Clackmannanshire Council

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**Kilncraigs, Greenside Street, Alloa, FK10 1EB
(Tel.01259-450000)**

Audit & Finance Committee

15 September 2016 at 10.00 am

**Venue: Council Chamber, Patons Building, Kilncraigs,
ALLOA FK10 1EB**

Contact Strategy and Customer Services, Clackmannanshire Council, Kilncraigs, Greenside Street, Alloa, FK10 1EB
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AUDIT AND FINANCE COMMITTEE

The remit of the Audit and Finance Committee is:

a) To receive, review and consider reports on the Council's finance

b) To receive, review and consider reports on value for money and best value

c) To consider the Council's Annual Governance Statement

d) To consider internal audit reports and results of internal audit investigations

e) To consider external audit and resultant action plans

f) To monitor and review actions taken on internal and external audit recommendations

g) To approve corporate risk strategy and risk management procedures

h) To receive and consider reports on countering fraud and corruption

To meet every 2 months on the third Thursday.

07 September 2016

A MEETING of the AUDIT AND FINANCE COMMITTEE will be held within the Council Chamber, Patons Building, Greenside Street, Alloa FK10 1EB, on THURSDAY 15 SEPTEMBER 2016 at 10.00 am.

NIKKI BRIDLE
Depute Chief Executive

B U S I N E S S

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(Tel 01259 452106/452004) (email customerserivce@clacks.gov.uk) (www.clacksweb.org.uk)

Audit and Finance Committee – Committee Members (Quorum 4)

Councillors		Wards		
Councillor	Janet Cadenhead (Chair)	4	Clackmannanshire South	LAB
Councillor	Bobby McGill (Vice Chair)	2	Clackmannanshire North	LAB
Councillor	Alastair Campbell	5	Clackmannanshire East	CONS
Councillor	Craig Holden	4	Clackmannanshire South	SNP
Councillor	Tina Murphy	1	Clackmannanshire West	SNP
Councillor	Jim Stalker	1	Clackmannanshire West	LAB
Councillor	Graham Watt	3	Clackmannanshire Central	LAB
Councillor	Gary Womersley	3	Clackmannanshire Central	SNP

CLACKMANNANSHIRE COUNCIL

Report to : Audit and Finance Committee

Date of Meeting: 15 September 2016

Subject: External Audit Final report to Members on the 2015/16
                Audit

Report by: Depute Chief Executive

1.0   Purpose

1.1.   This report presents to Committee the report by our external auditors,
        Deloitte, on the Council's 2015/16 audit. This report represents the completion
        of the fifth and final year of Deloitte's audit appointment. The report is included
        as Appendix 1, titled *'Final Report to the Members of the Council and the
        Controller of audit on the 2015/16 Audit'*. This report includes the audit opinion
        on the 2015/16 Financial Statements.

1.2.   Following the conclusion of the audit, the final amended Financial Statements
        for the year ended 31st March 2016 have been placed in members rooms in
        advance of this meeting to facilitate approval.

2.0   Recommendations

        It is recommended that the Committee:

2.1.   Notes the content of the External Audit report.

2.2.   Agrees the final amended Financial Statements for the year ended 31 March
        2016.

2.3.   Commends the final amended Accounts for 2015/16 to Council for approval.

3.0   Considerations

3.1.   A draft set of unaudited accounts was presented to Council at its meeting on
        23rd June 2016.

3.2.   Our external auditors, Deloitte, have now completed the audit of these draft
        statements, and their report on the accounts is included within their Final
        report to Members at Appendix 1.

3.3.   The report also covers the wider Code of Audit Practice areas reviewed by
        our External Auditors. These include best value, use of resources and
        performance and also risk management and internal control.

3.4. Members will note that the Partner Introduction indicates an unmodified or 'clean' audit opinion on the financial statements.

3.5. It is the intention of Deloitte to attend this Committee meeting to present their Final Report and provide a further opportunity for elected members to ask questions.

4.0 Sustainability Implications

4.1. N/A

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 R

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

5.4. Staffing - none

6.0 Exempt Reports

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

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 þ)

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	þ

(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 ▶

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 1: Deloitte Final report to Members 2015/16

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 ⠛

Final draft Financial Statements 2015/16

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Lindsay Sim	Chief Accountant	2078

Approved by

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

Deloitte.

Clackmannanshire
Council

Final report to the Members of the Council and the Controller of Audit on the 2015/16 audit

the
Distinctive
audit

7 September 2016

Contents

Our final report

Appendices

A reminder of our audit plan:

- Materiality: £1,800k (2014/15: £1,799k). This has increased slightly from our projected £1,700k in our planning report.

- Performance materiality: £1,620k (2014/15: £1,529k).

- Threshold for reporting misstatements: £36k (2014/15: £36k).

- Significant risks over council tax debtor bad debt provision, revenue recognition and management override of controls.

- In line with prior years and our audit plan, we have not placed any reliance on controls and our audit work was fully substantive.

- We have not identified any additional significant risk areas since our plan was issued.

- There have been no other changes to our audit plan presented to you in February 2016.

Delivering informed challenge

Providing intelligent insight

Clackmannanshire Council

Growing stakeholder confidence

Building trust in the profession

Partner introduction

Partner introduction

Overview of responsibilities

I have pleasure in presenting our final report to the Council for the 2015/16 audit.

As set out in our plan presented to the Resources and Audit Committee in February 2016, we have early adopted the requirements of the new Code of Audit Practice which comes into force for the 2016/17 audits. A reminder of the requirements is set out below.

Financial Statements

Provide an opinion on the financial statements and the regularity of transactions.
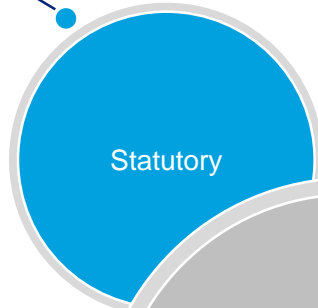
Annual Reports

Review and report on the other information such as annual governance statement, management commentaries, remuneration reports.

Statutory

Best Practice

New Code of Audit Practice
Appointed auditor responsibility

Public reporting

Audit plans, the principal audit outputs arising from audit plans and any other outputs on matters of public interest will be published on Audit Scotland's website.

Added Value
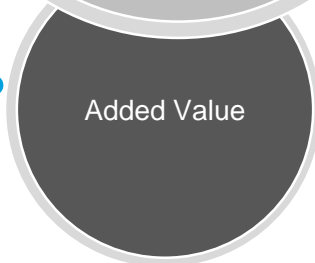
Public Sector audit dimensions

Wider scope reporting covering financial sustainability, financial management, governance & transparency and value for money.

Audit quality is our number one priority. When planning our audit we set the following audit quality objectives:

A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

A well planned and delivered audit that raises findings early with those charged with governance.

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Partner introduction (continued)

Financial statement audit and annual report

Financial statement audit	

Conclusions from our testing	• The key judgements in the audit process related to:
	  o calculation of the council tax debtor bad debt provision;
	  o revenue recognition (being completeness and accuracy of council tax and housing rent income and accuracy of other government grants received); and
	  o Management override of controls.
	• We have identified six misstatement as detailed in the Appendix which have been corrected in the final financial statements.
	• Based on the current status of our audit work, we anticipate issuing an unmodified audit opinion.

Insight	• We have raised a number of insights from our current year audit work which are discussed throughout the report and summarised in the action plan in the Appendix. • We have also followed up our prior year action plan and noted that while progress has been made on some of the actions, a number are only partially implemented, as detailed in the Appendix. Management should ensure that achievable timescales are agreed so that these actions are implemented in a timely manner.
Status of the audit	The audit is substantially complete subject to the completion of the following principal matters: • Finalisation of quality control procedures; • Receipt of updated financial statements; • Confirmation of legal matters; • Receipt of signed management representation letter; and • Our review of events since 31 March 2016.
Annual report	
Overall conclusion	• We have read the Management Commentary in full in order to assess whether it is in line with our understanding of the Council and complies with the 2014 Regulations. No exceptions noted. • The format and content of the Annual Governance Statement is consistent with the requirements of the Code and concludes that arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The statement then goes on to state that a Governance Improvement Plan is in place to address identified weaknesses at both Service and Corporate level which will ensure that adequate and appropriate systems and processes are in place to improve the effectiveness of the Council's governance arrangements. This is consistent with the findings of our audit. • We are satisfied that the remuneration report has been prepared in accordance with the regulations and is consistent with the findings of our audit.

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Partner introduction (continued)

Significant financial statements risk dashboard

Presumed Fraud risk per Auditing Standards	Controls approach and findings	Consistency of judgements with Deloitte expectations	Comment
Council Tax bad debt provision			
✗	Evaluate design / implementation of key controls. No controls reliance. No significant observations	🟢	We are satisfied that the methodology used to calculate the council tax debtor bad debt provision is sufficiently robust and that the provision is accurately reflected in the financial statements, with no issues noted.
Revenue recognition			
✓	Evaluate design / implementation of key controls. No controls reliance.	🟢	We are satisfied that revenue has been appropriately recognised and have noted no issues regarding completeness and accuracy of council tax and housing Rent income. We are also satisfied that government grants received at a service level have been appropriately accounted for. From our evaluation of the controls, we noted that there are plans in place to automate the linkage between the Council Tax Northgate system and the Assessor and that currently this is not reconciled on a regular basis. **Appendix – Action Plan**
Management override of controls			
✓	Evaluate design / implementation of key controls. No controls reliance. No significant observations	🟢	We have noted no issues with journal entries and other adjustments made in the preparation of the financial statements. Our review of accounting estimates for bias that could result in material misstatement due to fraud noted no issues.

Overly prudent, likely to lead to future credit ⊖ ⊖ 🟢 ⊕ ⊕ Overly optimistic, likely to lead to future debit.

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Partner introduction (continued)

Public sector audit dimensions

We have commented below on the public sector audit dimensions with regard to Clackmannanshire Council:

<table>
<tr><td></td><td></td></tr>
<tr><td>Financial management</td><td>The final outturn for 2015/16 was an underspend of £4.227 million against gross revenue expenditure of £115.752 million. This comprises an in year surplus of £2.426 million together with a budgeted use of reserves of £1.801 million. This was achieved through a combination of underspends in some areas largely as a result of staff vacancies, together with an overspend of £1.1 million in Social Services as a result of cost pressures associated with residential schools. Reporting on budget is presented to elected members throughout the year. A number of the variances have arisen as a result of changes which would have been unforeseen at the time of setting the budget. However, there is scope for the Council to consider whether the budgeting and forecasting process is adequately robust, taking into account historical trends, particularly in Social Services where this overspend was forecast from early in the year. A report from the Depute Chief Executive and Assistant Head of Social Work on this specific issue is due to be presented to the Finance and Audit Committee in September 2016 setting out a recovery plan. <strong style="color:red">Appendix – Action Plan

The Council's policy is to hold minimum working balances of 3% of net expenditure (£3.2 million in 2015/16) for the General Fund. The level of reserves at 31 March 2016 is in line within this policy.

The Section 95 Officer holds a senior position within the Council's management team, being the Depute Chief Executive, and has full authority.   No issues noted.</td></tr>
<tr><td>Financial sustainability</td><td>Financial sustainability continues to be one of the most significant challenges and risks for Clackmannanshire Council.

As reported in our 2014/15 annual report and separate Best Value report, it was essential that the Making Clackmannanshire Better Programme (MCB) was successful in addressing the significant funding gap facing the Council. We reported in 2014/15 of our concern that the pace and scale of delivery from the programme was not yet sufficient to meet the Council's stated objectives and to address the Council's very significant short to medium term financial challenges. We also noted that difficult political decisions were being deferred in areas such as school estates strategy and leisure services.

We have assessed progress during the current year and have also taken cognisance of events up to the date of this report. It is clear that some progress has been made in addressing financial sustainability challenges during 2015/16. For example, a core of four business cases have been developed to create a strategic operating cluster model. These business cases cover school estates, leisure review, community hubs and workforce planning. In addition, during 2015/16, elected members have been provided with financial scenarios to provide a potential range of indicative funding situations that the Council might face depending on changes in the underlying assumptions.</td></tr>
</table>

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Public sector audit dimensions

Financial sustainability (continued)	It is clear, however, that significant challenges remain. The most recent budget strategy update to elected members on 11 August 2016 notes that the Council is projecting a cumulative three year funding gap of £18.1m to 2019/20. There has therefore been only limited progress since our 2014/15 report in bridging the funding gap which at that time was reported at £21m. In addition, as at 19 August, the Council is projecting around a £2m shortfall in 2016/17 budgeted savings which if not addressed will significantly worsen this projected cumulative funding gap. This shortfall is in part caused by anticipated workforce related savings from voluntary redundancy and severance not being delivered. In addition, the new Administration is understandably wishing to reassess Council priorities and approach, and are reviewing elements of the cluster model noted above, which is seen as a key enabler for delivering financial sustainability, particularly in relation to schools estates. This delay to allow further consultation with the public, together with the upcoming local government elections in May 2017, further increases the risk that the required level of savings will not be achieved. Since 2011/12, the Council has been reliant on contributions from reserves of around £14m to balance the revenue budget. In our view this is unsustainable going forward given demand pressures and demographic changes. As such, the Council needs to assess, as a matter of urgency, the adequacy of current MCB proposals to address the ongoing significant funding gap. In addition, given the anticipated shortfall in workforce related savings, the Council needs to consider if current proposals are sufficiently flexible and robust to address the financial challenges the Council faces. In our view, these actions are required as a matter of urgency, to address the Council's continued reliance on reserves to balance the revenue budget. A key strand of the Council's transformation work relates to workforce planning. During 2015/16 we performed targeted follow up work based on the recommendations made in the national performance report on Scotland's Public Sector Workforce which was published in November 2013 and submitted a standard questionnaire in accordance with Audit Scotland guidance. We confirmed that Clackmannanshire Council is at an early stage of its workforce planning process and historically has not had a formal workforce plan in place. A clear strategy has been approved by the Council and a Toolkit has been put in place to ensure Service workforce plans are prepared on a consistent and robust basis. These are currently being developed.

Partner introduction (continued)

Public sector audit dimensions (continued)

Governance and transparency	Up until May 2016, the Council had been run by an SNP led Administration, however, this group resigned in May and the Labour group formed a minority administration in June 2016. At a special meeting on the 2 June 2016, the Council approved a revised decision making framework. The Resources and Audit Committee was disbanded and replaced with an Audit and Finance Committee and a Scrutiny Committee. Each of the Service Committees were also disbanded. The first cycle of these new meetings have been held during August 2016.

From our review of the internal audit plan for 2015/16 and audit reports, we are satisfied that there are appropriate systems of internal control in place and no significant weaknesses have been identified. Appropriate disclosure has been made in the annual governance statement of issues identified from the work of internal audit and the actions being taken.

We are also comfortable with the counter fraud arrangements in place and confirm we have not been made aware of any financially significant frauds in the year. We have identified no issues with regard to the arrangements for maintaining standards of conduct and the prevention and detection of corruption. |
| **Value for money** | We have considered the adequacy of the Council's arrangement for collecting, recording and publishing accurate and complete information in relation to the Statutory Performance Indicators and noted no issues.

We have also noted that, while still at early stages, it is clear that the Council are aware of the requirements in relation to the Community Empowerment Act and is making plans to develop policies and strategies. |

Jim Boyle
Audit Partner

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Scope, nature and extent of audit

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Scope, nature and extent of audit

Our overall responsibility as external auditor of the Council is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

The special accountabilities that attach to the conduct of public business, and the use of public money, means that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as regularity (or legality), propriety, performance and use of resources in accordance with the principles of Best Value and 'value for money'.

Our core audit work as defined by Audit Scotland comprises:

• Providing the Independent Auditor's Report on the financial statements (and any assurance statement on consolidation packs);

• Providing the annual report on the audit addressed to the body and the Controller of Audit;

• Communicating audit plans to those charged with governance;

• Providing reports to management, as appropriate, in respect of the auditor's corporate governance responsibilities in the Code (including auditors' involvement in National Fraud Initiative (NFI));

• Preparing and submitting fraud returns, including nil returns, to Audit Scotland;

• Identifying significant matters arising from the audit, alert Audit Scotland accordingly and support Audit Scotland in producing statutory reports as required;

• Undertaking work requested by Audit Scotland or local performance audit work;

• Certifying all grant claims submitted by the body that have been approved for certification by Audit Scotland;

• Discharging the auditor's responsibilities in connection with bodies' publication of SPIs in accordance with the Accounts Commission's annual Direction;

• Providing existing evidence and intelligence for, and participate in, the Shared Risk Assessment (SRA) process leading to the preparation of a 3-year rolling Assurance Improvement Plan (AIP) and national scrutiny plan;

• Reporting on the results of follow-up on Councils progress in implementing existing BV improvement plans; and

• Contributing to BV audits and other scrutiny responses agreed through the SRA process.

In addition to this annual report, we have reported our Planning Report to those charged with governance (the Resources and Audit Committee) of the Council in February 2016.

The Council is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

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Significant risks

Bad debt Provision: council tax

Nature of the risk

There is significant judgement and complexity around debtor provision calculations. There is a risk that the valuation of provisions is not appropriate and assumptions underpinning calculations are not reasonable and supportable. Particularly given the current economic climate, assumptions on recoverability of amounts may not be reasonable. The risk has been pinpointed to the Council Tax provision given its level of materiality.

