide an opinion on the adequacy of arrangements for risk management, governance, and control. A summary of these is set out at Appendix B.

Iain Burns

01 MAY 2014

**Internal Audit and Fraud Team
Leader,
Clackmannanshire Council**

Date

3. OVERVIEW OF 2013-14

3.1 Internal Audit and Fraud's Annual Plan for 2013/14 was recommended to full Council for approval by the Resources and Audit Committee on 2 May 2013. The Plan comprised 17 audits together with time allocated for follow up work; input in to the Annual Governance Statement assurance process; contingency work; and the National Fraud Initiative. The Plan also included fraud detection and other fraud work. Further to this the Plan also included two audits (Information Governance and Annual Assurance Report) for the Assessors which will be reported separately to the Valuation Joint Board. A total of 178 weeks were included within the Annual Plan.

Assurance

3.2 Of the 17 audits planned, all have been completed, with 5 draft and 12 final reports issued to management. These audits form the basis of the Internal Audit opinion. Details of internal audit activity undertaken during 2013-14 is summarised in Appendix A.

3.3 It should be noted that for the 12 final reports issued to date, Internal Audit provided significant assurance for 6 reviews and reasonable assurance for 5. Significant assurance was provided for Business Continuity Planning (BCP) & Disaster Recovery (DR), Funding Applications including European Funds, Schools PPP/PFI Contract Monitoring, Roads Management- Road Costing System, Payroll & HR and Fixed Asset Register. Reasonable assurance was provided for Welfare Reform, Corporate & Public Performance Reporting, Council Tax and Follow Up of ALEOs. Limited assurance was provided for Information Governance- Document Management and Adult Care- Commissioning of Care and Corporate Appointees, and appropriate action has been identified by management to deal with issues. For the 5 draft reports issued there are no issues arising that would affect the overall assurance opinion provided.

3.4 During the year progress on implementation of agreed recommendations from previous reviews was followed up on a quarterly basis. Progress has been made on implementing and addressing recommendations from previous reports. Within Action Plans from previous Internal Audit Reports, there were 29 recommendations arising from 10 reports, which were still in progress of implementation by 31 March 2014. Over the year 54 recommendations have been implemented, with 18 no longer applicable. Recommendations are considered no longer applicable if they cover issues that have either been superseded by other events and are therefore dropped (2 in total) or have been carried forward in reviews as part of the 2014/15 plan (16 in total). In future target dates for implementation of agreed

management action will be included within progress reports with monitoring of implementation being added to Covalent and performance reporting.

Contingency

- 3.5 The internal audit and fraud plan includes contingency time to undertake reactive and audit advice work. This work is commissioned by management in response to specific concerns or circumstances. This work does not result in formal reports. In 2013/14 work undertaken has included providing advice on handling credit and debit card transactions, providing assurance on June 2013 Equal Pay Settlements, commenting on Financial Regulations re-draft and review actions taken in response to Audit Scotland Housing Benefit Action Plan.

Governance

- 3.6 The Internal Audit and Fraud Team have contributed to the Annual Governance Statement assurance process through reviewing service action plans. Further to this the Internal Audit and Fraud Team Leader sat on various Governance Panels which involved contributing to reviewing and challenging evidence provided by services in support of their assurance statements.

Fraud

- 3.7 The National Fraud Initiative 2012/13 (NFI) commenced in the second quarter of 2012/13 with data being exported to Audit Scotland between October and December 2012. Matches were made available in February 2013 and investigations are currently ongoing. A final report will be presented to Resources and Audit Committee on conclusion of the exercise which will summarise the outcome of investigations.
- 3.8 Fraud detection and recovery has involved the Internal Audit and Fraud Team examining over 131 cases of suspected fraud in relation to Housing Benefit and Council Tax. Of the new referrals, 39 cases were rejected for full investigation for varying reasons e.g. cost / benefit of conducting a full investigation, age / health of suspect etc. 133 cases have been closed to 31 March 2014 with 51 live cases at that date. The value of the fraud uncovered is £133,742 (2012/13 - £167,596) and the average value on a case-by-case basis equates to £1006. Most cases result in repayment however there have been 10 cautions issued, 21 administrative penalties and 10 prosecutions. This total of 41 compares with 61 from the previous year.

- 3.9 The Internal Audit and Fraud Team have identified a small number of high value fraudulent benefit claims and where the amount of falsely claimed benefit exceeds £30,000. In such cases the normal course of action is to sanction the perpetrator and in common with the Department For Works and Pensions policies, cases of such value are referred for consideration under the proceeds of crime act with a view to obtaining a confiscation order and asset recovery. These frauds involve not only council funds, but the wider public purse. Any action taken under proceeds of crime legislation is pursued by the Crown Office. The audit and fraud team have also assisted with internal investigations and continue to promote their specialist skills and knowledge to the wider council.