Key judgements

As part of the provision calculation, management make an assessment of the expected collection rates for different aged debt. This assessment is based on actual collection rates for previous years together with management's knowledge and experience of likely recovery.
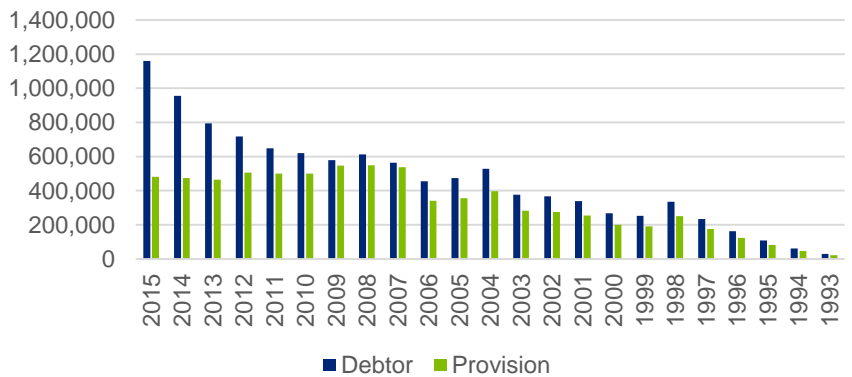
Deloitte response

We have performed the following:
- verified the gross debtor on which the provision is based to the council tax system;
- reviewed and challenged the methodology applied by the Council for the bad debt provision calculation;
- reviewed and challenged management's judgements and assumptions included within the calculations;
- compared the provision made with historical data on cash collection; and
- reviewed the final accounts process and confirmed that the calculation and assumptions have been reviewed.

Deloitte view
From our audit procedures, we are satisfied that the provision and associated debtor are not materially misstated. The bad debt accounting policy to apply provision rates based on historical collection rates was reviewed and considered to be representative of the probable future recoverability.

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Revenue Recognition: Completeness of income

Risk Identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

The main components of income for the Council are non-ring fenced government grants and non-domestic rates which are directed by the Scottish Government and not considered a significant risk as the process for receipt of this income is not complex and can be verified 100%. The significant risk is pinpointed to other income, being completeness and accuracy of council tax and housing rent income and accuracy of other government grants received at a service level where restrictions or conditions apply.

Key judgements

With regards to the council tax and housing rent income the key judgement is ensuring the correct tax bands and rent levels have been applied and any discounts or exemptions are appropriate.

Grant income should not be recognised until there is a reasonable assurance that:

- the Council will comply with the conditions attached to them that could lead to them being returned; and
- they will be received.

	2015/16 £'m	2014/15 £'m	Pinpointed Significant risk
Council Tax	19	18	✓
Non-domestic rates	16	13	
Non-ring fenced government grants	81	83	
Capital grants and contributions	6	5	
Housing rent	18	17	✓
Grants, contributions and donations	25	32	✓
Other service income	22	20	
Total income	**187**	**188**	

Deloitte response

We have performed the following:

- tested the council tax and housing rents system to ensure that the correct council tax and rent levels have been input and billed in accordance with that agreed as part of budget process and that any discounts or reductions have been appropriately applied;
- tested the council tax and housing rents reconciliations performed by the Council at 31 March 2016 to confirm all income is correctly recorded in the ledger;
- confirmed that the reconciliations performed during 2015/16 have been reviewed on a regular basis;
- compared income recorded with expectations, based on council tax and rent levels agreed as part of budget process and number of properties;
- corroborated property numbers to independent record held by the valuer (council houses) and the Assessor (council tax properties);
- assessed managements controls around recognition of grant income; and
- tested a sample of other government grants recognised within service income and confirmed these have been recognised in accordance with any restrictions or conditions applicable.

Deloitte view
No issues noted from our testing of the treatment of income in the year.

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Management override of controls

Risk Identified

International Standards on Auditing requires auditors to identify a presumed risk of management override of controls. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

Audit approach

Our audit work is designed to test for instances of management override of controls. We have summarised above our work on key estimates around revenue recognition and the council tax bad debt provision and note that we have not identified any significant one-off or unusual transactions in the period.

Deloitte response

We have considered the risk factors over the manipulation of accounting entries made in preparation of the financial statements, and note that:
- the Councils results were monitored closely throughout the period; and
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We have used data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. No issues noted from our testing.

Accounting estimates

In addition to our work on key accounting estimates discussed above, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements completed with no issues noted.

Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

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Other matters

Defined benefits pension scheme

Background

The Council participates in a defined benefit pension scheme. This scheme is administered by the Falkirk Council, therefore actuarial assumptions are not made by Clackmannanshire Council. There is a risk that the actuarial assumptions are not appropriate and therefore the valuation of the scheme is inaccurate. For the purposes of Clackmannanshire Council's financial statements, it is important to ensure that the assumptions applied are fully understood and challenged.

Audit work performed

We have performed the following:

- obtained a copy of the actuarial report produced by Hymans Robertson LLP, the scheme actuary, and agreed in the disclosures to notes 40 and 41 within the accounts;
- assessed the reasonableness of the Council's share of the total assets of the scheme with the Draft Pension Fund financial statement;
- reviewed the disclosures within the accounts against the Code;
- assessed the independence and expertise of the actuary supporting the basis of reliance upon their work; and
- liaised with our in-house actuary regarding their assessment of the key assumptions.

No issues noted.

Deloitte response

The Clackmannanshire Council share of the net pension liability has reduced from **£135.470 million** in 2014/15 to **£108.274 million** in 2015/16 as a result of an increase in the discount rates applied, offset to some extent by a slight increase in some inflation adjustments. We have reviewed the assumptions and on the whole, the set of assumptions is slightly towards the prudent end of the reasonable range at 31 March 2016. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

	Council	Benchmark	Comments
Discount rate	3.5%	3.5%	Reasonable
RPI inflation	3.3%	2.95%	Slightly prudent
CPI Inflation rate	2.2%	1.95%	Slightly prudent
Real Salary increase (over RPI inflation)	0.5%	Council specific	Reasonable
Pension increase	2.2%	1.95%	Slightly prudent
Current mortality	Club Vita	Council specific	Consistent with the 2014 funding valuation of the Fund. Reasonable.
Mortality – future improvements (CMI – Continuous Mortality Investigation)	CMI 12 with a 1.25% p.a. long-term rate	CMI 12 with a 1.25% p.a. long-term rate	Reasonable

Charitable Trusts

Risk identified

From 2013/14, all Scottish Councils who act as sole trustees for any registered charities have to fully comply with the Charities Accounts Regulations. This requires Charities SORP compliant accounts to be prepared for each Charity, and a separate audit of each. Clackmannanshire Council administers 4 such registered charities. The Charities Accounts (Scotland) Regulation 2006 permits connected charities to prepare a single set of accounts. Clackmannanshire Council has taken the view that those registered charities with common trustees are connected, which has reduced the number of separate sets of accounts to one.

As the gross income of each trust is less than £100,000, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with the Regulations. Fully compliant Charities SORP accounts are therefore not required and disclosure is limited to that specified in the Regulations.

Key judgements

International Standards on Auditing require us to identify and assess the risk of material misstatement and to identify areas of risk that will require focussed consideration. The following are identified significant risks for the charitable trusts:
- Presumed risk over revenue recognition, specifically focused on allocation between restricted and unrestricted funds; and
- Presumed risk of management override of controls.

Deloitte response

No issues noted from our testing of the charitable trusts accounts in the year, which were found to be correctly accounted for in accordance with the Regulations.

Highway Network Assets

Background

The 2016/17 local government accounting Code will adopt the measurement requirements of the Code of Practice on transport infrastructure assets (the transport code) for the highways network asset, i.e. measurement on a depreciated replacement cost basis. This will have a significant impact on the value of local authority balance sheets.

Audit work performed

In accordance with Audit Scotland's planning guidance for 2015/16, we have considered the Council's arrangements and state of preparedness, including the completeness of information to prepare an opening balance sheet in its 2016/17 financial statements.

We have also reviewed the draft WGA for 2015/16. While there is no requirement to audit this data in the current year, we note that the Highway Network Assets have been valued at £561 million, compared with the current financial statements disclosure of historical cost Infrastructure Assets of £39 million.

Deloitte response

From our work performed, we have confirmed the following:

- The Council's inventory is maintained on proprietary software and there have been Data Assessment Plans of its asset inventory to improve the quality.
- The Council has digitally captured the road network on GIS into polygons. The polygon digitisation work was undertaken prior to the start of the National Asset Management process in 2008 and has therefore been consistently measured from that time.
- The Council has highlighted that capturing its minor asset groups (street furniture) will take considerably longer than initially thought due to reduced resources within the teams. Work is being focused on capturing information on those assets deemed to be the highest priority, however, there remains a risk that data on all assets is incomplete. We recognise, however, that this is an issue across all Councils.
- Locality indices, used as part of the valuation calculation, are based on historical rates adjusted for inflation and have not been reviewed in detail for a number of year. There is therefore a risk that these indices are based on out of date information impacting on the valuation recognised within the financial statements.
- The Council has still to agree the level of detail that will be recorded in the Fixed Asset Register. It is important that this is considered at an early stage to ensure that the resulting impact on calculated depreciation and other accounting entries is fully considered.

Deloitte conclusion

It is clear that a work is progressing to prepare for the new 2016/17 requirements. We have, however, identified some risk areas and actions required that the Council should consider as part of its planning over the next six months. **Appendix – Action Plan**

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Public sector audit dimensions

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Financial management

> **Financial management is** concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Revenue expenditure

In 2015/16, Clackmannanshire Council reported an overall underspend of £4.227 million, which included a budgeted use of reserves of £1.801 million resulting in a net contribution to reserves of £2.426 million.

The Comprehensive Income and Expenditure Statement reported a deficit on the provision of services of £266,000 for the year. After adjusting for the difference between accounting basis and funding basis under regulation and transfers from statutory reserves, the Council reported an increase in the General Fund balance of £2.426 million.

The table below illustrates how the Council's performance on the Provision of Service compares to budget for the current year:

	2015/16 Budget £'000	2015/16 Actual £'000	2015/16 Variance £'000
Gross Expenditure	120,277	115,752	(4,525)
Income	118,476	118,178	298
Deficit/ (Surplus)	**1,801**	**(2,426)**	**(4,227)**
HRA – monitored separately	N/A	388	N/A
Use of Statutory Reserves	N/A	1,928	N/A
Adjustments between accounting basis and funding basis	N/A	376	N/A
Deficit on the Provision of Services	**N/A**	**266**	**N/A**

Variances were reported to the Resources and Audit Committee throughout the year, with a final report to the full Council meeting in June 2016.

The overall variance is a combination of under and overspends on expenditure and variances on income streams, the main being:
- A budgeted use of reserves of £1.801 million as approved at Council in February 2015.
- Social Services reported an overspend in the year of £1.149 million mainly as a result of cost pressures associated with residential schools.
- Resources and governance saw an underspend of £1.4 million, largely as a result of staff vacancies.
- Development and environmental services reported an underspend of £1.3 million primarily due to vacancies within staffing and income from winding up of the Council's investment in CSBP Clackmannanshire Investments Ltd.
- General Fund Housing reported an underspend of £1.3 million due to vacancies within staffing and an increased level of grant income from Department of Work and Pensions for Rent Rebates.

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Financial management (continued)

Capital expenditure

In terms of capital expenditure, a final outturn of £16.430 million against a budget of £26.423 million was reported. As reported to the Audit and Resources Committee in September 2016, the majority of this underspend has been carried forward into 2016/17 due to revised timing of project expenditure. A significant variance was reported within the property capital expenditure budget as a result of the programme of work being re-aligned to 2016/17 to be in line with the school estates management plan. Other works have seen delays due to staff resourcing.

Conclusion

We have confirmed that budgets are regularly reported to elected members throughout the year. While a number of the variances noted above have arisen as a result of changes which would be unforeseen at the time of setting the budget, there is scope for the Council to consider whether the budget process and forecasting is adequately robust, taking into account historical trends. A report from the Depute Chief Executive and Assistant Head of Social Work on this specific issue is due to be presented to the Finance and Audit Committee in September 2016 setting out a recovery plan **Appendix – Action Plan.**

With the move to an integrated health and social care partnership from 1 April 2016, the pressures noted within Social Services will impact on the new partnership going forward. It is important therefore that the Council fully understands the underlying causes of these overspends. With the ever increasing demand on services, the Council and its partner should work to identify how best to target its work on interventions and to deliver better outcomes.

Our comments on the systems of internal control are noted on page 29 of this report.

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Financial management (continued)

The Council's Usable Reserves balance has increased by £0.52 million in the year to £18.477 million at 31 March 2016. This increase is primarily a result of the net underspend as discussed on page 21.

The Council's policy is to hold minimum working balances of 3% of net expenditure (£3.2 million in 2015/16) for the General Fund. The level of reserves at 31 March 2016 is in line within this policy.

A total of £6.34 million is being held as "Earmarked General Fund reserves" at 31 March 2016, to provide financing for specific future expenditure as shown below:

Specific Purpose	Total (£'000)
Developed School Management	249
Corporate Miscellaneous	360
MCB (Previously Spend to Save Fund)	520
Change Funds	213
Other Miscellaneous Service Commitments	453
Employment Fund	2,873
Education Restructure	150
Sum Approved In Support of 2016/17 Budget	1,523
Net Committed Reserves	**6,341**

In comparing the usable reserves with forecast future funding gaps which are discussed further on page 26, the Council's reserves would diminish by 2019/20 if savings are not identified for future years as illustrated below. It is therefore critical that savings plans are agreed and implemented.

Projected reserves
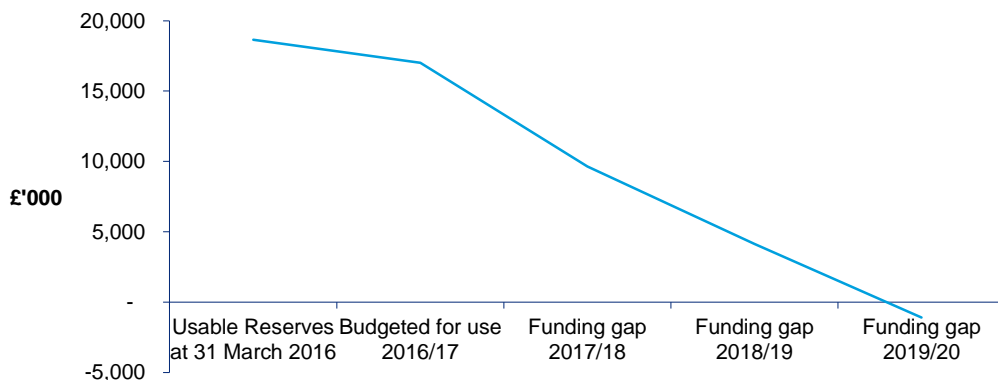
Financial management (continued)
Whole of Government Accounts

Background

Whole of government accounts (WGA) are the consolidated financial statements for all components of government in the UK. Most public bodies are required to provide information for the preparation of the WGA. External auditors are required to review and provide assurance on WGA returns over a prescribed threshold.

Purpose

The WGA provides the most complete picture available of government finances and is a set of accounts for the whole UK public sector (over 6,000 bodies in 2015/16). The WGA is used in a number of ways:
- Treasury use it as part of their spending teams work and to assess the impact of policy changes on long term financial position;
- Ministry of Justice and Department of Health working together to look at reducing the cost of clinical negligence;
- Treasury and Cabinet Office have formed a joint fraud, error and debt task force to tackle the level of losses; and
- Cabinet Office have drawn on WGA in their work on validating the Government estate.

Clackmannanshire perspective

Deadline of 26 August for draft return met

Management review checklist completed and signed by Chief Accountant as evidence of quality review.

Clackmannanshire Council falls below the threshold for auditor assurance so no testing performed.

Conclusions

Clackmannanshire Council has appropriate arrangements in place for completion of the WGA return. However, the Treasury has committed to faster delivery in future years, which is likely to have a knock on effect to Council deadlines. The Council should continue to standardise, streamline and simplify the close down process, taking into account all the information that is currently produced, including Local Financial Returns (LFRs), Outturn Reports, Financial Statements and the WGA to ensure that they are produced in the most efficient manner.

Financial management (continued)

Grant claim work

As part of our audit appointment, we have completed our review of the following grant claims / returns by the audit deadlines set by Audit Scotland:

Grant	Deadline	Status	Issues
Education maintenance allowance	31 July 2016	Completed	None
Criminal justice social work services grant claim	31 August 2016	Completed	1
Non-domestic rates income return	9 October 2016	On Target	None to date
Housing and Council tax benefit subsidy	30 November 2016	On Target	None to date

Issues:

As reported in 2014/15, one minor issue was highlighted in relation to the Criminal Justice Grant which remains outstanding for 2015/16. For a sample of Criminal Justice expenditure amounts relating to independent sector providers, the Council was unable to locate a signed service level agreement between the independent provider and the local authority, which could be used to confirm expenditure related to specified service. Deloitte performed alternative procedures in order to gain some assurance that expenditure was for a qualifying project.

This issue was highlighted in last year's report where we recommended that the Council carry out a review to ensure that service level agreements are in place where services are provided by independent sector providers. We make the same recommendation this year. Management has confirmed that SLA's are being drafted for the current year and will be in place going forward. **Appendix – Action Plan.**

We are on target to complete all grant claim work in line with Audit Scotland deadlines.

Financial sustainability

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

Financial outlook

The 2016/17 revenue budget was approved by the Council on 23 February 2016. This budgeted net expenditure of £114.255 million, with approved savings of £7.501 million.

Indicative budgets are in place for the next three years, which note that significant shortfalls are projected in future years. This is based on expected funding levels and increasing demand pressures in future years.

Cumulative funding gap (as a percentage of net expenditure)
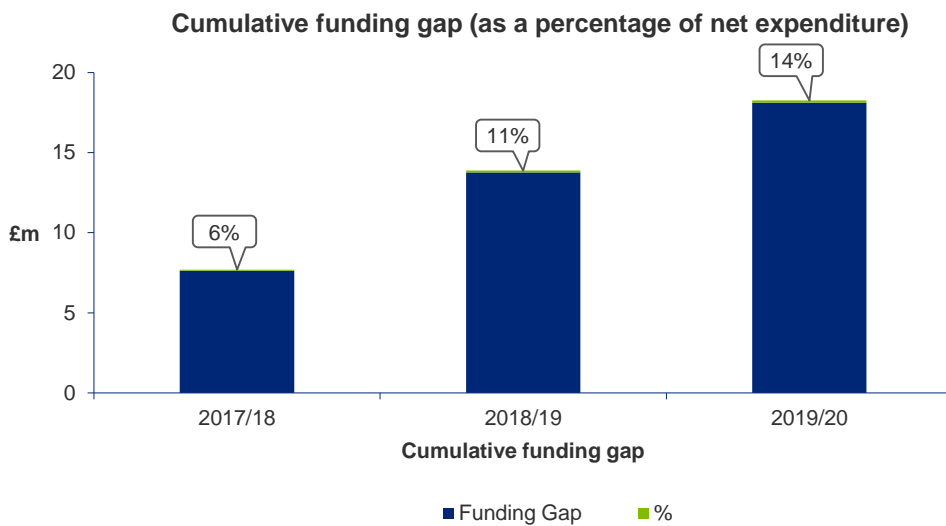
The 2016/17 budget builds on the Making Clackmannanshire Better (MCB) service delivery models and takes the next step in rolling out the new Community Investment Strategy which incorporates the Cluster model and locality hubs. The budget also set out a number of business cases and areas for further consideration and development during 2016/17 to assist the Council in setting future years' budgets and bridge the indicative funding gap for future years.

A key strand of the Council's transformation work relates to workforce planning. In October 2015, the Council approved a Workforce Strategy which set out the Council's approach to the recruitment, retention and support and development of its staff. Further discussion on workforce planning is provided on page 27.

The General Fund capital plan was also approved by the Council at its meeting on 23 February 2016 with total planned expenditure for 2016/17of £10.042 million, with a total capital plan over the next 5 years of £51.130 million. This includes the following significant projects:

- Kilncraigs - £4.9 million (budgeted for 2019/20);
- School Estates, Tullibody Campus - £11.250 million

The plan is being funded by a combination of borrowing and capital grants.

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Financial sustainability (continued)

Workforce Planning

As discussed on page 26, local government continues to experience a period of unprecedented uncertainty and change in terms of its financial, legislative and demographic challenges. The cost of employing Council staff accounts for around two thirds of the Council's annual revenue expenditure, therefore it is important that such valuable resources are deployed in areas of greatest priority. As part of the Council's consideration of options to reduce expenditure by £18.1 million over the next three years to March 2020, it has identified that it must also seek to reduce its costs of employment. *Making our organisation stronger: Clackmannanshire Council's Interim Workforce Strategy,* which was approved by the Council in October 2015 sets out the longer term workforce planning objectives but also highlights the short to medium term financial pressures and the need to deliver an increased pace and momentum with regards to the Council's managed contraction of staffing.

In accordance with Audit Scotland planning guidance, we have performed targeted follow up work based on the recommendations made in the national performance report on Scotland's Public Sector Workforce which was published in November 2013 and submitted a standard questionnaire in accordance with Audit Scotland guidance. We confirmed that Clackmannanshire Council is at an early stage in its workforce planning process and historically has not had a formal workforce plan in place. A clear strategy, as referred to above, has been approved by Council and a Toolkit has been put in place to ensure Service workforce plans are prepared on a consistent and robust basis. These are currently being developed. The Toolkit has been based on established good practice, including guidance published by Employer Organisation (guide to workforce planning in local authorities) and the Improvement Service.

Making Clackmannanshire Better

The Council's Making Clackmannanshire Better (MCB) transformation programme was launched in 2013 as a five year transformation programme with the objective "to reduce costs, better meet our customers' changing needs and operate in a more integrated way with our public service partners, so that we can collectively achieve better outcomes for our communities". From June 2014, MCB has been fully integrated within the Council budget challenge process and is regarded as the main driver for improving outcomes, cost reduction and for addressing the Council's financial sustainability over the next three years.

As reported in our 2014/15 annual report and separate Best Value report, with an estimated cumulative three year funding gap of £21 million (one of the highest in Scotland relative to total net expenditure) it is essential that the MCB programme is successful in delivering these above objectives and addressing the significant funding gap. We were concerned that the pace and scale of delivery from the programme was not yet sufficient to meet the Council's stated objectives and to address the Council's very significant short to medium term financial challenges. We also noted that difficult political decisions were being deferred in areas such as school estates strategy and leisure services.

Financial sustainability (continued)

Making Clackmannanshire Better (continued)

We have assessed progress during this financial year and have also taken cognisance of events up to the date of this report. It is clear that some progress has been made in addressing financial sustainability challenges during 2015/16. For example, a core of four business cases have been developed to create a strategic operating cluster model. These business cases cover school estates, leisure review, community hubs and workforce planning. In addition, during 2015/16, elected members have been provided with financial scenarios to provide a potential range of indicative funding situations that the Council might face depending on changes in the underlying assumptions. It is clear, however, that significant challenges remain.

The most recent budget strategy update to elected members at its meeting on 11 August 2016 notes that the Council is projecting a cumulative three year funding gap of £18.1m to 2019/20. There has therefore been only limited progress since our 2014/15 report in bridging the funding gap. In addition, as at 19 August, the Council is projecting around a £2m shortfall in 2016/17 budgeted savings which if not addressed will significantly worsen the projected cumulative funding gap. This shortfall is in part caused by anticipated workforce related savings from voluntary redundancy and severance not being delivered

In addition, the new administration is understandably wishing to reassess Council priorities and approach, and are reviewing elements of the cluster model above, which is a key enabler for delivering financial sustainability, particularly in relation to schools estates. This delay to allow further consultation with the public, further increases the risk that the required level of savings will not be achieved.

Conclusion

Since 2011/12, the Council has been reliant on contributions from reserves of around £14m to balance the revenue budget. In our view this is unsustainable going forward given demand pressures and demographic changes. As such, the Council needs to assess, as a matter of urgency, the adequacy of current proposals to address the ongoing significant funding gap.
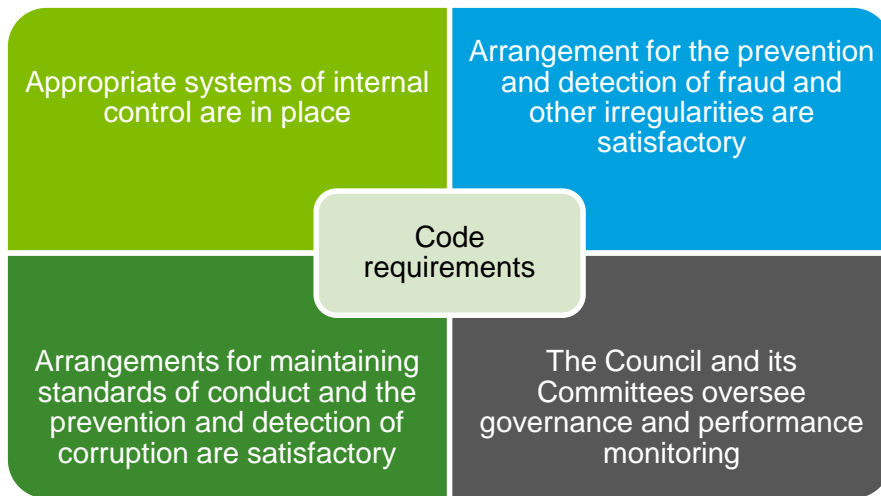
In addition, given the anticipated shortfall in workforce related savings, the Council needs to consider if current proposals are sufficiently flexible and robust to address the financial challenges the Council faces.

In our view, these actions are required as a matter of urgency, to address the Council's continued reliance on reserves to balance the revenue budget.

Governance and Transparency

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

In accordance with the Code of Audit Practice, we are required to consider and formally report in relation to the following key matters:

Appropriate systems of internal control are in place	Arrangement for the prevention and detection of fraud and other irregularities are satisfactory
Code requirements	
Arrangements for maintaining standards of conduct and the prevention and detection of corruption are satisfactory	The Council and its Committees oversee governance and performance monitoring

We confirm that we have reviewed the arrangements in each of the four areas and concluded as noted above, highlighting the following:

- From our review of the internal audit plan for 2015/16 and audit reports, we are satisfied that there are appropriate systems of internal control in place and no significant weaknesses have been identified. Appropriate disclosure has been made in the annual governance statement of issues identified from the work of internal audit and action being taken.

- We are comfortable with the fraud arrangements in place and confirm we have not been made aware of any financially significant frauds in the year.

- We have identified no issues with regard to the arrangements for maintaining standards of conduct and the prevention and detection of corruption. During the period, Councillor Drummond was referred to the Commissioner for Ethical Standards in Public Life in Scotland and following an investigation was suspended for a period of six months with effect from 25 April 2016.

- Whilst there is evidence of governance, scrutiny and challenge, our review of the MCB transformation programme as discussed on a pages 27 and 28 has identified a number of concerns regarding political decision-making and prioritisation. The recent changes to the political leadership as discussed further on page 30 increases this risk and should be closely monitored over the next year.

Governance and Transparency (continued)

Governance arrangements are going through a period of change

Leadership

Up until May 2016, the Council has been run by an SNP led Administration, however, this group resigned in May 2016 and the Labour group formed a minority administration.

At a special meeting on the 2 June 2016, the Council approved a revised decision making framework. The new Administration noted that given there were only 12 months until the next local government elections, it was vital that new, streamlined decision-making structures were put in place which facilitated prompt consideration of key business by Council. The Resources and Audit Committee was disbanded and replaced with an Audit and Finance Committee and a Scrutiny Committee. Each of the Service Committees were also disbanded. The first cycle of these new meetings have been held during August 2016.

The Section 95 Officer holds a senior position within the Council's management team, being the Depute Chief Executive, and has full authority. No issues noted.

New financial ledger

Internal Audit reports over the past few years had highlighted a number of control weaknesses in the current Finance System, including reliance on paper based systems, poor access controls, high level of manual intervention required, limited reporting and limited systems integration. It is expected that all these issues will be addressed by the new Finance System.

Internal Audit have provided regular reviews of the controls in place and the progress with the New Financial Ledger project, which is being phased in during 2016/17. The most recent report in September 2016 concluded there was a good control environment operating in relation to progressing the new system. However, the loss of the supplier's lead consultant in the build phase has required a revision of the project timescale and a phased implementation which means that different elements of the system will go live at different times. Internal audit has still provided overall significant assurance that the risks are being adequately mitigated as a new consultant has been put in place, the project plan adjusted accordingly and a full system acceptance and handover date of 21 September 2016 is still on schedule, however, the loss of the supplier's lead consultant presents a risk.

Following the Public Pound

The statutory requirements to comply with the Following the Public Pound Code, in conjunction with the wider statutory duty to ensure Best Value, means that Councils should have appropriate arrangements to approve, monitor and hold third parties accountable for public funding provided to them.

We have considered the appropriateness of the Council's arrangements to meet their obligations to comply with the Code and note the following:
- Consideration of the arrangements included within the Internal Audit plan. The most recent review concluded that a robust control environment was identified during this review and as a result no findings have been reported and no further management action is required.

- In response to the new procurement legislation and accompanying Regulations, the Council has published it's Contracts Register, which represents a statement of current and future opportunities.

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Governance and Transparency (continued)
Governance arrangements are going through a period of change

Shared Services

The shared social care services led by Clackmannanshire Council and shared education service led by Stirling Council is due to come to an end in March 2017. As noted on page 35, the Local Area Network (LAN) concluded in the Local Scrutiny Plan for 2016/17 that this presents a number of risks to the Council both during and after the transition period. In particular the continuity of education and social work services, the potential impact on the quality of services and outcomes for service users, loss of senior management experience and the uncertainty relating to the introduction and effectiveness of new management structures as yet to be developed. Long term sustainability of social work services was also identified as an area of significant risk.

An update was provided to the Council meeting on 23 June 2016. In general terms, the Council has noted that the only binding matters in respect of shared services are those relating to employment status of relevant employees which means that for other matters, the cessation process will rely on following any agreed protocols and good practice in respect of change management. An approach has been agreed by both Councils' Chief Executives, supported by the respective HR leads and taking into account specialist advice. Specific progress with individual services is as follows:

- **Education** – the new post of Chief Executive Officer was recruited in March and Anne Pearson joined the Council on 13 June 2016. Amongst initial priority tasks was for her to design and recruit her new management team, which has now been completed and all are expected to be in post by October 2016. A further priority will be reviewing attainment particularly in light of some recent inspection reports which have been presented to the Council.

- **Social Services** – Given Clackmannanshire Council has been the Lead Authority for Social Services, the Council employs the majority of Social Work staff deployed in the service. To start to reduce the uncertainty about future roles, retain capacity and minimise the risk to business continuity between now and when shared social services cease, steps are being taken to realign managers responsibilities to work in a more dedicated manner in each authority in readiness for a smooth transition to any new structure. Accordingly, new interim management arrangements have been put in place. In tandem, Clackmannanshire staff in certain shared teams are being realigned to their respective authorities to be managed locally. Going forward, the Council needs to create a new structure for social services to take into account the ending of shared services and the anticipated role of the chief officer for health and social care integration. A Chief Social Work Officer was appointed in August 2016.

As the Council moves to the formal change over in March 2017, focus is being given to managing the risk associated with this and in particular data transfer. A programme board has been set up to ensure that this is done transparently.

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Governance and transparency (continued)
National Fraud Initiative

In accordance with Audit Scotland planning guidance, we are required to monitor the Council's participation in the National Fraud Initiative (NFI), its progress during 2015/16 and complete an NFI audit questionnaire by 29 February 2016.

A summary of the matches reported in the NFI system is provided below:

	Total
Total matches flagged	1,634
Total recommended matches to be investigated	323
Total processed	1,553
Frauds	5
Errors	45
Outcome	£24,920

The five frauds noted above relate to overpayment of housing benefit and amount to £7,384. These are to be recovered from the individual claimants.

The forty five errors comprise overpayment of housing benefit (9 errors, total value £4,674), blue badges (28 errors, total value £Nil) and duplicate creditor payments (8 errors, total value £12,861), all of which are in the process of being recovered.

Deloitte Conclusion

We reported in our 2014/15 annual report, that the Council was fully engaged in the NFI exercise.

At the time the NFI questionnaire was completed in February 2016, the results of investigations had been recorded in the NFI system and only a small number had still to be investigated, which were completed by 31 March 2016. Progress on the NFI exercise was reported to each meeting of the Resources and Audit Committee as part of the internal audit and fraud progress report. These reports have noted that the Council is evaluating where improvements can be made in its systems and processes, however, no significant issues have been noted in the current year.

We concluded that Clackmannanshire Council remains fully engaged in the NFI exercise.

Governance and transparency (continued)

Integration of adult health and social care

Governance arrangements

The Health and Social Care Partnership (HSCP) for Clackmannanshire and Stirling was established on 3 October 2015 following the approval of the Integration Scheme by the Scottish Government and services have been delegated from 1 April 2016. The following key actions have taken place in advance of "go live" date:

- All voting members are now in place and have been attending the Transition Board.

- The Chief Finance Officer has been appointed and the post has been established as a one year part time post to allow the partnership to more fully assess the levels of demand attached to the role. The Chief Finance Officer will continue to work closely with the Section 95 Officer of Clackmannanshire Council.

- The Strategic Plan was approved by the Integration Joint Board (IJB) on 24 March 2016 and contains the agreed financial partnership budget. The formal Directions have been issued to each partner in relation to service delivery and discharge of functions. The Strategic Plan is supported by a number of other publications produced by the work streams.

- A core group of officers from the Forth Valley Councils and NHS Forth Valley have been coordinating the 9 workstreams in response to the statutory requirements for the implementation of health and social care integration. A programme planning approach has been taken to ensure that key milestones are achieved within the required timescales. A review of the work streams is currently taking place with a view to reducing the number and refocussing the remaining work streams on the medium to long term activity to support integrated services and the implementation of the Strategic Plan.

- Work is now underway, led by the Strategic Planning Group, to build on and take forward the engagement work carried out in relation to the Strategic Plan and will include locality planning sessions. A series of staff engagement events were held during June as part of this process.

- As part of the work force workstream, a Forth Valley wide staff forum has now been established. The staff forum is at an early stage of development and is currently agreeing the terms of reference and operating framework. It involves membership from Human Resources teams, staff and trade union representation from the local authority partners.

Delegated budgets

Budgets for those services that are to be delegated according to the legislation were approved by the Council on 23 February 2016.

A 'due diligence' process was carried out which examined the budgets and expenditure for the 3 financial years preceding the establishment of the partnership.

Work is being progressed to develop future year budgets in consultation with partner bodies.

2016/17 Approved Budget	£m
Clackmannanshire Council	15.322
NHS Forth Valley	115.912
Stirling Council	29.524
Partnership Funding	4.507
Total Partnership Budget 2016/17	**165.265**

Deloitte conclusion

Overall, we have concluded that work is progressing with the IJB now operational from 1 April 2016 and regular reports on progress have been made to the Council.

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Governance and transparency (continued)

## Integration of adult health and social care (continued)

As both the health and local government sectors continue to be under huge financial pressure, it is important that the new IJBs use the integration of adult health and social care to make transformational change. The following case study is an example of work we have seen elsewhere which Clackmannanshire Council and its partners could benefit from in performing a similar review.

Case Study – Data Diagnostics

Deloitte has been involved in work in an NHS Scotland Board where we were commissioned to support the organisation to understand their data and how they can use it, now and in the future, to identify opportunities for improvement and make changes to the services that will support the achievement of the required financial position.

A key challenge was to identify and prioritise areas for further analysis given the wealth of data, systems and information available. Working with the NHS Board, we agreed to focus on analysis of length of stay data and theatre information from the TrakCare and ORSOS systems respectively.

From this work a number of key opportunities were identified:
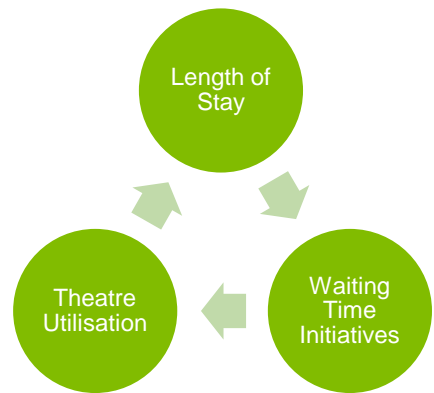
- **Reducing Length of Stay Variances – opportunity value £5m - £ 7.5m per year**

  - Designing a consolidated improvement programme focused on discharge planning across the health and social care economy should address issues including multiple entry routes and improvements in hospital processes, for example moving discharge decisions earlier in the day.
  - Implement a number of speciality level improvement including engaging directly with the clinical community using the data visualisation tools developed to help drive clinical and operational change.