4. QUALITY ASSURANCE AND PERFORMANCE

- 4.1 All Local Authority Internal Audit teams are required to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS formalise standards to be achieved in relation to, for example, independence, staffing and training, audit strategy and planning, reporting and performance and quality and effectiveness.
- 4.2 Significant development work was identified and undertaken in 2013/14. This included re-designing the audit process including moving to an electronic audit package. This ensured that individual audit reviews focused more clearly on the key risks associated with the areas under review. As a result working papers and the format of our reports was revised to accommodate these changes.
- 4.3 The Internal Audit and Fraud Team has also undertaken a self assessment against the PSIAS during 2013/14 with the aim of identifying further development work required. A Quality Improvement Plan has been drafted which identifies a number of areas for improvement including updating the Audit Charter, reviewing and updating the Internal Audit Manual and giving consideration to how independent assurance over the fraud function will be provided.

4.4 Internal Audit measures its performance against a set of *three* Key Performance Indicators (KPI). Performance against each of these for 2013/14 is set out in the table below.

Key Performance Indicator	Target (%)	Actual (%)
1. % of Internal Audit and Fraud annual plan completed.	100	100
2. Draft reports issued in line with target date	60	55
3. Audits completed within budget %.	80	75
4. Actual days as % of planned days.	95	86

4.5 While the overall plan has been delivered there is room for improvement in relation to performance against target dates and budgets for individual reviews. The draft Quality Improvement Plan mentioned above also identifies improved performance monitoring and reporting throughout the year to facilitate better performance.

APPENDIX A - INTERNAL AUDITS COMPLETED IN 2012/13

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2012-13	Corporate	Completed
Assurance				
Information Governance- Document Management.	5	2013-14	Corporate and Governance	Final Report Issued
Business Continuity Planning (BCP) & Disaster Recovery (DR)	5	2013-14	Corporate and Emergency Planning Unit	Final Report Issued
Welfare Reform	6	2013-14	Corporate	Final Report Issued
Procurement	6	2013-14	Corporate & Services to Communities- Facilities Management	Draft Report Issued
Corporate and Public Performance Reporting	6	2013-14	Corporate & Customer Services	Final Report Issued
Shared Services- jointly managed Services with Stirling Council	6	2013-14	Corporate	Draft Report Issued
Adult Care- Commissioning of Care and Corporate Appointees	4	2013-14	Social Services	Final Report Issued
Funding applications including European Funds	6	2013-14	Services To community- Economic Development	Final Report Issued
Schools PPP/PFI Contract Monitoring	6	2013-14	Services to Communities- FM	Final Report Issued
Roads Management- Road Costing System.	6	2013-14	Services to Communities - Roads & Transportation	Final Report Issued
ICT Asset Management Plan	5	2013-14	ICT Service	Draft Report Issued

Audit	Audit Weeks	Annual Plan	Service	Progress
Devolved School Management	6	2013-14	Education	Draft Report Issued
Payroll and HR	6	2013-14	Corporate & Revenues & Payments	Final Report Issued
Fixed Asset Register	5	2013-14	Corporate Finance & Services to Communities-FM	Final Report Issued
Council Tax	4	2013-14	Corporate Services-Revenues	Final Report Issued
ALEOs	1	2013-14	Corporate and across selected services	Final Report Issued
Review of Savings and Efficiencies	4	2013-14	Corporate and across a selection of services	Draft Report Issued
Fraud				
Fraud Detection and Recovery	54	2013-14	Audit and Fraud	Ongoing
National Fraud initiative- Phase Two	6	2013-14	All Services submitting data	Completed
Data matching	4	2013-14	All Services	Ongoing
Fraud Awareness and Training	5	2013-14	Corporate and all services	Ongoing
Other				
Follow Up	4	2013-14	All Services	Completed

Assurance	Definitions
Significant Assurance	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Reasonable Assurance	Business objectives are likely to be achieved. However, improvements are required to enhance the adequacy/effectiveness of risk management, control and governance.
Limited Assurance	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance.
No Assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

Report to Resources and Audit Committee

Date of Meeting: 1 May 2014

Subject: Director of Finance Performance Benchmarking 2012/13

Report by: Revenues and Payments Manager

1.0 Purpose

- 1.1. The purpose of the report is to provide the Committee with an update on performance of the financial operations of the Council, as benchmarked through the Director of Finance performance indications. The report will also set out the main actions currently being progressed by the service to continue to improve on performance.

2.0 Recommendations

- 2.1. The Committee notes the review of financial operational performance for 2012/13, comments on and challenges the outcomes, where appropriate.