- **Maximise Core Time Theatre Capacity – opportunity value £1.5m - £4.0m per year**

  - Implement a programme aimed at maximising day case rates with the presumption that agreed surgical procedures are listed as a day case as standard.
  - High cancelation rates should be addressed through improvements in pre assessment and scheduling. We estimated that this would increase throughput by 2-3% (c£1m-£2m).
  - Look to maximise core hour theatre capacity to reduce reliance on weekend Waiting List Initiatives (WLI) by moving WLIs into workday gaps in the schedule which we estimated would further reduce costs (c£0.5m-£1m).
  - Working practice modernisation such as reviewing the theatres working day and job plans would provide further productivity opportunities.
  - Review private sector tariffs. We estimated that the unit costs are 47% higher than English tariff which sets the benchmark for private providers in England (c£0.5m-£1m).
  - Embed a robust approach to demand and capacity modelling at speciality level and articulate a clear plan to move to a sustainable position.

Governance and transparency (continued)

Local Area Network

The Local Area Network (LAN) met in December 2015 to update the shared risk assessment, and met with the Chief Executive and the Depute Chief in February 2016. The Local Scrutiny Plan 2016/17 was published by Audit Scotland in March 2016 and was presented to the Full Council meeting on 23 June 2016.
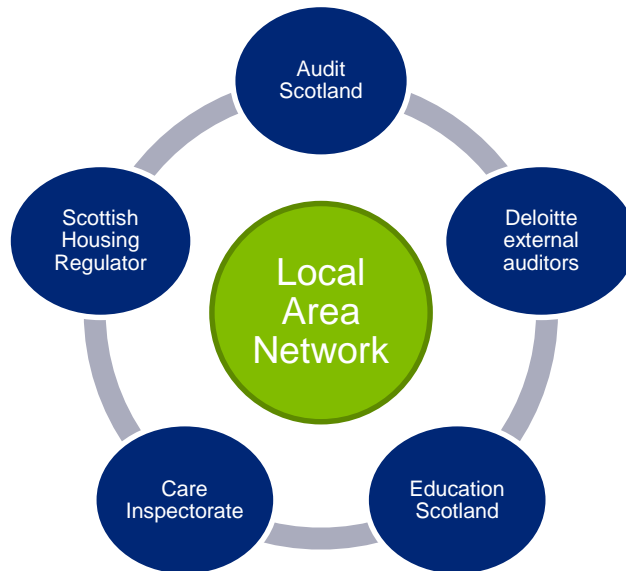
Conclusions

The LAN identified risks where it would be of value to carry out additional scrutiny in 2016/17. It also noted a number of areas which require on-going oversight and monitoring work on the part of scrutiny partners. These were:

- **The Council's transformation programme –** the LAN noted that the progress in the last 12 months had been slower than anticipated and was not yet sufficient to meet the Council's stated objectives and to address the very significant short to medium term financial challenges. The LAN also noted that the Council was faced with additional financial challenges due to the potential for increased costs in re-establishing stand alone education and social work services with the move away from shared services. As a result of this, the LAN proposed audit work around Best Value in relation to leadership, governance and financial sustainability. Audit Scotland has confirmed that Clackmannanshire Council will be one of the six Councils scheduled for a Best Value Assurance Report under the new best value arrangements during 2017/18. The exact timing of this work has still to be confirmed.

- **Shared Services –** As discussed on page 31, the shared services with Stirling are due to come to an end in March 2017 which brings with it a number of risks. The Care Inspectorate will closely monitor developments and will support any planned supported evaluation exercises. Education Scotland will closely monitor developments and consider further action as appropriate. We have also made comments on progress on page 31.

- **Educational attainment –** the Education Scotland Area Lead Officer will work closely with the Council to monitor both these areas in the coming period.

- **Community Empowerment Act –** the LAN noted that the Council had taken steps to prepare for the implications of the Act. We have provided an update of progress and planning on page 37 of this report.

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Value for money

> **Value for money** is concerned with using resources effectively and continually improving services.

Statutory performance indicators

Statutory duties and responsibilities

The **Local Government Act 1992** lays a duty upon each council to ensure that it has in place such arrangements for collecting, recording and publishing performance information that will allow it to comply with a Direction from the Commission.

The appointed auditor's statutory duty in relation to the performance information is set out in the **Local Government (Scotland) Act 1973.** The auditor's duty is to be satisfied that the council "*has made adequate arrangements for collecting and recording information, and for publishing it as required for the performance of their duties".*

The 2012 Accounts Commission Direction and guidance on auditing SPIs was issued in March 2013 and sets out the following approach:

The audit of SPI 1, 2 and 3 is a two stage process:
• Stage 1: Initial stage appraising the arrangements – see below for outcome of this work
• Stage 2: Assessing the quality of Public Performance Reporting (PPR).

At its meeting in June 2015 the Commission agreed that its 2015 SPI direction needed to reflect the Commission's on-going commitment to sector-led benchmarking and improvement and its approach to the next iteration of the local government Best Value audit approach, in particular the tone of continuous improvement and outcomes.

On that basis, the Commission agreed to endorse a strategy incorporating the following principles:
• a longer-term Statutory Performance Indicator Direction;
• a recognition of the increasing maturity of, and the Commission's support for the further development of the Local Government Benchmarking Framework; and
• incorporating the assessment of a council's approaches to public performance (PPR) as an integral element of the new approach to auditing Best Value, rather than undertaking separate annual assessments of this aspect of Council's performance.

The 2015 Direction was approved in December 2015 covering the financial years ending 31 March 2017-2019.

As a result of the above decision, we are not required to report on the adequacy of the Council's overall approaches to PPR as part of the 2015/16 audit process.

Deloitte response

We have considered the adequacy of the Council's arrangement for collecting, recording and publishing accurate and complete information and noted no issues.

Value for money (continued)

Community Empowerment Act

The Community Empowerment Act will help to empower community bodies through the ownership of land and buildings, and by strengthening their voices in the decisions that matter to them. It will also improve outcomes for communities by improving the process of community planning, ensuring that local service providers work together even more closely with communities to meet the needs of the people who use them.

The Bill was passed by the Scottish Parliament on 17 June 2015 and received Royal Assent, becoming an Act, on 24 July 2015.

The Act does a number of things including: extending the community right to buy, making it simpler for communities to take over public sector land and buildings, and strengthening the statutory base for community planning. Crucially it can help empower community bodies through the ownership of land and buildings and strengthening their voices in the decision and services that matter to them.

Clackmannanshire Council position

The implications of the Community Empowerment Act 2015 to the Council were considered as part of a Core Management Team (CMT) briefing in November 2015. It noted that ahead of the issue of guidance, officers in relevant Services have been examining the Act for the direct implications of the Act on their own fields of work. However, it is expected that some of the impact will also be cross cutting and require collaboration across Services. One area of development is a community asset transfer policy which is currently in draft form. In addition, the Alliance Executive (Community Planning Partnerships) has recently considered a potential approach to local plans/ partnerships within the context of cluster management which was broadly supported by partners. While still at early stages, it is clear that the Council are aware of the requirements and making plans to develop policies and strategies.

Over the last few years the Council has noted that it has been supporting all of its community councils with the concept of community action planning. All but one community council now has a community action plan, or are in the process of developing one following a community consultation process. These will be key in informing the priorities and actions within cluster plans.

The Alliance (Community Planning Partnership) has agreed to use the Scottish Government's Ready for Business approach using Partners for Change. A series of workshops took place in March 2016 involving senior leaders from partner organisations, key third sector organisations and the Joint Community Council Forum and Tenants & Residents Federation. The purpose of this is to get transformational dialogue started around third/ public sector local service design/ commissioning.

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Value for money (continued)

Audit Scotland national reports

The following reports have been issued by Audit Scotland over the past year which may be of interest to Council members:

Title	Headline messages	Impact on Clackmannanshire
Health and Social Care Integration *Published December 2015*	Significant risks must be addressed if a major reform of health and social care is to fundamentally change how services are delivered, and improve outcomes for the people who use them.	The newly established IJB must now take the lead and begin strategically shifting resources towards a different, more community-based approach to healthcare. To achieve the scale and pace of change that is needed, there should be a clear understanding of who is accountable for delivering integrated services, and strategic plans that show how the IJB will use resources to transform delivery of health and social care.
Major capital investment in councils – follow-up *Published January 2016*	Councils have made some progress since the 2013 report but they need to do further work to fully comply with good practice. In particular, they should provide councillors with better information through clear, good quality reports to enable them to effectively challenge and scrutinise capital investment decisions, plans and progress.	Clackmannanshire Council should consider the findings of this report in conjunction with the work it is doing on future budget strategies to ensure that it incorporates the good practice highlighted from this review.
Community planning – an update *Published March 2016*	Community planning continues to be given a pivotal role in transforming public services in Scotland. The progress seen from individual CPPs shows there is enthusiasm for pushing forward with this ambitious reform. However, without a stronger focus on prevention, long-term outcomes, and how partnerships perform, it is difficult to see how community planning can make the impact that's needed. If community planning is to thrive, the views and experiences of local people must be at the heart of measuring delivery of public services.	Clackmannanshire Council, working closely with its partners, should consider the findings of this report. As part of the budget review we have noted that the Council has sought to build on previous engagement with communities and the IJBs is an ideal opportunity for the Council and partners to share and deliver resources towards joint priorities.

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Value for money (continued)
Audit Scotland national reports (continued)

Title	Headline messages	Impact on Clackmannanshire
An overview of local government in Scotland 2016 *Published March 2016*	Councils have coped well so far but the scale of the future challenge requires longer-term planning and a greater openness to consider alternative forms of service delivery What is important for the public is that whatever choice a council makes about how to provide a service, it can demonstrate that the choice represents best value both in terms of cost and quality.	Clackmannanshire Council should consider the recommendations in this report as it develops its future years budgets. In particular, Councillors should use the questions in the report and the separate self-assessment tool to help them assess the Council's position.
Changing models of health and social care *Published March 2016*	A lack of national leadership and clear planning is preventing the wider change urgently needed if Scotland's health and social care services are to adapt to increasing pressures.	Clackmannanshire Council and its health partners must contribute to spreading their knowledge and good practice by working with IJB to build a clear picture of what the future of health and social care looks like in their local areas, and what resources must be invested to make that a reality.
Reshaping care for older people – impact report *Published March 2016*	This report looks at the impact made by the report *Reshaping care for older people*, which was published in February 2014.	Many of the recommendations made in the report are being taken forward as part of the integration agenda. The impact on Clackmannanshire Council is as noted above.
Maintaining Scotland's roads: a follow-up report *Published August 2016*	Councils face increasing pressures and challenges but progress in developing a shared services approach for roads has been disappointingly slow. They can and should collaborate more to secure better value for money.	Clackmannanshire Council should consider the recommendations of the report, working closely with the Roads Collaboration Programme.

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Your Annual Report

Our comments on your annual report

We welcome this opportunity to set out for the Audit and Finance Committee our observations on the annual report. We are required to read the "front half" of your annual report to consider consistency with the financial statements and any apparent misstatements. Here we summarise our observations on your response to these areas:

	Deloitte response
Management Commentary	The 2014 Regulation introduced a requirement for the annual accounts to include a Management Commentary, which aligns the requirements to that of the Government Financial Reporting Manual and the Companies Act. The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The council also focusses on the strategic planning context.
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior Councillors and Senior Employees of the Council. We are satisfied that the remuneration report has been prepared in accordance with the regulations and is consistent with the findings of our audit.
Governance Statement	The Governance Statement reports that Clackmannanshire Council is in compliance with the aspects of the UK Corporate Governance Code which are set out within the guidance as being applicable. We have reviewed the systems in place to ensure that there is sufficient evidence available to the Chief Executive and Leader of Clackmannanshire Council to sign the Governance Statement. The statement notes the Internal Audit Annual Report provides reasonable assurance as regards the effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2016. This is consistent with our knowledge based on evidence collected in the course of the audit.

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Purpose of our report and responsibility statement

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Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Finance Committee and the Members of the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Other insights we have identified from our audit.

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan and the supplementary "briefing on audit matters" previously circulated to you.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP
Chartered Accountants
Edinburgh
7 September 2016

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Appendices
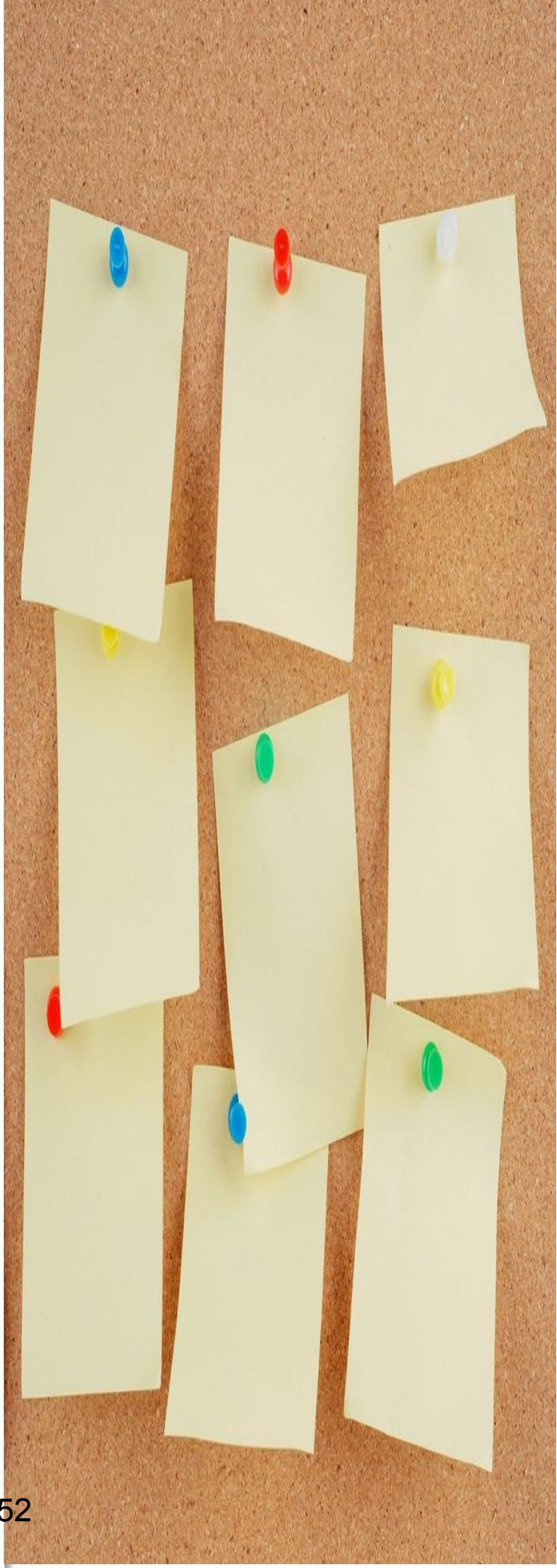
Audit adjustments

Summary of uncorrected and corrected misstatements

Uncorrected misstatements

There were no uncorrected misstatements noted above our reporting threshold of £36k during the process of our audit work.

Corrected misstatements

There were six corrected misstatements noted above our reporting threshold of £36k during the process of our audit work to date.

	(Credit)/ charge to current year CIES £'000	Increase/ (decrease) in net assets £'000	(Increase)/ decrease in reserves £'000
Dr CIES Cr Provision for doubtful debt *Being additional specific provision for doubtful debt*	138 -	- (138)	138
DR Creditors CR Debtors *Being removal of Business Rates Incentive Scheme (BRIS) debtor as paid during 2015/16.*		1,232 (1,232)	
DR Short Term Borrowings CR Debtors CR Creditors *Being removal of CSVJB debtors and creditors*		52 (48) (4)	
DR Financing and Investment income DR Gain or loss on disposals CR Investment property *Being revaluation of Alva Pool land. Land previously disposed in error added back*	74 42	(116)	
DR Property Plant and Equipment CR Gain or loss on disposal DR Revaluation Reserve CR Surplus on revaluation *Being demolished block of flats disposed of and downward revaluation of land*	(175) (86)	175 86	
DR Taxation and non-specific grant income CR Property, plant and equipment *Being removal of capital grant recognised in error*	48	(48)	
Total	**41**	**(41)**	**138**

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. There were no material disclosure misstatements noted in the course of our work. Management have corrected a number of immaterial disclosure deficiencies.

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Action Plan

Our recommendations for improvement

We present a summary of observations on the Council's internal control and risk management processes

Area	Observation	Management response	Priority
Council Tax income	From our evaluation of the controls, we noted that there are plans in place to automate the linkage between the Council Tax Northgate system and the Assessor and that currently this is not reconciled on a regular basis.	The Council has purchased the reconciliation software from Northgate and it is currently going into test. This will report anomalies by exception and allow manual amendments to be made. There are monthly files that pass between the Assessors and the Council which allow the manual update of property records. This will be part of the automation. **Responsible Officer:** Service Manager Revenues **Target date:** 31 March 2017	✦
Highway Network Assets	The Council should consider the identified risk areas as noted on page 19 and action required over the next six months to ensure that appropriate plans are in place to bring Highway Network Assets on Balance Sheet at the appropriate valuation.	Preparatory work has been carried out by the Roads Service. The Accountancy team will work with the service to ensure that the requirements are met for the 2016/17 accounts **Responsible Officer:** Chief Accountant **Target date:** 31 March 2017	🟠
Budget monitoring	While a number of the variances noted in the year have arisen as a result of changes which would be unforeseen at the time of setting the budget, there is scope for the Council to consider whether the budget process and forecasting is adequately robust, taking into account historical trends, particularly in Social Work.	The new finance system will drive the budget process forward. Access to real time information will aid services forecasting and allow early intervention as required between the Accountancy team and the services. As services redesign the historical trends will become less useful for forecasting purposes. **Responsible Officer: Chief Accountant** **Target date:** 31 March 2017	🟠
Criminal Justice Social Work Services	The Council should carry out a review to ensure that service level agreements are in place where services are provided by independent sector providers.	SLAs are being rafted for the current year and will be in place going forward. **Responsible Officer:** Chief Social Work Officer **Target date:** 31 December 2016	✦

Key;

■ High Priority   🟠 Medium Priority   ✦ Low Priority

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Action Plan (continued)

Follow up of prior year actions

We have followed up the recommendations included in our 2013/14 and 2014/15 annual report and summarised below the progress made against each of these.