3.0 Considerations

- 3.1. All Scottish Local Authorities have representatives on the Directors of Finance Group. The group provides a forum for professional peer discussion and a platform for coordinating consultation with relevant stakeholders, including COSLA and the Scottish Government. All members participate in formal performance benchmarking, which is conducted annually. The financial key performance indicators are also recognised by the Scottish Government as Statutory Performance Indicators.
- 3.2. The Director of Finance Key Performance Indicators (DofF KPI's) are collected and collated by the Chartered Institute of Public Finance and Accountancy (CIPFA) during the summer with benchmarked results available for all members at the end of each calendar year.
- 3.3. There are 43 financial indicators of which 38 are applicable to Clackmannanshire. Those not reported on by Clackmannanshire Council related to Pension Fund administration. Performance is reported on by the eleven Local Authorities who administer the Local Authority pension schemes.
- 3.4. Of the 38 indicators, 27 of these reflect performance, while the remaining 11 reflect statistical information.

- 3.5. Excluding the Pension Funds administration indicators, there are five operational financial reporting categories as follows;
- Income, including council tax, non domestic rates and sundry debtors
 - Payments, including payroll and supplier payments
 - Benefits administration and processing
 - Internal Audit
 - Loans Fund
- 3.6. The Council's performance in 2012/13, with three year trend and national benchmarking comparison information is summarised in **Appendices A and B**. The information has been categorised between Performance Indicators in Appendix A and Statistical Information in Appendix B. The Finance Performance Action Plan is summarised in **Appendix C** and a detailed report on Movements in Performance in 2012-13 is contained in **Appendix D**.

Director of Finance Performance Indicators 2012/13

- 3.7. For 2012/13, the movement for the Council, relative to its performance in 2011/12 was as follows.:

Table 1

Movement in Performance	2011/12	2012/13	%	National Average 2012/13
Improvement	14	15	56%	12
Same	2	-	0%	1
Decline	11	12	44%	11
Total	27	27	100%	27

This information is also presented in more detail in Appendix A

- 3.8. The final column in the above table reflects the national average performance for 2012/13. This indicates that the performance trends experienced by the Council are similar to the national trends.
- 3.9. Of the 38 indicators that the Council reports on, 27 of these allow for relative comparison across Scotland. The indicators reflect both service and corporate, operational and strategic performance. Accordingly there are differing levels of influence that the finance service can exhibit within differing timeframes for improvement, as follows:
- For indicators that reflect transactional operational processes managed within one of the finance teams, such as income collection, processing times and completion of the Audit Annual Plan, these can be highly influenced by the relevant team in the short to medium term, normally within 12 to 18 months.

- For indicators which reflect "end to end" Council wide performance involving services as well as finance, such as payments within 30 days or number of salaries paid correctly, these can be influenced in the medium to longer term through pro active targeting of non compliance, normally within 12 months to 3 years.
- For indicators which reflect the cost or value for money of providing a service, these can be influenced in the medium to longer term through ongoing improved efficiencies in processes. Investment in new systems and automation of processes and internal control will also increase the ability of the finance team to influence improvements in corporate performance and value for money indicators through enforcing compliance and introducing greater efficiency through automation.

3.10. The Council's performance for 2012/13, relative to the other Scottish Local Authorities is reported in Appendix A. This is summarised as follows:

Table 2

Quartile Placing	2011/12	2012/13	Movement
First Quartile (1st to 8th)	3	2	(1)
Second Quartile (9th to 16th)	4	7	3
Third Quartile (17th to 24th)	13	10	(3)
Fourth Quartile (25th to 32nd)	7	8	1
Total	27	27	-

3.11. The remaining 11 indicators are summarised in Appendix B and provide statistical information. This statistical information includes council tax and non domestic rates income, where the Council's ranking remains constant and relative to its size. Appendix B also includes statistics relating to corporate finance and insurance where benchmarking is not undertaken.

3.12. A report on more detailed analysis for movement in performance in 2012-13 is contained in Appendix D. The key issues identified include:

- Over half of the indicators (56%) have improved performance with favourable changes in non domestic rates and sundry debtor collection levels, internal audit and costs and ratio of loan funding,
- Just below half of the indicators (44%) have reduced in performance with unfavourable changes in processing of benefits claims, payment of suppliers and the accuracy of payments to employees. An explanation for the reduction in performance is summarised in paragraph 3.20 below.

Three Year Performance Trends

3.13. Collection levels for council tax, non domestic rates and sundry debtors continue to increase for the third year running. The one exception is council

tax collected by 31 March, which has reduced 0.17% over one year and 0.27% over the three years. The debtors greater than 90 days also continues to decrease, which is favourable performance.

- 3.14. The costs of collecting income has reduced for non domestic rates and sundry debtors for the third year running, however the cost of collecting council tax has increased from 2011/12 for the reasons set out in Appendix D, paragraph 5.3.
- 3.15. Payroll and creditor performance has reduced from 2011/12 but has improved overall since 2010/11. Payroll and creditor cost per unit has also increased from 2011/12 but shows an overall improvement since 2010/11.
- 3.16. Council tax and housing benefit administration performance, both processing and costs have consistently worsened over the three years.
- 3.17. Internal audit performance has improved with both a reduction in the cost of audit service and the number of productive days.
- 3.18. Treasury management performance has improved and remained consistent with both interest rates and ratios of finance costs to revenue streams reducing.

Key Areas for Improvement

- 3.19. The three year performance trends highlight the key areas where the Revenues and Payments and Accountancy services are focusing on a decline in performance including:
 - benefits processing times for new claims and change of circumstances
 - payment of suppliers within 30 days
 - accuracy of payroll payments
- 3.20. The decline in performance on benefits processing has occurred due to a number of factors including the impact of the ATLAS system, increased demand through the welfare changes and performance management issues within the revenues team. The decline in performance has continued into 2013-14. The revenues service has met with DWP in February 2014 and has agreed actions to improve performance including both process and system improvements. A Performance Improvement Plan is being prepared to be completed by June 2014.
- 3.21. The reasons for the declining performance in payment of suppliers within 30 days is currently being investigated by the service. As there are no processing backlogs occurring within the payments service, there are a number of other factors which could contribute to the decline in performance. Once the reasons are uncovered, the payments team will work with the services to address.
- 3.22. The reason behind the decline in performance on the accuracy of payroll performance relates to both delays in information being received by the HR and payroll service and errors occurring due to the considerable volume of manual calculations and processing required.

Continuous Improvements in Performance

- 3.23. Both the Accountancy Service and the Revenues and Payments Service are committed to continuous improvement and reflect this within the Service Business Plans. Key objectives within both service business plans include income maximisation for both individuals and the Council, redesigning service provision and improving the efficiency and effectiveness of strategic and operational financial arrangements.
- 3.24. The relevant Director of Finance performance indicators are reflected in both services Business Plans and are monitored on a monthly basis through the performance monitoring arrangements. The collection, payment and audit indicators are also reflected within the Support Services Business Plan and reported to members in the quarterly performance reports.
- 3.25. In reviewing the overall financial performance, the following activities took place during 2012/13.
- Restructure of the Revenues and Audit and Fraud teams,
 - Integration of the payroll and HR system with "Go Live" of the new Itrent system in April 2013,
 - Continued briefings for members, staff and other stakeholders on the impacts of budget pressures and welfare reform,
 - Best practice visits made to other LA's and attendance at best practice groups,
 - Maintaining "Accredited CPD Employer" award by Institute of Chartered Accountants of Scotland (ICAS),
 - Complying with Real Time Information (RTI) filing requirements to HM Revenues and Customer, thereby automating the filing of tax and deductions data monthly,

Financial Performance 2014/15 onwards.

- 3.26. Whilst the results for financial performance are encouraging there are still risks to the Council relating to income, expenditure and operational performance through the impact of the economic downturn, funding pressures and Welfare Reform.
- 3.27. To ensure that these risks are managed and the key areas where performance has declined are addressed, the Accountancy and Revenues and Payments services, together with stakeholders continue to plan how to improve performance, improve the efficiency of arrangements and improve the provision of financial information. In 2013/14 and 2014/15, progressing and planned improvements include the following work. This is summarised in the Performance Action Plan in Appendix C -
- reviewing collection methods for customers to improve the ease of making payments to the Council and investigate options for the introduction of cost effective automated facilities

- continue integrating the corporate assessment and recovery processes with the Revenues team, with focus on sundry debtors greater than 90 days,
- embed rigorous performance management arrangements within the revenues team following the completion of the restructure,
- continue to automate the benefits processing processes and permanently remove processing backlogs
- complete the payroll service restructures,
- complete Phase two of the integrated HR and payroll Itrent system, including the roll out of Employee and Manager Self Service modules,
- reviewing methods for purchasing goods and services within the Council, as part of the corporate procurement approach,
- review the processes and timing of the payment of suppliers,
- continue close engagement and regular joint working with services to monitor budgets as part of monthly outturns reporting,
- undertake review of central support recharge methodology,
- explore options for the procurement of a new finance system for implementation in 2015/16,
- regular use of professional associations and networks to discuss best practice such as Directors of Finance Group, IRRV and CIPFA,

Conclusion

- 3.28. Overall the operational financial performance is improving, with 56% of indicators increasing. There are specific areas where performance has declined and action is being undertaken to address this. Actions are also planned and will continue to be progressed as part of finance service business planning, to address declines in performance of financial operations and embed sustainable continual improvement. This has been and will continue to be achieved whilst the teams responsible for the different service areas are in a transitional period through the service restructure and with a new service management team.
- 3.29. The 2013/14 Director of Finance performance indicators will be collated during the autumn 2014 and reported to members in the final quarter of 2014/15.

4.0 Sustainability Implications

- 4.1. None

5.0 Resource Implications

- 5.1. *Financial Details*

5.2. 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

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

5.4. *Staffing*

There are no staffing implications associated with this paper.