Key Areas	Fully Implemented	Partially Implemented	Not yet due
2013/14 recommendations not fully implemented in 2014/15			
Making Clackmannanshire Better – detailed benefits realisation planning	1		
Clackmannanshire Council Sundry Trust Funds – appointment of independent trustee		1	
Criminal Justice Social Work Services – service level agreements		1	
2014/15 recommendations			
Accrued expenses - We recommended that all post year end invoices relating to pre year end are accounted.	1		
Trade creditors - We recommend credit notes are allocated as they are received to avoid creditors being overpaid.	1		
PPE Valuations – We recommended that the Council ensure that there is an experienced internal contact who can manage and challenge the advice of externally sourced valuations.	1		
PPE Valuations – With regard to MEA considerations for land, we recommended that the valuer should, where possible, determine the land value reflecting an appropriate site size for a MEA facility and if possible determine a site value reflecting least cost to replace basis.			1 *
	4	**2**	**1**

* Recommendation not due until next full valuation performed.

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Fraud responsibilities and representations

Responsibilities explained

Responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed

- In our planning we identified the risk of fraud in other income recognition and management override of controls as a key audit risk for the Council.
- During the course of our audit, we have had discussions with management and those charged with governance.
- In addition, we have reviewed management's own documented procedures regarding the fraud and error in the financial statements.

Concerns

As set out above we have identified the inherent risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

Independence and fees

There are no issues we wish to raise to you

As part of our obligations under International Standards on Auditing (UK & Ireland), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	The audit fee for the year has been agreed at £208,000 (inclusive of VAT and Audit Scotland fixed charged) and is within the indicative fee range set by Audit Scotland. Note that this includes £5,000 of fees recharged in relation to the charity audit work.
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Board's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed.

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Events and publications

Our events and publications to support the Council

Sharing our informed perspective

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the NHS are shared below:

Perspectives: Health & Social Care - The great integration challenge
Bringing health and social care closer together has been a policy ambition for decades, yet it continues to be a challenge. This new piece discusses some of the key factors that affect integration and what can realistically be achieved. Read the full blog post here:
http://www2.deloitte.com/uk/en/pages/public-sector/articles/the-great-integration-challenge.html

Perspectives: The public sector's talent retention challenge – How can a talent drain be avoided?
Although global governments are increasingly conscious of the value of skills, the UK's public sector workforce has been hit hard by austerity. Job losses, low morale and pay freezes have all fuelled concerns of a potential drain. Read the full blog here:
http://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sectors-talent-retention-challenge.html

Publications

Decoding Digital Leadership
Surviving Digital Transformation

Digital transformation is a hot topic in government. The 2010 Spending Review mentioned the word 'digital' only four times in its reform plans, while the 2015 Review mentioned it 58 times. With that context, are senior leaders across government setting their organisations up for digital success?

Digital transformation requires top to bottom organisational transformation, which requires leaders who are willing and able to leverage digital to innovate, fail fast and drive value in an ambiguous context. Are your leaders equipped to drive digital transformation?

Download a copy of our publication here:
http://www2.deloitte.com/uk/en/pages/public-sector/articles/decoding-digital-leadership.html
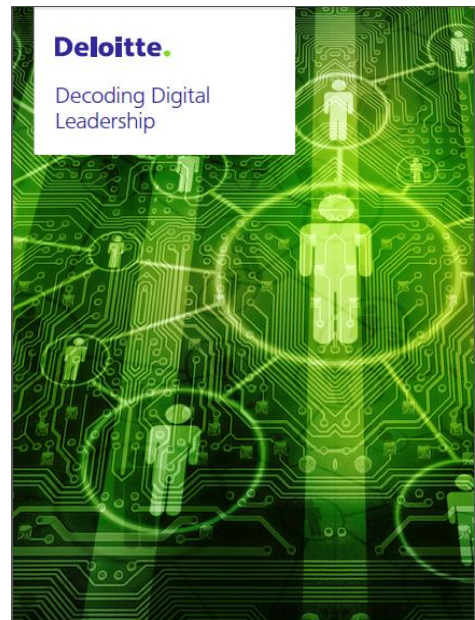
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CLACKMANNANSHIRE COUNCIL

Report to Audit and Finance Committee

Date of Meeting: 15 September 2016

Subject: Council Financial Performance 2015/16 – March Outturn

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Report by: Chief Accountant

1.0 Purpose

1.1 This paper provides an update on the financial performance of the Council in respect of both revenue and capital spend for the last quarter of financial year 2015/16.

2.0 Recommendations

2.1. The Committee is asked to note:

2.1.1 The draft general fund revenue underspend for the year of £4.227m

2.1.2 Progress on delivering 88.5% of the planned savings in the year.

2.1.3 The favourable outturn of £0.411m on the Housing Revenue Account

2.1.4 The underspend in General Services capital of £3.860m of which £0.555m are savings in delivery of programme with remainder carried forward to 2016/17.

2.1.5 The underspend on HRA capital of £6.390m of which £3.612m are savings in delivery of programme with the remainder carried forward to 2016/17.

3.0 Background

3.1. This overall report summarises the financial position of the Council and complements the more detailed service reporting arrangements in place. Given that this report consolidates all of the detailed service financial data, it is intended that the Audit and Finance Committee focuses on the corporate financial position.

3.2. The Outturn position reflected in this report is based on rigorous reviews of service spending activity by accountants and service managers which have been reinforced through ongoing challenge sessions conducted by the Executive Group.

4.0 General Fund Revenue

4.1 Appendix A to this paper sets out the actual spend for each service area.

4.2 Overall the Council's net expenditure this year recorded an underspend of £4.227m for the year ended 31st March 2016. This is an additional underspend of £2.378m since last reported. This movement is made up of: Housing (£764k) which is primarily due to an increase in the grant received from DWP for Rent Rebates, Social Services (£534k), (£468k) of which is the allocation for Adult demographic growth for Care at Home and Residential Services and Development and Environment Services (£614k) due to CSBP and staffing underspends.

4.3 Although the overall Council position is favourable there is an overspend in Social Services of £1.149m. This is mainly due to an overspend in the Residential Schools budget of £1.515m.

4.4 The reported service underspend does not reflect any amounts that may be earmarked for carry forward into 16/17.

4.5 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	Actual 31.03.16 (under)/over	Commentary
Resources & Governance	£23.448m	(£1.352m)	The projected underspend has increased by £263k from (£1.089m) to (£1.352m) since January 2016 outturns. A further payroll saving in Accountancy & Governance, a reduction in the IT Support contracts overspend, and underspend in Schools PPP contract and additional underspends in Catering. The main contributors to the underspend are: The further savings in Accountancy of (£138k) are due to delay in the appointment of some senior accounting staff – Corporate Accounting Team leader, Corporate Accountant, Management Accountant and the Chief Accountant post was also vacant for three months. The savings of (£152k) in IT are due to resignation of a system co-ordinator staff on long tem sick pay now on half pay, and some staff with full year budgets now working part time. Governance savings of (£84k). These savings are also largely associated with staffing; One member of HR staff on

Service	Annual Budget	Actual 31.03.16 (under)/over	Commentary
			reduced hours, maternity pay etc.
			Leisure (£94k) due to savings in Facilities Management costs for Common Good – Alloa Town Hall. Underspend also associated with Gartmorn closure.
			Catering (£473k) savings due to efficiencies in staffing and procurement, school meals performance better than expected, additional income through Scotland Excel rebates, milk subsidy and external business.
			These savings are reduced by overspends:
			IT – Supplies and Services small overspend of £16k due to legal fees re: Scott Sheridan recovery
			Governance – HR professional fees for legal fee settlement agreements for staff who left through voluntary severance £10k and £27k payment to contractors in respect of working on wellbeing, employee referrals, and disclosure costs.
			Asset Management £55k income shortfall in Rents, Design Fees & Other Council Accounts.
Strategy and Customer Services	£6.568m	(£0.442m)	The underspend has increased by £111k since the January outturn to £442k.
			The main contributors to this underspend being:
			Payroll costs (£184k) – staff turnover & vacant posts made up by Business Support (£51k), Performance & Strategy (£77k), Customer Services & Libraries (£31k), Member Services (£12k) and Leisure (£13k).
			Corporate Training (£100k) – actual expenditure was £229k against the budget of £329k.
			Customer Services & Libraries achieved a surplus income of £161k which is primarily the result of the continued growth in Scottish Certificate fees.

Service	Annual Budget	Actual 31.03.16 (under)/over	Commentary
Development & Environment Services	£11.641m	(£1.342m)	The total projected underspend has increased by £614k from (£0.727m) to (£1.342) since the January outturns with Economic Services, Roads & Transport, Waste Management and Fleet the main contributors to this movement.

Underspends attributable to:

Sustainability & Implementation (£161k) Underspend in Legal Fees taken as budget saving in 16/17. Transfer of Tilly Glen costs to Capital.

Economic Services (£202k) which is additional income in relation to the winding up of CSBP.

Clackmannanshire Works (£81k) underspend in staffing costs.

Roads and Transport (£187k), this is due to underspends in staff and non staff costs with income in line with budget.

Waste Management (£349k) related to staffing vacancies and third party waste disposal and recycling costs lower due to higher volumes of recycling and less landfill.

Fleet is underspent by almost (£143k) with shortfall in income reducing underspend in Diesel costs.

Streetcare (£120k) Savings in staffing costs and external fleet/plant maintenance. |
| Social Services | £28.206m | £1.149m | The Social Services overspend has reduced by £504k from the January out-turns of £1.653m.

The reduction in the overspend is primarily due to a budget transfer of £468k for the demographic growth pressure funding to Adult Services.

The £1.119m overspend is attributable to:-

Residential School £1.515m overspend.

Child Care Resourcing (£110k) underspend. Alloa Family Centre reported a (£197k) underspend. This is due to the level of vacant posts the Service has sustained over the year. |

Service	Annual Budget	Actual 31.03.16 (under)/over	Commentary
			Fostering and Adoption was overspent by £59k. This relates to legal costs associated with the adoption of foster children. £60k demand pressure funding was approved in the 2016/17 budget to fund this cost. Adult Services underspend (£40k) within Day Care due to reduced demand. Management Support underspend (£100k) from staff vacancies and CJS recharge. Criminal & Youth Justice underspend (£102k) as a result of vacant posts. Strategy underspend (£63k) as a result of the vacant Appropriate Adults Coordinator post and additional funding from Forth Valley NHS for Substance Misuse.
Education	£35.940m	(£0.678m)	March net (£678k) underspend mainly arising from: Early Years (£43k) underspend due to recruitment difficulties Primary - £237k underspend as a result of recruitment & retention difficulties. The underspend also reflects the Primary Schools Devolved Carryforward of £42k. The Secondary underspend of £411k is similar to the primary sector. There are ongoing subject specific vacancies, recruitment & supply cover difficulties. The underspend also now reflects a Secondary Devolved Carryforward of £209k. The ASN underspend of £72k is mainly due to pupil transport and late notification from NHS re additional Learning Assistant funding for complex care pupils. Youth Services - £25k underspend arose from a full year vacant post, along with additional income from the Opportunities for All programme. Sports Development - £4k underspend was a result of part-year vacant posts and grant funded posts. These underspends are partially offset by £124k overspend in Service Management in relation to Shared

Service	Annual Budget	Actual 31.03.16 (under)/over	Commentary
			Service costs. Additional spend was incurred in secondments to support the development of a school estate and ICT strategy.
Housing	£3.155m	(£1.276m)	The underspend is £761k greater than that forecast at the end of January. The reasons for the increase in underspend are detailed below. The net cost of Housing Benefits has reduced by £442k from that predicted in January. The reasons for this are that the grant income received from the DWP for Rent Rebates is significantly greater than that estimated. The actual grant received has increased to 93.7% from 91.8%, on expenditure of £11.6m which has a significant impact. There is also more income received in respect of Housing Benefit overpayments than previously received. The Revenues and Payments underspend has increased by £189k from that forecast in January. Of this increase £128k has been identified as an earmarked reserve in respect of the Scottish Welfare Fund and the Corporate Arrears Recovery system.
Executive Team	£0.572m	(£0.140m)	£137k of underspend relates to in year funding from Education regarding shared services decoupling.
Corporate Adjustments	£1.029m	(£0.675m)	Corporate adjustments reflect corporate savings and provision for possible areas of demand in the year. Corporate savings from 15/16 not achieved will be carried forward into 16/17.
Non Distributed Costs	£1.362m	(£0.196m)	Annual pension costs (additional years) underspend due to all severance costs being met from previous years provision.
Total	**£111.921m**	**(£4.952m)**	

4.6   Appendix A also highlights a number of non-service expenditure and income areas of the Council budget (not detailed in Table 1). There is a saving of £97k within the internal recharge of services to non general fund services, an overachievement of budgeted Council Tax income of £382k. This is offset by an overspend within Loan charges of £213k due to the annual PWLB premium write-off, utilisation of earmarked reserves £664k and an increase in the required bad debt provision of £311k over budget due to two debtors going into liquidation during the year.

4.7   The 2015/16 budget incorporated approved savings of £3.018m. 88.5% have been achieved in the year. Table 2 below sets this out for each council service portfolio.

Table 2 Budgeted 2015/16 savings progress

Department	Savings full year 15/16 £000	Draft full Year Saving £000	Comments
Resources & Governance	499	**411**	FM saving of £50k will not be realised in 2015/16 as it was dependant on buildings being vacant. Additional work is required to the new premises before these moves can take place.
Strategy and Customer	226	**226**	All savings have been achieved.
Development & Environment	714	**648**	Many of the savings have already been implemented with business cases being reviewed and detailed work on how savings will be achieved ongoing for the remaining savings.
Social Services	225	**203**	Unachieved savings relate to £10k in transport costs which are overspent. £11k in equipment & adaptations, this is now part of an MCB business case.
Education	302	**295**	All savings have been realised with the exception of £7k for Swimming Programme charges, Easter free swimming delivered, as contract was already in place. Will stop in future years.
Housing	469	**455**	Part of the saving on staffing restructure £14k has not been achieved in the year due to the need for Homeless standby payments. The service has put in place arrangements to minimise the impact.
Corporate	583	**433**	Work is ongoing for review of working week no savings have been achieved in 15-16. VS and income and charging savings achieved.
Total	**3,018**	**2,671**	

5.0   Housing Revenue Account

5.1   Appendix B to this paper sets out the summary budget for the Housing Revenue Account for this year in accordance with its Business Plan. It is forecast that the Service will achieve a surplus in the year of £5.314m which is £411k greater than budgeted

5.2   Repairs and Maintenance are forecasting an underspend of £90k, the main reason for this is an underspend of £89k for expenditure on Private Contractors as Property Contracts have carried out more work. There is also additional income of £38k from property factoring and rechargeable repairs. Supervision & Management is forecasting an underspend of £196k. There is an underspend of £248k forecast in staffing costs, as vacancies continue to be held pending restructuring. This is offset by costs of Vanguard of £93k that were originally included in the Capital Budget and an increase in Central Support costs of £60k from the original budget.

5.3   Capital Financing costs are expected to underspend by £106k as our borrowing is less than expected. There is also an underspend of £163k in Other Expenses. This is in relation to a reduction in void rent loss and a one off reduction in our Insurance costs. These underspends are offset by a shortfall in Rental Income of £144k due to the delay in the new build programme.

6.0   Capital

6.1 *General Services*

6.2 Appendix C to this paper details the General Services capital programme for the year ended 31st March 2016 where individual projects are listed within the various asset management plans.

6.3 Overall, the General Services capital programme recorded an underspend of £3.860m against the £9.970m gross budget. Of this underspend £3.305m is carried forward to 2016/17 due to revised timing of project expenditure. Overall this is a movement of £0.196m from the previous reported underspend projected as at January 2016 which is mainly due to due to staff resourcing for initial project implementation.

6.4 A summary of the outturn position and movement for each of the Asset plans is shown in the table below.

Table 3 General Services Capital Budget Variances

Asset Plan	Variance January (£000)	Variance March (£000)	Movement (£000)	Comments
Corporate	(501)	(487)	14	Realignment of Projects to future years to bring into line with Community Investment Strategy. Tullibody works to be completed in 16/17.
Property	(1,349)	(1,563)	(214)	Programming of work has been realigned to 16/17 in line with the school estate management plan agreed with education. Projects delayed in 15/16 due to staff resourcing, works to be completed in 16/17.
Roads	(252)	(314)	(62)	Procurement delays due to staff absences in roads service. Works to be completed in 16/17.
Land	(575)	(544)	31	Works at Millglen and Cemeteries strategy works carried forward to 16/17.
Fleet	(509)	(489)	20	Programme reprofiled in line with current service restructuring
IT	(478)	(463)	15	Social Work Case Management System on hold with £145k carried forward into 16/17. Carryforward of Savings in 15/16 of £122k due to cost of finance system being less than estimated.
Total Capital Programme	**(3,664)**	**(3,860)**	**(196)**	

Housing Revenue Account

6.5   Appendix D to this paper details the HRA capital programme for the current year where individual projects are listed within the various asset management plans.