6.0 Exempt Reports

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

7.0 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)

8.0 Equalities Impact

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

Yes No N/A

9.0 Legality

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

10.0 Appendices

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

Appendix A Performance Indicators

Appendix B Statistical information

Appendix C Improvement Plan

Appendix D Comments by Quartile Performance

11.0 Background Papers

11.1 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)

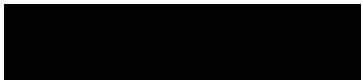
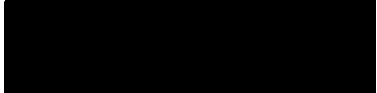
Yes (please list the documents below) No

CIPFA Director of Finance Benchmarking

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Liz Shaw	Chief Accountant	452072
Susan MacKay	Revenues and Payments Manager	452047

Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Senior Support Services Manager	
Nikki Bridle	Director of Finance & Corporate Services	

Performance Indicators											
Ref	Indicator Description	Clacks			Ranking			Quartile		Movement	National Average
		2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2011/12	2012/13	2012/13	Average
Income Collection											
1.1	Cost of Council Tax per Dwelling	£17.38	£6.77	£16.46	28	3	26	1	4	↓	£13.39
1.2b	Percentage of Council Tax Received During the Year	93.30%	95.20%	95.31%	28	18	19	3	3	↑	95.42%
1.3b	Percentage of Council Tax for the years shown which have been collected by 31 March 12	96.30%	96.20%	96.03%	23	22	20	3	3	↓	95.94%
1.3c	Percentage of Council Tax Received for the past five years	94.58%	95.82%	95.98%	29	23	23	3	3	↑	96.35%
2.1	Cost of Collecting Non Domestic Rates	£33.08	£32.77	£26.52	15	17	15	3	2	↑	£29.36
2.2b	Percentage of Non Domestic Rates Received During the Year	96.90%	96.90%	98.00%	19	20	6	3	1	↑	97.00%
2.3b	Percentage of Non Domestic Rates for the years shown which have been collected by 31 March 2012	98.10%	98.50%	98.90%	22	21	13	3	2	↑	98.06%
2.3c	Percentage of Non Domestic Rates Received for the past five years	97.86%	97.95%	98.32%	22	24	16	3	2	↑	98.15%
3.1	Cost of Collecting Sundry Debtors per Debtor Account Issued	£7.85	£8.33	£4.01	28	27	14	4	2	↑	£4.24
3.2	Income Received as a Percentage of the Opening Sundry Debtor Balance	91.23%	83.72%	79.92%	5	9	19	2	3	↓	86.11%
3.3	Proportion of Outstanding Debt that is more than 90 days old	51.62%	53.81%	39.31%	24	27	17	4	3	↑	40.48%
Payroll and Payments Processing											
4.1	Actual Cost per Payslip Produced	£5.98	£6.17	£6.94	31	31	30	4	4	↓	£3.12
4.2a	Number of Salaries made correctly as a percentage of total payments made	99.17%	99.71%	99.60%	31	20	24	3	3	↓	99.69%
4.2b	Number of Salaries made correctly as a percentage of value of payments made	99.67%	99.93%	99.78%	25	7	24	1	3	↓	99.82%
5.1	Unit cost per creditor invoice paid	£1.95	£2.80	£3.53	23	30	32	4	4	↓	£1.63
5.2	Percentage of Invoices paid within 30 days of receipt	81.70%	86.29%	79.22%	28	21	31	3	4	↓	90.82%
5.3	Percentage of all payments made electronically (by volume)	85.55%	81.82%	87.20%	28	30	27	4	4	↑	93.38%
Council Tax and Housing Benefit Administration											
6.1	Gross Administration Cost of Housing and Council Tax Benefit	£39.30	£31.44	£34.94	8	5	8	1	1	↓	£42.03
6.2a	Time for processing new claims	27	26	32	20	22	26	3	4	↓	26
6.2b	Time for processing notification of changes for claim	8	8	9	12	13	16	2	2	↓	10
6.3	Percentage of overpayments due to Local Authority as a percentage of all benefits	0.25%	0.26%	0.31%	16	20	22	3	3	↓	0.26%
Internal Audit Provision											
8.1	Cost of internal audit per £million of net expenditure	£1,930	£1,678	£1,491	32	31	27	4	4	↑	£919
8.2	Productive Days as a percentage of Productive days per the Annual Plan	35.84%	87.04%	88.42%	32	27	26	4	4	↑	94.60%
Treasury Management											
9.1a	Loans Fund Interest Rate	4.76%	4.83%	4.46%	18	20	15	3	2	↑	4.39%
9.1b	Loans Fund Expense Rate	0.06%	0.10%	0.10%	11	23	21	3	3	↔	0.07%
9.2a	Ratio of Financing Costs to Net Revenues Stream for General Fund	7.75%	7.93%	7.75%	21	18	17	3	3	↑	7.84%
9.2b	Ratio of Financing Costs to Net Revenues Stream for Housing Revenue Account	22.76%	20.63%	18.01%	16	15	13	2	2	↑	21.52%