6.6   The current net HRA Capital Budget is now £13.356m. The expenditure forecast is £6.966m showing a projected underspend of £6.390m, of this, £2.778m will be required to be carried forward to next year. The details of the projects where a carry forward is required are included in Appendix D

6.7   The significant projects that contribute to the underspend of £3.612m are detailed in Table 4 below and comments are also recorded in Appendix D:

Table 4 HRA Capital Budget Variances

Project	Variance (£000)	Comments
Photovoltaic Panels	(1,710)	Project not progressed as Feed In Tariff reduced resulting in reduced project viability.
Structural Works	(110)	Less expenditure on Asbestos as programme moves away from Kitchens & Bathrooms
Window Programme	(153)	First window replacement programme for some time. Robust contract terms and management has resulted in underspend
Demolitions	(67)	Cost of demolishing The Orchard less than budget.
Kitchen Renewal	(214)	Programme has now identified properties that require upgrading. A carry forward will be required into 2016/17.
Housing Business Management System	(99)	Vanguard costs are now included in Revenue
Damp/Rot	(179)	Investment in Heating Programme has resulted in less expenditure on Damp/Rot.
Environmental & Footpath	(450)	Saving on costs of Streetscape, Roads & Footpaths, Sauchie Main Street& Door Entry Systems
Conversions/ Upgrading's	(113)	No projects for miscellaneous budget
Sale of Council Property	(517)	There are more sales than predicted as the deadline for applying approaches

7.0   Conclusions

7.1   General Services revenue spend is anticipated to record an underspend of £4.227m.

7.2   Of the £3.018m approved savings, £2.671m has been achieved in the year.

7.3   The Housing Revenue Account is anticipating an underspend of £411k.

7.4   The current review of the capital programme indicates a projected underspend in the year (including carry forwards) of £3.860m on General Services Capital. Detail on each project is shown in appendix C.

7.5   The HRA Capital Programme indicates an underspend (and savings) of £3.612m as detailed above.

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 Council summary of expenditure

Appendix B HRA Revenues

Appendix C General Services Capital

Appendix D 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
Lindsay Sim	Chief Accountant	2078
Elizabeth Hutcheon	Management Accountancy Team Leader	6214

Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources & Governance	
Nikki Bridle	Depute Chief Executive	

Clackmannanshire Council Summary   **Appendix A**
 Draft position for year ended 31st March 2016

	Annual Budget 2015/16	Draft Actual to March 16	Budget v Actual
Service			
Resources & Governance	23,448	22,096	(1,352)
Strategy & Customer Services	6,568	6,126	(442)
	30,016	28,222	(1,794)
less Allocated to Non General Fund	(1,544)	(1,641)	(97)
	28,472	26,581	(1,891)
Social Services	28,206	29,355	1,149
Education	35,940	35,262	(678)
Housing	3,155	1,879	(1,276)
Development & Environmental Services	11,641	10,299	(1,342)
Executive Team	572	432	(140)
Corporate Adjustments	1,029	354	(675)
Misc Services - Non Distributed Costs	1,362	1,166	(196)
Service Expenditure	110,377	105,328	(5,049)
Add Requisitions from Joint Boards			
Central Scotland Valuation	351	351	0
	110,728	105,679	(5,049)
Add / (Deduct)			
Interest on Revenue Balances	(52)	(82)	(30)
Loan Charges	9,401	9,644	243
Contribution to Bad Debt Provision	200	511	311
	120,277	115,752	(4,525)
Sources of Funding			
General Revenue Funding/Non-Domestic Rates	(94,098)	(94,128)	(30)
Council Tax	(18,278)	(18,660)	(382)
Council Tax Reduction Scheme	(3,520)	(3,520)	0
Contribution from Reserves	(1,781)	(1,781)	0
Application of unapplied Capital receipt	(1,936)	(1,890)	46
Contribution from Earmarked Reserves	(664)	0	664
	(120,277)	(119,979)	298
Projected (Surplus) / Shortfall	0	(4,227)	(4,227)

This is the second financial year of the Property Contracts being included within the Housing Revenue Account. The net costs of the Property Contracts are included as a cost of the Repairs and Maintenance of the Council Housing Stock.

The Service has the ambition to become one of Scotland's leading providers of local authority housing. To help achieve this Vanguard consultants have been engaged as part of the housing business management system improvement project to work with staff to redesign work. The aim is to transform the service by involving people in the organisation in the redesign of the process.

	Budget 15-16 £'000	Draft Outturn 15-16 £'000	Variance 15-16 £'000
Housing Revenue Account	**-4,903**	**-5,314**	**-411**
Private Contractors This is as a result of the Service ensuring that as much work as possible is done by Property Contracts.	355	266	-89
Void Houses - Saving after stopping of Decoration Allowance and PCU now carrying out the work.	63	22	-41
General Maintenance - Income in respect of rechargeable repairs help offset costs.	0	-16	-16
Cyclical Maintenance	0	0	0
Property Factors -Income now generated charging for common repairs	0	-22	-22
Gas Contract	10	11	1
Minor SW Repairs	0	0	0
Property Contracts - Reduction in Income from General Fund offset by less expenditure on Supplies & Services	4,842	4,918	76

Service Manager - Increased costs for Central Support from that included in original budget and overspend on Supplies & Services | 1,352 | 1,423 | 71

Tenancy & Estate Management - Saving within Staffing as a result of job share, voluntary severance and Staff Training costs lower than budget. | 816 | 781 | -35

Housing Business Management - Vacant post has resulted in staffing saving of £24k. The costs of Vanguard of £88k are included here whereas the original budget was included as Capital. | 285 | 347 | 62

Housing Options - Postholder taken Voluntary Severance post not filled and lower spend on training during Vanguard process. | 458 | 413 | -45

HRA General Staff - Rates Refund for previous years processed and no corporate training during Vanguard process. Miscellaneous Expenses saving. | 213 | 98 | -115

Housing Investment Team - Current staff vacancies that are being reviewed as part of restructure. Will be taken up by increase in number of Grade 6 Housing Officers. | 359 | 266 | -93

Investments Team - Small underspend on cost transfer from other Service | 32 | 22 | -10

Community Engagement - Lower cost anticipated on Tenants Survey | 49 | 19 | -30

Housing Capital - 2015-16 costs take account of Principal and Interest overcharged in 2014-15. | 3,101 | 2,995 | -106

Tenancy Overheads - Now predicting an underspend on Void Rent Loss of £133k as levels of Voids have reduced. The insurance cost is expected to be a saving of £74k this year as there is no requirement to contribute to the Insurance Fund. | 943 | 732 | -211

Garden Aid - Overspend predicted on current costs this year.	96	100	4
Special Uplifts - Overspend predicted on current costs this year.	110	144	34
Pest Control - Overspend predicted on current costs this year.	13	23	10
Rents - Delay in the New Build programme from that included in the Business Plan has resulted in shortfall.	-17,999	-17,855	144
	-4,903	**-5,314**	**-411**

General Services Capital Programme Budget 2015/16

Service / Project Name   APPENDIX C

Service / Project Name	Annual Budget 2015/16	Actual Expenditure to 31/01/16	Actual Income to 31/01/16	Net Expenditure to 31/01/16	Actual Out-turn 31.3.16	Variance Actual v Budget	January Variance	Movement from Out-turn to Actual	Comments	Savings in 15/16	Approved carry forward as at Feb 16	Additional carry forward as at 31.3.16	Total underspend / overspend
Corporate Asset Management Plan													
Towns Centre Initiative Tillicoultry	20,000	0	0		0	(20,000)	(20,000)	0	Works to be agreed for future years.		(20,000)		(20,000)
Village / Town Centre Initiative (Phase 1: Sauchie)	114,100	81,095	0	81,095	81,095	(33,005)	(34,100)	1,095	Cost of final works less than original budget.	(33,005)			(33,005)
Village and Small Towns Initiative Phase 2(Tullibody)	334,950	38,199	0	38,199	38,199	(296,751)	(299,950)	3,199	Due to delay in owner/occupiers signing mandates works have been delayed into 2016/17.	(1)	(95,000)	(201,750)	(296,751)
Safer Routes To Communities	100,000	0	0	0	0	(100,000)	(100,000)	0	No spend in 15/16. To be aligned with the Making Clackmannnanshire Better Project.		(100,000)		(100,000)
Street Lighting Improvements	40,000	37,984	0	37,984	37,984	(2,016)	(2,000)	(16)	Committed spend for 15/16 - Tullibody - Slightly less than estimated budget	(2,016)			(2,016)
Tullibody - Install Table at TronCourt	20,000	0	0	0	0	(20,000)	(20,000)	0	No spend in 15/16. To be aligned with the Making Clackmannnanshire Better Project.		(20,000)		(20,000)
Parks, Play Areas & Open Spaces	50,000	50,000	0	50,000	50,000	0	0	0	Budget fully committed in 15/16				0
Making Clackmannanshire Better	0	0	0	0	0	0	0	0					0
Community Grants	75,000	59,683	0	59,683	59,683	(15,317)	(25,000)	9,683	Due to current uptake it is anticipated that the full allocation will not be committed in 2015/16	(15,317)			(15,317)
Corporate Asset Management Plan Total	**754,050**	**266,961**	**0**	**266,961**	**266,961**	**(487,089)**	**(501,050)**	**13,961**		**(50,339)**	**(235,000)**	**(201,750)**	**(487,089)**
Property Asset Management Plan													
3-12 SCHOOL DEVELOPMENT	1,298,190	694,853	0	694,853	694,853	(603,337)	(639,410)	36,073	Due to staff resourcing works are being completed in 2016/17	(181,391)	(195,090)	(226,860)	(603,341)
2YR OLD SCHOOL DEVELOPMENT	440,920	232,563	0	232,563	232,563	(208,357)	(181,810)	(26,548)	Short term planned works completed in 15/16 to achieve statutory requirement for 2 yr old provision. Longer term plans to be carried out in future years.	3	(181,810)	(26,550)	(208,357)
ADDITIONAL 3-4 YRS	30,000	5,988	0	5,988	5,988	(24,012)	(24,000)	(12)	Adaptations previously planned no longer required.	(24,012)			(24,012)
Free School Meals Equipment	45,250	4,396	0	4,396	4,396	(40,854)	(41,250)	396	Due to service redesign Project for Freezers at Class Cuisine will be ocmpleted in 16/17	6		(40,860)	(40,854)
Childrens Residential Unit	250,000	0	0	0	0	(250,000)	(240,000)	(10,000)	Surveys and architects fees only in 15/16. Options appraisal currently being undertaken for presentation to council.		(240,000)	(10,000)	(250,000)
Alva Autism Unit	8,400	(7,054)	0	(7,054)	(7,054)	(15,454)	(15,454)	0	Retentions less than expected	(15,454)			(15,454)
Alloa Town Centre Regeneration: Speirs Centre	60,000	55,250	(19,011)	36,239	36,239	(23,761)	35,000	(58,761)	Final Retention paid of £46K. Additional works for lesser hall to be c/fwd to 16/17	34,999		(58,760)	(23,761)
Redwell	0	13,203	0	13,203	13,203	13,203	15,000	(1,797)	Final Retention to be paid. Higher asset management fees due to the number of defects that have required rectification.	13,203			13,203
Tillicoultry Asset Plan: Redevelop existing CAP/Library to housing	0	1,980	0	1,980	1,980	1,980	1,980	0	Final Retention paid.	1,980			1,980
Property Asset Management Improvements - Kelliebank	226,000	218,582	0	218,582	218,582	(7,418)	0	(7,418)		(7,418)			(7,418)
Kilncraigs	37,000	20,767	0	20,767	20,767	(16,233)	0	(16,233)		(3)		(16,230)	(16,233)
Demolition of Alva Pool	150,000	25,639	0	25,639	25,639	(124,361)	(30,000)	(94,361)	budgeted	(30,001)		(94,360)	(124,361)
Heritage Centre Improvements	371,700	165,503	0	165,503	165,503	(206,197)	(166,000)	(40,197)	Planned works for War memorials and Marshill House to be completed by March 16. Works completed is dependant on weather and costs from tenders. Works for Greenside Cemetery to be carried forward to 16/17	3	(166,000)	(40,200)	(206,197)
Clearing of Claremont Site	23,000	0	0	0	0	(23,000)	(83,000)	60,000	additional works. Property Sold.	(23,000)			(23,000)
Alloa Town Hall	72,960	37,524	0	37,524	37,524	(35,436)	20,000	(55,436)	Heating works tender higher than expected.	20,004		(55,440)	(35,436)
Football Pitch & Running Track	0	0	0	0	0	0	0	0	Final account in dispute with contractor.				
Property Asset Management Plan Total	**3,013,420**	**1,469,194**	**(19,011)**	**1,450,183**	**1,450,183**	**(1,563,237)**	**(1,348,944)**	**(214,293)**		**(211,081)**	**(782,900)**	**(569,260)**	**(1,563,241)**
Roads Asset Management Plan						0	0	0					
Bridge Strengthening	96,000	49,882	0	49,882	49,882	(46,118)	(46,000)	(118)	Design & Procurement for Bridge at Menstrie will not be completed until 16/17	(118)		(46,000)	(46,118)
Flood Prevention	108,000	103,991	0	103,991	103,991	(4,009)	0	(4,009)	Fully committed in 15/16	(9)		(4,000)	(4,009)
Road & Footway Improvements (SRMCS), including town centres	1,601,000	1,571,752	0	1,571,752	1,571,752	(29,248)	0	(29,248)	Fully Committed in 15/16	(20,248)		(9,000)	(29,248)
Accident Prevention, CWSS, Traffic Management Schemes, National Cycle Routes	320,000	563,291	(473,000)	90,291	90,291	(229,709)	(184,000)	(45,709)	Planned works increased to £773K. Grants of £453K being received in 15/16. Works cannot be completed on part of route due to weather. Will be completed in 16/17. Procurement delays due to staff absences. Works being completed in 16/17.	1	(65,000)	(164,710)	(229,709)
Street Lighting	295,400	281,276	0	281,276	281,276	(14,124)	(30,000)	15,876	Schemes prioritised for column replacements.	876		(15,000)	(14,124)
Plugged in Places		81,169	(80,513)	657	657	657	0	657	This project is fully grant funded	657			657
Integrating Rail to Alloa	0	0	0	0	0	0	0	0	Funding ringfenced for Alloa Rail				0
B9140 Realignment of Bends	614,600	623,638	0	623,638	623,638	9,038	7,890	1,148	Project completed in 15/16. Slightly over estimated bud	9,038			9,038
Roads Asset Management Plan Total	**3,035,000**	**3,274,998**	**(553,513)**	**2,721,486**	**2,721,486**	**(313,514)**	**(252,110)**	**(61,404)**		**(9,803)**	**(65,000)**	**(238,710)**	**(313,513)**

General Services Capital Programme Budget 2015/16 Service / Project Name APPENDIX C	Annual Budget 2015/16	Actual Expenditure to 31/01/16	Actual Income to 31/01/16	Net Expenditure to 31/01/16	Actual Out-turn 31.3.16	Variance Actual v Budget	January Variance	Movement from Out-turn to Actual	Comments	Savings in 15/16	Approved carry forward as at Feb 16	Additional carry forward as at 31.3.16	Total underspend / overspend
Land Asset Management Plan													
Cemeteries Strategy	200,000	0	0	0	0	(200,000)	(200,000)	0	Preparatory works not completed. Land not ready for use until 16/17.		(200,000)		**(200,000)**
Footpath, Mill Glen, Tillicoultry	375,000	72,519	0	72,519	72,519	(302,481)	(300,000)	(2,481)	Works to commence in March 2016 over a 3 month period as agreed at Council on 22nd October 2015.	(27,481)	(275,000)		**(302,481)**
Wheeled/Litter Bins / Strategic Waste Fund	43,000	44,583	0	44,583	44,583	1,583	0	1,583	Fully Committed in 15/16	1,583			**1,583**
Drainage	50,000	30,214	0	30,214	30,214	(19,786)	(16,000)	(3,786)	Drainage works reprofiled in line with the Making Clackmannanshire Better Programme.	(19,786)			**(19,786)**
Bowmar Area Enhancements	108,570	85,296	0	85,296	85,296	(23,274)	(58,570)	35,296	Alloa Skate Park will be completed in 15/16. Full cost is 50% grant funded.	6	0	(23,280)	**(23,274)**
								0					
Land Asset Management Plan Total	**776,570**	**232,612**	**0**	**232,612**	**232,612**	**(543,958)**	**(574,570)**	**30,612**		**(45,678)**	**(475,000)**	**(23,280)**	**(543,958)**
								0					
Fleet Asset Management Plan								0					
Vehicle Replacement Programme	1,071,000	593,866	(11,772)	582,094	582,094	(488,906)	(509,280)	20,374	Fleet programme reprofiled to meet needs of services in line with current service restructuring.	(105,403)	(383,500)		**(488,903)**
								0					
								0					
Fleet Asset Management Plan Total	**1,071,000**	**593,866**	**(11,772)**	**582,094**	**582,094**	**(488,906)**	**(509,280)**	**20,374**		**(105,403)**	**(383,500)**	**0**	**(488,903)**
IT Asset Management Plan													
Additional IT funding for major core systems(Payroll)	100,000	101,196	0	101,196	101,196	1,196	0	1,196					
Network Infrastructure	25,000	25,438	0	25,438	25,438	438	0	438					
Servers & Storage	45,000	47,797	0	47,797	47,797	2,797	0	2,797					
Security Systems	70,000	9,113	0	9,113	9,113	(60,887)	0	(60,887)					
Schools (maintenance & upgrade)	240,000	269,584	0	269,584	269,584	29,584	0	29,584					
Desktop Replacement Programme	30,000	34,703	0	34,703	34,703	4,703	0	4,703					
Software (replacements & upgrades)	60,000	85,411	0	85,411	85,411	25,411	0	25,411					
Business Continuity	30,000	18,140	0	18,140	18,140	(11,860)	0	(11,860)					
Contingency (essential replacement)	0	351	0	351	351	351	0	351		(8,267)			**(8,267)**
Social Work Integrated System	145,000	0	0	0	0	(145,000)	(145,000)	0	Data migration on hold, awaiting formal decision on future of the project.		(115,000)	(30,000)	(145,000)
New Financial Ledger	500,000	192,831	0	192,831	192,831	(307,169)	(333,000)	25,831	Capital Project cost less than original estimate	(122,169)	(35,000)	(150,000)	**(307,169)**
Telecare	75,000	72,288	0	72,288	72,288	(2,712)	0	(2,712)		(2,712)			**(2,712)**
IT Asset Management Plan Total	**1,320,000**	**856,853**	**0**	**856,853**	**856,853**	**(463,147)**	**(478,000)**	**14,853**		**(133,148)**	**(150,000)**	**(180,000)**	**(463,148)**
Total Capital Programme	**9,970,040**	**6,694,483**	**(584,296)**	**6,110,188**	**6,110,188**	**(3,859,852)**	**(3,663,954)**	**(195,898)**		**0**	**(555,452)**	**(2,091,400)**	**(1,213,000)**	**(3,859,852)**
								0					