Statistical Information											
Ref	Indicator Description	Clacks			Ranking			Quartile		Movement	National Average
		2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2011/12	2012/13		2012/13
Income Collection											
1.2a	Income Due from Council tax for the Year (£000)	£18,231	£18,194	£18,436	29	29	29	4	4	**	£62,672
1.3a	Income Due from Council Tax for the years shown at 31 March 2012 (£000)	£18,214	£18,197	£18,197	29	29	29	4	4	**	£61,889
2.2a	Income Due from Non Domestic Rates for the Year (£000)	£12,962	£13,807	£14,742	29	29	29	4	4	**	£76,133
2.3a	Income Due from Non Domestic Rates for the years shown at 31 March 2012 (£000)	£12,206	£12,675	£13,546	30	29	29	4	4	**	£71,414
Corporate Finance Provision											
7.1	Number of qualifications on the accounts	0	0	0	0	0	0	0	0	**	0
7.2a	Actual vs budget	101.65%	99.10%	99.11%	**	**	**	**	**	**	98.79%
7.2b	Actual vs projected outturn	100.56%	99.20%	99.78%	**	**	**	**	**	**	99.53%
7.3	Professional qualified accountants as a ratio of £m of net expenditure	1:11	1:12	1:12	**	**	**	**	**	**	1:18
Insurance											
12.1a	Ratio of Employees Liability Claims to FTE Employees	1:538	1:700	1:264	**	**	**	**	**	**	1:404
12.1b	Ratio of Public Liability Claims to Head of Population	1:402	1:643	1:758	**	**	**	**	**	**	1:414
12.1c	Ratio of Motor Claims to Number of Vehicles	1:7.3	1:3.7	1:6.4	**	**	**	**	**	**	1:3.4

Ref	Action	Service	Responsible Officer	Date for Completion
1	Review collection methods for customers to improve the ease of making payments to the Council and investigate options for the introduction of cost effective automated facilities	Revenues	Revenues and Payments Manager	March 2015
2	Introduce Corporate Arrears System to facilitate the move to a Corporate Recovery Team.	Revenues	Revenues and Payments Manager	March 2015
3.	Address benefits processing backlog and ensure processing of current claims are maintained	Revenues	Revenues and Payments Manager	June 2014
4.	Investigate reasons behind invoices paid outwith 30 days	Payments	Revenues and Payments Manager	September 2014
5.	Complete automation of Payroll processes, including travel and subsistence and overtime claims.	Payments/HR	Revenues and Payments Manager	September 2014
6.	Complete the payroll service restructures	Payments	Revenues and Payments Manager	June 2014
7.	Complete Phase two of the integrated HR and payroll Itrent system, including the roll out of Employee and Manager Self Service modules	HR	Governance Manager	September 2014
8.	Review methods for purchasing goods and services within the Council, as part of the corporate procurement approach	Payments Procurement	Revenues and Payments Manager Procurement Manager	September 2014
9.	Undertake review of central support recharge methodology	Accountancy	Chief Accountant	December 2014
10.	Explore options for the procurement of a new finance system for implementation in 2015/16	Accountancy R and P	Chief Accountant Revenues and Payments Manager	June 2014

DIRECTOR OF FINANCE PERFORMANCE INDICATORS 2012-13
DETAILED ANALYSIS OF MOVEMENT IN PERFORMANCE

1.0 Introduction

- 1.1. In late Autumn of 2013, the Director of Finance benchmarked Key Performance Indicators were published and made available to all Scottish Local Authorities.
- 1.2. Of the 38 indicators, 27 indicators allow benchmarking with other local authorities. Clackmannanshire Council's performance relative to other Scottish Local Authorities for 2012-13 is summarised as followed:

Quartile Placing	2011/12	2012/13	Movement
First Quartile (1st to 8th)	3	2	(1)
Second Quartile (9th to 16th)	4	7	3
Third Quartile (17th to 24th)	13	10	(3)
Fourth Quartile (25th to 32nd)	7	8	1
Total	27	27	-

- 1.3. Detailed explanation for the movement of each of the 27 benchmarked indicators within the each of the four quartiles is provided below. This is analysed by each quartile.
- 1.4. The indicators reflect both service and corporate, operational and strategic performance. Accordingly there are differing levels of influence that the finance service can exhibit within differing timeframes for improvement.
- 1.5. For indicators that reflect transactional operational processes managed within one of the finance teams, such as income collection, processing times and completion of the Audit Annual Plan, these can be highly influenced by the relevant team in the short to medium term.
- 1.6. For indicators which reflect "end to end" Council wide performance involving services as well as finance, such as payments within 30 days or number of salaries paid correctly, these can be influenced in the medium to longer term through pro active targeting of non compliance, normally within 12 months to 3 years.
- 1.7. For indicators which reflect the cost or value for money of providing a service, these can be influenced in the medium to longer term through ongoing improved efficiencies in processes. Investment in new systems and automation of processes and internal control will also increase the ability of the finance team to influence improvements in corporate performance and value for money indicators through enforcing compliance and introducing

DIRECTOR OF FINANCE PERFORMANCE INDICATORS 2012-13

DETAILED ANALYSIS OF MOVEMENT IN PERFORMANCE

greater efficiency through automation. This can also reduce the "fixed cost" element of providing some finance services, which makes a smaller council like Clackmannanshire appear more expensive per transaction as it does not benefit from economies of scale.