Housing Capital Programme 2015-16 Period to March 2016 (Draft)	15-16 Net Budget	Gross Expenditure to 31/03/16	Income to 31/03/16	Net Expenditure to 31/03/16	Budget to Date v Actual to date	Comment	C/F to 2016-17
SCOTTISH HOUSING QUALITY STANDARD							
TACKLING SERIOUS DISREPAIR							
PRIMARY BUILDING ELEMENTS							
Structural Works							
Asbestos Testing for Council Houses 2013-17	25,000	5,915	0	5,915	(19,085)	Annual Underspend	
Asbestos Removal Works for Council Houses 2013-17	125,000	34,327	30	34,357	(90,643)	Annual Underspend	
Restoration 80 Caroline Cresc., Alva (Fire)	0	0	0	0	0		
Structural Works							
	150,000	**40,242**	**30**	**40,272**	**(109,728)**		
SECONDARY BUILDING ELEMENTS							
Damp/Rot							
2013-17 Damp & Rot Works - Term Contract in Council Houses	244,500	35,332	0	35,332	(209,168)	Carry Forward Outturn Variance	30,000
Damp/Rot	**244,500**	**35,332**	**0**	**35,332**	**(209,168)**		
Roofs / Rainwater / External Walls							
2011-15 Render & Roof	80,000	71,051	0	71,051	(8,949)	Annual Underspend	
2014-17 Roof & Render Upgrading Works	952,500	743,130	(14,140)	728,990	(223,511)	Reduce carry forward to underspend	224,000
Roofs / Rainwater / External Walls	**1,032,500**	**814,181**	**(14,140)**	**800,041**	**(232,459)**		
Doors							
External Door Replacement 2014-18	19,000	14,002	0	14,002	(4,998)	Annual Underspend	
Window & Doors	**19,000**	**14,002**	**0**	**14,002**	**(4,998)**		
Windows							
Window Replacement 2014-18	502,700	349,315	0	349,315	(153,385)	Annual Underspend	
Windows	**502,700**	**349,315**	**0**	**349,315**	**(153,385)**		
Secondary Building Elements							
	1,798,700	**1,212,829**	**(14,140)**	**1,198,689**	**(600,011)**		
ENERGY EFFICIENCY							
Full/Efficient Central Heating							
Central Heating General	0	0	0	0	0		
2013/16 Central Heating Replacement	1,854,000	1,842,541	0	1,842,541	(11,459)	Annual Underspend	
	0						
Bowmar Community Energy Savings Programme (CESP) (Moved from Thermal Insulation)	187,000	3,745	0	3,745	(183,255)	Increase carry forward to underspend	183,000
Home Energy Efficiency Programme Area Based 2015-16 (HEEPS)	356,000	525	0	525	(355,475)	Increase carry forward to underspend	355,000
Installation of PV Panels	1,710,000	0	0	0	(1,710,000)	Annual Underspend	
Full/Efficient Central Heating	**4,107,000**	**1,846,811**	**0**	**1,846,811**	**(2,260,189)**		

	4,107,000	**1,846,811**	**0**	**1,846,811**	**(2,260,189)**		
MODERN FACILITIES & SERVICES							
Kitchen Renewal							
Kitchen Replacement 2014-18	700,000	323,446	0	323,446	(376,554)	Carry forward of Kitchens identified	163,000
Kitchen Renewal	**700,000**	**323,446**	**0**	**323,446**	**(376,554)**		
Bathrooms							
PCU - Bathroom Replacements Term Contract 410700		0	0	0	0		
MITIE - 2011-15 Bathroom Replacements	750,000	752,534	0	752,534	2,534	Small Overspend	
2013-16 Bathroom Replacements PCU Team	100,000	80,312	0	80,312	(19,688)	Annual Underspend	
Bathroom Adaptations	0	75,639	0	75,639	75,639	Overspend	
Bathrooms	**850,000**	**908,484**	**0**	**908,484**	**58,484**		
	1,550,000	**1,231,930**	**0**	**1,231,930**	**(318,070)**		
HEALTHY, SAFE & SECURE							
Safe Electrical Systems / CO Detectors							
Safe Electrical Rewire 2013-17	298,000	284,753	0	284,753	(13,247)	Annual Underspend	
2012-17 Safe Electrical Testing Term Contract	0	0	0	0	0		
Periodic Testing					0		
Safe Electrical Systems	**298,000**	**284,753**	**0**	**284,753**	**(13,247)**		
Communal Areas (Environmentals)							
2011-15 Rep/Up Door Entry Systems	368,000	201,708	0	201,708	(166,292)	Carry forward increased to underspend	80,000
External Works : Fencing, Gates, Paths	20,000	0	0	0	(20,000)	Annual Underspend	
Rear Garden Fence Upgrade to Bowmar	45,000	47,152	0	47,152	2,152	Small Overspend	
Door Entry Upgrade Term Contract 2016-20							
Communal Areas (Environmentals)	**433,000**	**248,860**	**0**	**248,860**	**(184,140)**		
	731,000	**533,613**	**0**	**533,613**	**(197,387)**		
NON-SHS ELEMENTS							
PARTICULAR NEEDS HOUSING (CITC)							
Conversions & Upgradings							
Conversions & Upgradings	150,000	29,999	0	29,999	(120,001)		
Pine Grove	0	6,663	0	6,663	6,663		
Conversions & Upgradings	**150,000**	**36,662**	**0**	**36,662**	**(113,338)**	Annual Underspend	
Disabled Adaptations							
Aids & Adaptations 2013-17	50,000	79,617	(31,582)	48,035	(1,965)	Annual Underspend	
	0						
Disabled Adaptations	**50,000**	**79,617**	**(31,582)**	**48,035**	**(1,965)**		
Water Supply Pipe Replacement							
Lead Water Supply Renewal	0	0	0	0	0		
Water Supply Pipe Replacement	**0**	**0**	**0**	**0**	**0**		

	Budget	Actual			Variance	Comment	
Demolitions							
Demolitions - The Orchard	114,600	45,676	0	45,676	(68,924)	Annual Underspend	2,000
Demolitions	**114,600**	**45,676**	**0**	**45,676**	**(68,924)**		
Environmental Improvements							
Environmental Improvements - Community Hub Enablement	173,000	27,588	(2,625)	24,963	(148,037)	Annual Underspend	
HRA Roads & Footpaths Improvements	100,000	3,996	0	3,996	(96,004)	Carry Forward of some underspend	12,000
MCB Tenant Community Improvement Fund	339,000	210,531	0	210,531	(128,469)	Increase carry forward to underspend	68,000
Village & Small Town Centres Initiative (Sauchie Main St)	100,000	48,944	0	48,944	(51,056)	Annual Underspend	
Housing Option Shop	0				0		
Fencing Replacement Contract 2015-19	0				0		
Feasibility Work	0			0	0		
Standard Delivery Plan	20,000	0	0	0	(20,000)	Annual Underspend	
Feasibility Study Fairfield	0	0	0	0	0		
Tillicoultry Community Centre Site - Housing Feasibility study	0	0	0	0	0		
Feasibility Work	**732,000**	**291,060**	**(2,625)**	**288,435**	**(443,565)**		
	1,046,600	**453,014**	**(34,207)**	**418,807**	**(627,793)**		
Council New Build Housing (Transforming Communities)							
New Build Alva/Tullibody	0	0	0	0	0		
Hallpark New Build	50,000	15,113	0	15,113	(34,888)	Increase carry forward to underspend	35,000
New Build - Fairfield School	1,255,000	789,254	0	789,254	(465,746)	Increase carry forward to underspend	466,000
New Build - Tilly Community Centre Phase 1a	1,236,000	2,001,340	(888,312)	1,113,028	(122,972)		119,000
New Build - Tilly Community Centre Phase 1b	229,000	0	0	0	(229,000)		193,000
New Build - Tilly Community Centre Phase 2	20,000	0	0	0	(20,000)	Increase carry forward to underspend	20,000
The Orchard	828,000	0	0	0	(828,000)	Carry Forward may be to 2017-18	828,000
Off The Shelf Purchase	669,000	1,440,011	(644,750)	795,261	126,261		
Off The Shelf Refurbishment	295,200	208,518	0	208,518	(86,682)		
Council New Build Housing (Transforming Communities)	**4,582,200**	**4,454,236**	**(1,533,062)**	**2,921,174**	**(1,661,026)**		
	4,582,200	**4,454,236**	**(1,533,062)**	**2,921,174**	**(1,661,026)**		
Other Costs / HBMS							
Computer Equipment - New (HBMS)	110,400	11,500	0	11,500	(98,900)	Costs include in HRA Revenue	
Other Costs / HBMS	**110,400**	**11,500**	**0**	**11,500**	**(98,900)**		
	110,400	**11,500**	**0**	**11,500**	**(98,900)**		
TOTAL CAPITAL EXPENDITURE	**14,075,900**	**9,784,175.85**	**(1,581,379)**	**8,202,797**	**(5,873,103)**		
SALE OF COUNCIL PROPERTY							
Sale of Council Houses	(720,000)	2,029	(1,197,980)	(1,195,951)	(475,951)	Increased Income from projected	
Sale of Council Shops	0	0	0	0			
Sale of HRA Land	0	0	0	0			
Mort Rescue Share Owner		3	(40,979)	(40,976)	(40,976)		
SALE OF COUNCIL PROPERTY	**(720,000)**	**2,032**	**(1,238,959)**	**(1,236,927)**	**(516,927)**		
NET EXPENDITURE	**13,355,900**	**9,786,208**	**(2,820,338.43)**	**6,965,869**	**(6,390,031)**		**2,778,000**

6,965,869

CLACKMANNANSHIRE COUNCIL

Report to Audit and Finance Committee

Date of Meeting: 15 September 2016

Subject: Council Financial Performance 2016/17 – June Outturn

Report by: Chief Accountant

1.0 Purpose

1.1 This paper provides an update on the financial performance of the Council in respect of both revenue and capital spend for the current financial year, 2016/17.

2.0 Recommendations

2.1. The Committee is asked to note:

2.1.1 The draft General Fund revenue overspend for the year of £2.595m.

2.1.2 Progress on delivering 78.9% of the planned savings in the year.

2.1.3 The draft favourable outturn of £0.439m on the Housing Revenue Account.

2.1.4 The draft underspend in General Services capital of £3.215m.

2.1.5 The draft underspend on HRA capital of £4.498m of which £3.670m are savings in delivery of programme with the remainder carried forward to 2017/18.

2.2 The Committee is asked to:

2.2.1 endorse the additional funding of £150k for the Scottish Welfare Fund from the underspend within Housing and Community Safety and recommend this to Council for approval

3.0 Background

3.1 This overall report summarises the financial position of the Council. Given that this report consolidates all of the detailed service financial data, it is intended that the Audit and Finance focuses on the corporate financial position.

3.2 The draft Outturn position reflected in this report is based on rigorous reviews of service spending activity by accountants and service managers.

4.0   General Fund Revenue

4.1   Appendix A to this paper sets out the actual spend for each service area.

4.2   Overall the Council's net expenditure this year is expected to record an overspend of £2.595m for the year ended 31st March 2017. This overspend assumes full utilisation of £1.523m included in the budget from Reserves. As this is the first outturn for the year variances may fluctuate as the year progresses and actuals become known.

4.3   Although most Services are reporting an underspend there is an overspend in Social Services of £3.953m. This is mainly due to overspends within Adult Services of £2.656m primarily due to increased activity levels, the implementation of the Scottish Living Wage and unachievable savings. A separate report to this Committee details the overspend and management recovery plan.

4.4   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 31st March 2017 (under)/over	Commentary
Resources & Governance	£22.361m	(£0.289m)	Resources and Governance are forecasting an underspend of £0.289m. This is made up as follows: Accountancy is projecting an underspend of £114k mainly within Staffing due to delays in filling vacant posts. Catering Contracts is forecasting an underspend of 405k relating Primary P1–P3 Free Meals. The saving has been achieved as a result of various efficiency savings and grant received from Scottish Government for Free School meals. Staffing underspends are also forecast across Governance and IT of £53k. Central IT is forecasting an overspend of £27k due to additional costs of Software Maintenance. Property Maintenance is forecasting an overspend of 153k primarily relating to Building maintenance and operations costs 106k and Cleaning charges 64k. Asset management is forecasting an overspend of £99k across the estates and design services.
Strategy and Customer Services	£5.967m	£0m	The Services is projecting spend in line with budget.

Service	Annual Budget	Projected 31st March 2017 (under)/over	Commentary
Development & Environment Services	£10.998m	£0.069m	The forecasted overspend of £69k is made up of a variety of small over and underspends across the Service.
Social Services	£25.403m	£3.953m	Adult Services is projecting a £2.656m overspend. This is due to in year pressures from increased activity levels affecting : Care at Home £850k and Long Term Placements £554k. The Service is also facing pressures from increased provider rates primarily due to the implementation of the Scottish Living Wage from 1 October £741k. Savings were put forward by Adult Services that are no longer achievable which contributes to the overspend by £511k. Residential Schools budget is projecting an overspend of £1.041m. This relates to ongoing placements from prior years which the service is currently reviewing. Child Care is projecting a £256k overspend. This is made up of overspends in the following areas : Looked after children £114k and Transport of Clients £77k ,Care at Home £77k, Agency Staff £32k offset by underspends in Throughcare Aftercare payments (£50k).
Education	£36.783m	(£0.225m)	The service is currently preparing for the new session starting in August, and the leavers/appointments of teachers are still being finalised. The service continues to experience difficulties in recruiting teachers which could increase the underspend. Budgets will be realigned in September once the Pupil Census has taken place. The service is to receive £954k additional funding via the Scottish Attainment Challenge for 16/17 – no additional costs relating to this are reported in these figures as funding has not yet been received. Early Years budget will increase during 16/17 due to the Children and Young Persons Act expansion requirements. This is anticipated to be fully utilised through the increased service provision.
Housing	£2.710m	(£0.913m)	The service is forecasting an underspend of £0.913m. This is in line with the final outcome for last financial year where an underspend of £0.987m

Service	Annual Budget	Projected 31st March 2017 (under)/over	Commentary
			was recorded. The main reason for the underspend is in the Rent Allowances of £284k and Rent Rebates of £464k. The expenditure and income in both of these cost centre has been forecast in line with last year where there was a year end underspend of £732k. An underspend of £219k is forecast within staffing as the Service continues to examine all vacancies in line with the ongoing restructure in conjunction with Housing Revenue Account. The service continues to monitor all vacancies as they arise. Additional income of £44k in Homeless Accommodation and £36k in Billing & Assessment is forecast in line with income to date and last year's actuals. Scottish Welfare Fund is currently forecasting an overspend of £114k after utilisation of earmarked reserves of £93k. The reason for the forecast overspend this year is that the volume of applications has increased and is intrinsically linked to the number of property offers being made. Therefore as the number of Void properties increase demand for this service has similarly increased. Partner agencies are also becoming clearer on signposting and assisting applicants to make awards and or reviews if necessary. The criteria that the awards are made under are constantly under review and currently awards are only being made to high priority applicants and goods which will have an immediate impact on their situation.
Executive Team	£0.432m	£0m	The Service is projecting spend in line with budget.
Corporate Adjustments	(£0.179m)	£0m	The Service is projecting spend in line with budget.
Non Distributed Costs	£1.215m	£0m	The Service is projecting spend in line with budget.
Total	**£105.690m**	**£2.595m**	

4.5 The council is asked to approve an additional £150k for the Social Welfare Fund to be met from the projected underspend within Housing and Community Safety. The Council is already only making awards from this fund on a high priority basis and at present rates of application and levels of award for both Crisis and Community Care Grants, funds will be exhausted by January 2017. This additional budget will ensure that funds are available to

make awards to this vulnerable group in the last quarter of 2016/17. If approval isn't given, funds will need to be ring-fenced for crisis awards only and that could mean that the Council could face additional costs.

4.6   Appendix A also highlights a number of non-service expenditure and income areas of the Council budget (not detailed in Table 1).

4.7   The 2016/17 budget incorporated approved savings of £7.501m. 78.9% are forecast to be achieved in the year. Table 2 below sets this out for each council service portfolio.

Table 2 Budgeted 2016/17 savings progress

Department	Savings full year 16/17 (£000)	Draft full Year Saving (£000)	(Under)/ Over Achievement (£000)	Comments
Resources & Governance	1,532	1,751	220	Compensatory cash savings of £425k have been identified allowing full level of budgeted savings to be achieved.
Strategy and Customer	839	882	(108)	Compensatory savings of £150k have been identified, however, these would require Council approval before they could be applied to the outturn.
Development & Environment	1,146	1,107	(39)	A number of small savings are deemed not to be achievable within the year.
Social Services	2,005	816	(1,189)	A number of reviews are yet to be commenced and concluded.
Education	611	412	(199)	A number of small savings are deemed not to be achievable within the year.
Housing	417	417	-	All savings have been achieved.
Corporate	951	679	(272)	Underachievement relates to review of working week which is expected to be realised in 2017/18.
Total	**7,501**	**5,915**	**(1,586)**	

4.8   Of the £7.501m savings approved by Council, Services are forecasting £2m of these to be unachievable. However, £425k compensatory savings that do not require a policy decision have been identified by Resources and Governance that will allow the Service to meet the level of savings identified for 2016/17. This reduces the forecasted unachievable savings to £1.586m. Further detail on the unachievable savings for each service is given in appendix E - Corporate Savings Position (19 August 2016).