2.0 First Quartile

- 2.1. Of the two indicators in the top quartile, one has increased and one has decreased during the year. These indicators included non domestic rates collection (2.2b) and cost of benefits administering (6.1). All indicators were above the national average.
- 2.2. The cost of administering benefits increased by £3.50 per claim. The increase from 2011-12 and 2012-13 occurred due to a review of the recharge methodology in 2011-12, which resulted in a reduction in costs of £70,000 being recharged against Housing Benefit Team in 2011-12, thereby reducing the services comparative costs at the end of the year. The change was made in the methodology as it was agreed by the Accountancy service that this was a more accurate allocation method for 2011-12. With the ongoing changes to the Revenues and Payments service structure in 2012-13, the methodology was again reviewed and revised at the end of the financial year. This has distorted the three year trend, with the true cost of administration closer to the 2010-11 and 2012-13 levels. Over the two years from March 2011 to March 2013, there was a £4.36 reduction in cost per property of administering Council Tax which recognises a reduced total cost of providing the service due to lower staff numbers.
- 2.3. The increase in the non domestic rates collection of 1.1% further reflects the work undertaken by the Revenues team in delivering the Council's Corporate Debt Policy.

3.0 Second Quartile

- 3.1. The one indicator that declined in performance related to the processing time for benefits changes (6.2b) which increased from 8 days in 2011/12 to 9 days in 2012/13. This remains below the national average of ten days for 2012/13. This indicator is affected by the same factors as covered in paragraph 5.8 below, including the increased capacity required to process the atlas changes, and through increased welfare reform demands.
- 3.2. This trend has continued into 2013-14, with processing days for changes to benefits increasing to 35 days at the end of December 2013. The causes for the increase include the additional requirements to administer the changes arising from the Atlas system, the increased demand through Welfare Reform and performance management issues within the Revenues team. To address this increasing trend, the Council have been in contact with Department of Works and Pensions (DWP) and have arranged a visit from the DWP

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Performance Development Team. The visit took place in February 2014 and an Action Plan is being prepared by the service management team.

- 3.3. Integral to the improvement is the rigorous performance management arrangements, which are now embedded within the service. While performance has continued to decline in 2013-14, steps have been taken to review the processes, establish clear lines of responsibility and embed robust performance management arrangements through the restructure. A Performance Improvement Plan is now in place that maps sustainable improvements in performance for both indicators by June 2014.
- 3.4. Of the six indicators that increased in performance, four relate to non domestic rates and debtor collection levels (2.1, 2.3b, 2.3c and 3.1). This performance further demonstrates the effects of the work undertaken by the Revenues team in delivering the Council's Corporate Debt Policy.
- 3.5. The two remaining indicators where performance improved relate to treasury management (9.1a and 9.2b) and indicate reduced borrowing for both the Housing Revenue Account and the loans fund.

4.0 Third Quartile

- 4.1. Of the four indicators that declined in performance, two relate to payroll accuracy (4.2a and 4.2b). The reduction in performance equates to an additional 32 payments or £64,000 being made to staff during 2012-13, an increase from 97 payments and £31,000 in 2011-12. These errors occur in the payment of 34,800 salaries per annum, with a value of £44 million and equate to a 0.4% error rate compared to 0.29% in the previous year.
- 4.2. Such payments are required when a staff members' net pay is found to be incorrect and it is not possible to resolve the matter in the monthly payroll BACS prior to the appropriate pay date. These errors can occur when information is not passed timeously to HR or Payroll Service thereby missing the processing deadlines. Errors can also occur due to the high volume of manual calculations and processing. In both these instances, a secondary payment will be made as close to the appropriate pay date as possible to ensure that the employee receives their correct net pay. The accuracy of payroll payments will be improved with the introduction by June 2014 of Manager and Employee Self Service modules, through the new Itrent integrated HR and payroll system.
- 4.3. The third declining indicator relates to an increase in benefit overpayments due to local authority delays (6.3). This also reflects the increase in the new benefit claims from 25 days to 26 days in 2012/13 as detailed in paragraph 5.8 below.
- 4.4. The fourth declining indicator related to in year collection levels for sundry debtors (3.2). While performance declined statistically, it should be noted that in 2011/12 £8.8m of sundry debtor income was collected while in 2012/13

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£9.7m was collected. This is an increase in income collected of £0.9m. The value of invoices raised in 2012/13 was also £1.615m more than in 2011/12.

- 4.5. Of the five indicators that increased, four relate to council tax and sundry debtor collection levels (1.2b, 1.3b, 1.3c and 3.3), demonstrating the effects of the work undertaken by the Revenues team in delivering the Council's Corporate Debt Policy.
- 4.6. It should be noted that while council tax collected during the year for 2012/13 increased 0.11% from 95.20% in 2011/12 to 95.31% in 2012/13, the national average also increased, and the Council dropped from quartile two in 2011/12 to quartile three in 2012/13. Performance also increased for council tax received for the past five years, however the Council's benchmark position remained constant at 23rd out of the 32 local authorities.
- 4.7. The one remaining indicator that increased relates to finance costs as a ratio of the general fund (9.2a) This reflects the approach adopted by the Council's Treasury Management Strategy.
- 4.8. The indicator that remains unchanged relates to the council's loan fund expense rate (9.1b) which remains constant at 0.10%.

5.0 Fourth Quartile

- 5.1. For the five indicators with declining performance, three of these related to increasing costs per unit in Council tax, payroll and purchase invoice administration (1.1, 4.1, and 5.1).
- 5.2. For Council tax administration (1.1), the increase in the cost per property has returned to 2010-11 levels, after a significant decrease in the cost per property in 2011-12. This decrease occurred due to a review of the recharge methodology in 2011-12, which resulted in a reduction in costs of £220,000 being recharged against the Council Tax Team, thereby reducing the services comparative costs at the end of the year. The change was made in the methodology as it was agreed by the Accountancy service that this was a more accurate allocation method for 2011-12. With the ongoing changes to the Revenues and Payments service structure in 2012-13, the methodology was again reviewed and revised at the end of the financial year. This distorted the three year trend, with the true cost of Council tax administration being at the 2010-11 and 2012-13 levels. Over the two years from March 2011 to March 2013, there was a £0.92 reduction in cost per property or administering Council Tax which recognises the unchanged total cost of providing the service.
- 5.3. For purchase invoice administration (5.1), the increase in the cost per invoice, reflects both a reduction in the volume of transactions from 33,000 to 25,000 invoices and the additional cost of a proportion of the Payments Team Leader post which was filled in April 2012. The increase for payroll administration

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- (4.1), also reflects the increase in costs relating to the Payments Team Leader post.
- 5.4. It is anticipated that the cost of processing invoices will return to the 2010-11 levels as the Payments Team Leader retired in June 2013, and the Creditors team return to a 2FTE complement. While it was subsequently found that the Payments Team Leader was only in post for just over 12 months, prior to their retirement, the cost of their salary is reflected in cost of purchase invoice administration. This reflects the line management and operational performance management arrangements that they brought to the team while in post during 2012-13.
- 5.5. The costs for the Payments Team Leader were reflected within the
- 5.6. It is also anticipated that the cost of administering the payroll will reduce in 2014-15 onwards, as the benefits of the introduction of Itrent are realised through more automation and self service facilities.
- 5.7. The fourth declining indicator relates to the percentage of invoices paid within 30 days (5.2). This has reduced 7.07% to 79.22% at the end of 2012/13. This performance measure reflects the time for the Council to complete the full end to end invoice process from receipt of the invoice by the service, to the payment of the invoice by the Creditors Team. The number of invoices taking more than 30 days to be paid has increased from 4,600 in 2011-12 to 5,200 in 2012-13. There are a number of reasons why the payment of an invoice may exceed 30 days, including
- query/dispute with the supplier over quality of good or services supplied,
 - query/dispute with supplier over the value of the invoice,
 - invoice not being received from supplier on timely basis,
 - relevant authorised signatory not being available to authorise invoice,
 - invoices not being authorised and passed for payment promptly,
- 5.8. With there being no backlogs in workload in the creditors section, the Payments Team are currently investigating the reasons why this is occurring and will work with the relevant services accordingly. It is anticipated that the introduction of the new Financial System will allow the current manual process to be automated, thereby improving the efficiency of the arrangements.
- 5.9. For the final declining indicator, this relates to the time taken to process new benefit claims (6.2a) which increased from 26 days in 2011/12 to 32 days in 2012/13. As already noted in paragraph 3.2, this reflects the increased demand on the benefits team due to the welfare reform changes, including the increased workload due to the Atlas software, where information is being received both in paper form and electronically. This is resulting in staff having to manually sort and extract duplicate records.

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- 5.10. As previously mentioned , the Council have been in contact with Department of Works and Pensions (DWP) and have arranged a visit from the DWP Performance Development Team. The visit took place in February 2014 and an Action Plan is being prepared. A Performance Improvement Plan has also been prepared by the service management team and is now in place that maps sustainable improvements in performance by June 2014.
- 5.11. For the three indicators that increased, two relate to internal audit (8.1 and 8.2). The increase in the internal audit indicators reflect the completion of the successful restructure of the audit and fraud team, with 2012/13 being the first year the team had a full and constant complement of staff.
- 5.12. The remaining indicator that has increased relates to payment of invoices made electronically (5.3). This has increased 5.38% to 87.20% at the end of 2012/13 and reflects work undertaken by the Creditors Team in the year to move suppliers from cheque payments to BACS payments.