5.0   Housing Revenue Account

5.1 Appendix B to this paper sets out the summary budget for the Housing Revenue Account for this year in accordance with its Business Plan. It is forecast that the Service will achieve a surplus in the year of £5.357m which is £439k greater than budgeted

5.2 Repairs and Maintenance are forecasting an underspend of £448k, the main reason for this is an underspend of £283k for the Central Support Allocation due to a revision of the charge allocation basis. An underspend is also forecast in staffing with current vacancies and vacancies held as they become vacant. This may fluctuate during the year as the posts are filled and the full HRA restructuring moves towards completion. Supervision & Management is forecasting an underspend of £247k. There is an underspend of £112k forecast in staffing costs, as vacancies continue to be held pending restructuring completion. Appointments are now being made and allowance for the costs of those who previously have gone requires to be made. Underspends on all other areas within Supervision & Management also contribute to the underspend.

5.3 There has been a spike in void numbers, resulting in a potential overspend on void rent loss of £197k if numbers continue at the current level. The budget had been significantly reduced reflecting last year's performance. There is also a projected shortfall in Rental Income of £56k due to a higher than estimated number of house sales

6.0 Capital

6.1 *General Services*

6.2 Appendix C to this paper details the General Services capital programme for the quarter ended 30th June 2016 where individual projects are listed within the various asset management plans.

6.3 Overall, the General Services capital programme is expected to record an underspend of £3.215m against the £11.255m gross budget.

6.4 A summary of the projected outturn position and movement for each of the Asset plans is shown in the table below.

Table 3 General Services Capital Budget Variances

Asset Plan	Budget (£000)	Projected to 31 March 2017 (£000)	Over / (under) Spend (£000)	Comments
Community Investment Strategy	5,956	3,821	(2,135)	Greenside Cemetery Project not being progressed £330k. Land in Dollar to settle before development can commence £300k, Ongoing review of school estate and early years strategy £1.3m
Property	1,040	50	(990)	Childcare Residential Unit – Concept design to identify potential sites has been completed. Ongoing further assessments required.

Asset Plan	Budget (£000)	Projected to 31 March 2017 (£000)	Over / (under) Spend (£000)	Comments
Roads	2,703	2,703	0	Spend is projected to be in line with budget.
Lands	30	30	0	Spend is projected to be in line with budget.
Fleet	726	726	0	Spend is projected to be in line with budget but will depend on the outcome of the fleet review.
IT	800	710	(90)	Social Services Integrated System being reviewed.
Total Capital Programme	**11,255**	**8,040**	**(3,215)**	

Housing Revenue Account

6.5 Appendix D to this paper details the HRA capital programme for the current year where individual projects are listed within the various asset management plans.

6.6 The current net HRA Capital Budget is now £11.754m. The expenditure forecast is £7.256m showing a projected underspend of £4.498m. Of this it is anticipated that £0.828m will be required to be carried forward to next year. This relates sole to the new build at The Orchard, Tullibody where a final decision regarding this site has still to be confirmed.

6.7 The significant projects that contribute to the underspend of £3.670m are detailed in Table 4 below and comments are also recorded in Appendix D:

Table 4 HRA Capital Budget Variances

Project	Variance (£000)	Comments
Structural Works	(110)	Less expenditure on Asbestos as programme moves away from Kitchens & Bathrooms
Roof & Render	(1,000)	Forecast for significant delay in projected spend as a significant amount of work will involve Private Owners & Landlords.
Sale of Council Property	(2,560)	There are more sales than predicted as the deadline for applying has now passed.

7.0 Conclusions

7.1 General Services revenue spend is anticipated to record an overspend of £2.595m.

7.2 The Council is asked to approve an increase of £150k for the Social Welfare Fund from the projected underspend within Housing and Community Safety.

7.3 Of the £7.501m approved savings, £5.915m is expected to be achieved in the year.

7.4 The Housing Revenue Account is anticipating an underspend of £439k.

7.5 The current review of the capital programme indicates a projected underspend in the year (including carry forwards) of £3.215m on General Services Capital. Detail on each project is shown in appendix C.

7.6 The HRA Capital Programme indicates an underspend (and savings) of £3.670m as detailed above.

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 þ

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

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 þ

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 þ)

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   **þ**

(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 **þ**

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 **þ**

14.0   Appendices

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

Appendix A Council summary of expenditure
Appendix B HRA Revenues
Appendix C General Services Capital
Appendix D HRA Capital
Appendix E Corporate Savings Position

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)
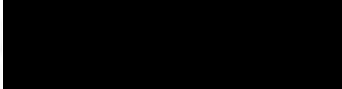
Yes **··** (please list the documents below)   No **þ**

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Lindsay Sim	Chief Accountant	2078
Elizabeth Hutcheon	Management Accountancy Team Leader	6214

Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources & Governance	██████████

| Nikki Bridle | Depute Chief Executive | █████████████ |

Council Summary

	Annual Budget 2016/17	Forecast to March 17	Variance Budget v Outturn
Strategy & Customer Services	5,967	5,967	0
Resources & Governance	22,361	22,072	(289)
	28,328	28,039	(289)
less Allocated to Non General Fund	(1,305)	(1,305)	0
	27,023	26,734	(289)
Executive Team	432	432	0
Development & Environmental	10,998	11,067	69
Education	36,783	36,558	(225)
Housing & Community Safety	2,710	1,797	(913)
Social Services	25,403	29,356	3,953
Corporate	(179)	(179)	0
Misc Services - Non Distributed Costs	1,215	1,215	0
Service Expenditure	104,385	106,980	2,595
Add Requisitions from Joint Boards			
Central Scotland Valuation	321	321	0
	104,706	107,301	2,595
Add / (Deduct)			
Interest on Revenue Balances	(52)	(52)	0
Loan Charges	9,401	9,401	0
Contribution to Bad Debt Provision	200	200	0
	114,255	116,850	2,595
Sources of Funding			
General Revenue Funding/Non-Domestic Rates	(90,454)	(90,454)	0
Council Tax	(18,758)	(18,758)	0
Council Tax Reduction Scheme	(3,520)	(3,520)	0
Contribution from Reserves	(1,523)	(1,523)	0
Application of unapplied Capital receipt	0	0	0
Contribution from Earmarked Reserves	0	0	0
	(114,255)	(114,255)	0
Projected (Surplus) / Shortfall	0	2,595	2,595

The Service has the ambition to become one of Scotland's leading providers of local authority housing. To help achieve this Vanguard consultants have been engaged as part of the housing business management system improvement project to work with staff to redesign work. The aim is to transform the service by involving people in the organisation in the redesign of the process.

As a result of this the restructing of the roles and resonsibilities of the staff members is progressing during this year.

	Budget 16-17 £'000	Forecast 16-17 £'000	Variance 16-17 £'000
Housing Revenue Account	**-4,918**	**-5,357**	**-439**
Private Contractors	295	295	0
Void Houses	42	44	2
General Maintenance - Income in respect of rechargeable repairs help offset costs.	-13	-14	-1
Property Factors -Income now generated charging for common repairs	-25	-25	0
Gas Contract	11	11	0
Property Contracts - Reduction in Central Support allocation and vacant posts awaiting filling	5,464	5,016	-448
Service Manager -Reduced costs for Central Support from that included in original budget	1,392	1,288	-104

Tenancy & Estate Management - Restructuring has identified need for extra staff in this area	810	855	45
Housing Business Management - Vacant post has resulted in staffing saving.Post holder left during the year.	307	260	-47
Housing Options -Vacant post identified as resource for restructuring	474	447	-27
HRA General Staff - Vacant post identified as resource for restructuring	179	157	-22
Housing Investment Team - Current staff vacancies that are being reviewed as part of restructure. Will be taken up by increase in number of Grade 6 Housing Officers.	353	286	-67
Community Engagement - Lower cost anticipated on Tenants Survey	49	26	-23
Housing Capital -	3,130	3,130	0
Tenancy Overheads - Now predicting an overspend on Void Rent Loss of £197k as levels of Voids have increased.	1,102	1,299	197
Rents - Increased prediction in the number of house sales results in shortfall of income	-18,488	-18,432	56
	-4,918	**-5,357**	**-439**

General Fund Capital Actual expenditure as at 30.6.16   Appendix C

					Approved Budget Feb 16 16/17 £	Additional Carry Forwards from 15/16 £	Amended Budget 16/17 £	Expenditure as at 30.6.16 £	Income as at 30.6.16 £	Net Expenditure as at 30.6.16 £	Projection of estimated total capital spend to 31.3.17	(Under) / Over spend as at 31.3.17	Notes
	(A)	**Community Investment Strategy :**											
Project cod	**Alloa Cluster**												
10000	A1	Schools ICT Replacement	Alloa Academy	I.T.	46,000		46,000	2,457		2,457	46,000	-	Completion by end of October
10006	A3	Park Primary School	Alloa	Property	248,000	22,980	270,980	53,010		53,010	173,000	(97,980)	Lighting programmed into 17/18 due to ongoing other works in 16/17.
10005	A6	Park, Play Area & Open Space Improvements	Alloa	Land	50,000		50,000	-		-	50,000	-	On target for completion in 2016/17
	A7	3-12 School Development	Alloa	Property	24,000		24,000	-		-	24,000	-	
10008	A9	Heritage Improvements	Alloa	Land/Property	330,000	40,200	370,200	11,422		11,422	40,200	(330,000)	Greenside cemetery project on hold
10010	A11	Kilncraigs	Alloa	Property		16,230	16,230	-		-	16,230	-	
10133	A46	Alloa Secondary Support	Alloa	Property		103,000	103,000	-		-	103,000	-	Completion of project by end of August
	A48	Sunnyside Primary School	Alloa	Property		27,000	27,000	-		-	27,000	-	
10136	A51	Regeneration Speirs Centre	Alloa	Property		58,760	58,760	10,703		10,703	58,760	-	
	A52	Alloa Town Hall	Alloa	Property		55,440	55,440	-		-	55,440	-	
	A53	Bowmar Area Enhancements	Alloa	Property		23,270	23,270	81,110	(100,000)	(18,890)	23,270	-	Final invoices due. Project completed
	TOTAL Alloa Cluster				**698,000**	**346,880**	**1,044,880**	**158,702**	**(100,000)**	**58,702**	**616,900**	**(427,980)**	
Lornshill Cluster													
10011	A12	Schools ICT Replacement	Lornshill Academy	I.T.	47,000		47,000	22,720		22,720	47,000	-	Completion by end of October
10012	A13	Sauchie Hall Locality Hub	Sauchie	Property	81,000		81,000	-		-	-	(81,000)	Project on Hold pending Councillors decision
10122	A14	Deerpark Primary School Roof	Sauchie	Property		24,050	24,050	(51,692)		(51,692)	24,050	-	Final Invoice & Retention due. Project completed.
10127	A17	St Serfs Primary School	Tullibody	Property	173,000	29,060	202,060	799		799	97,060	(105,000)	Due to high risk asbestos, Heating project £105k is unlikely to commence in 16/17.
10017	A18	School Estate - Tullibody South Campus	Tullibody	Property	125,000		125,000	-		-	125,000	-	Spend dependant on Council decision
10018	A19	Village and Small Town Initiative including safer routes to communities	Tullibody	Land/Property/ Roads	190,000	201,750	391,750	808		808	391,750	-	Cost of Cambus/Tullibody cycle route of £155K is grant funded £80K from Sustran. Tender out in sSeptember for other works with works being completed November - March
10021	A22	3-12 School Development	Tullibody / Sauchie	Property	120,000		120,000	-		-	120,000	-	
10024	A25	Clackmannan Primary School Refurbishment/Locality Hub	Clackmannan	Property	623,000		623,000	3,948		3,948	300,000	(323,000)	Due to procurement issues with no responses to a tender, works in 16/17 are less than anticipated. Estimated spend is for Classroom upgrades & Auxilliary areas only
	TOTAL Lornshill Cluster				**1,359,000**	**254,860**	**1,613,860**	**(23,417)**	**0**	**(23,417)**	**1,104,860**	**(509,000)**	
Hillfoots Cluster (Alva/Tillicoultry/Dollar)													
10030	A27	Village and Small Town Initiative including safer routes to communities	Tillicoultry	Land/Property/ Roads	70,000		70,000	-		-	-	(70,000)	Unable to resource project in 16/17. Project delayed to future years
10026	A28	Hillfoots Glen - Upgrading	Tillicoultry	Land	300,000		300,000	107,417		107,417	275,000	(25,000)	Project cost estimated to be lower than budgeted
10027	A29	Allotment Extension	Tillicoultry	Land	12,000		12,000	-		-	12,000	-	Works near completion
10028	A30	Flood Prevention Generator	Tillicoultry	Roads / Property	25,000		25,000	-		-	20,000	(5,000)	Completion in 16/17
10029	A31	Street Lighting Improvements	Tillicoultry / Alva	Roads	975,000		975,000	-		-	975,000	-	Tillicoultry street Lighting in 16/17
10031	A32	Schools ICT Replacement	Alva Academy	I.T.	47,000		47,000	41,095		41,095	47,000	-	Completion by end of October
10032	A33	Alva Community Campus/Locality Hub/ Primary school	Alva	Property	240,000		240,000	4,683		4,683	240,000	-	Full spend Dependant on Councillor decision
10121	A38	Menstrie Primary School	Menstrie	Property	36,000	20,000	56,000	440		440	56,000	-	Completion in 16/17
10038	A39	New Cemetery	Dollar	Land	200,000		200,000	-		-	-	(200,000)	Land is currently not at the point for works to be completed. Land requires to lie for 6 months before works can commence. Delay due to preparation of land by developers. Although projected as not being completed, there is a possiblity that the land may be ready for works by end of 16/17 and therefore be spent.
10039	A40	Village and Small Town Initiative including Playing field development & Temporary Changing facilities	Dollar	Land/Property/ Roads	125,000		125,000	-		-	25,000	(100,000)	Land to settle before development can commence.
10040	A41	3-12 School Development	Hillfoots	Property	64,000		64,000	-		-	64,000	-	
10119	A47	Strathdevon Primary	Dollar	Property		770	770	400		400	770	-	Completion in 16/17
10135	A52	Demolition of Alva Pool	Alva	Property		94,360	94,360	61,406		61,406	94,360	-	Completion in 16/17
	TOTAL Hillfoots Cluster (Alva/Tillicoultry/Dollar)				**2,094,000**	**115,130**	**2,209,130**	**215,441**	**0**	**215,441**	**1,809,130**	**(400,000)**	
All Clackmannanshire Areas - not seperated into a Cluster													
10041	A42	Schools ICT Replacement - All primaries	All Clackmannanshire	I.T.	100,000		100,000	4,129		4,129	100,000	-	Full programme being reviewed to re-align to other agreed capital works.
10042	A43	Community Investment Grants	All Clackmannanshire	Corporate	100,000		100,000	4,330		4,330	50,000	(50,000)	Based on current uptake of grants underspend projected
10043	A44	2yr Old School Development	All Clackmannanshire	Property	514,000	26,550	540,550	-		-	100,000	(440,550)	Pending council decisions, further review of early year strategy and
10044	A45	3yr Old School Development	All Clackmannanshire	Property	307,000		307,000	-		-	0	(307,000)	clarification from Education.
	A50	Free School Meal Equipment	All Clackmannanshire	Property		40,860	40,860	-		-	40,860	-	Works to be completed in 16/17 -awaiting Building warrant
	TOTAL All Clackmannanshire Areas - not seperated into a Cluster				**1,021,000**	**67,410**	**1,088,410**	**8,459**	**0**	**8,459**	**290,860**	**(797,550)**	
	Total (A)	**Total Community Investment Strategy**			**5,172,000**	**784,280**	**5,956,280**	**359,185**	**(100,000)**	**259,185**	**3,821,750**	**(2,134,530)**	

					Original Budget	Adjustment	Revised Budget	Actual		Committed	Projected	Variance	Comments
	(B)	**Property Asset Management Strategy :**											
10045	B1	Statutory Compliance DDA Schools	All Clackmannanshire	Property	20,000		20,000	2,563		2,563	20,000	-	Projected as fully spent in 16/17
10046	B2	Compliance - Asbestos Removal (Schools)	All Clackmannanshire	Property	20,000		20,000	-		-	20,000	-	Projected as fully spent in 16/17
10047	B3	Childcare Residential Unit	tbc	Property	990,000	10,000	1,000,000	-		-	10,000	(990,000)	Strategic Design brief agreed with Social Services. Concept design to identify potential sites completed. Using a site assesment matrix a quantitative assesment is now being undertaken to narrow down the number of potential sites identified. Qualitative assesment will then be undertaken by Social Services. Spend will therefore not be in 16/17
	Total (B)	**Total Property Asset Management Strategy :**			**1,030,000**	**10,000**	**1,040,000**	**2,563**	**-**	**2,563**	**50,000**	**(990,000)**	
	(C)	**Roads Asset Management Strategy :**											
10048	C1	- A907 Braehead	Alloa	Roads	50,000		50,000	-		-	50,000	-	Works commenced. Completion by end of August
10049	C2	- Flood Prevention	All Clackmannanshire	Roads	100,000	4,000	104,000	-		-	104,000	-	Works Programmed for 16/17. Contribution to be paid towards larger drainage project with Scottish Water in Jan/Feb
10050	C3	- Cycle Routes	All Clackmannanshire	Roads	65,000		65,000	3,069		3,069	65,000	-	Works carried forward from 15/16 to be completed in 16/17.
10051	C4	- Carriageways	All Clackmannanshire	Roads	1,450,000	9,000	1,459,000	247,928		247,928	1,459,000	-	
10052	C5	- Footways	All Clackmannanshire	Roads	100,000		100,000	-		-	100,000	-	
10053	C6	- Surface Treatment	All Clackmannanshire	Roads	100,000		100,000	-		-	100,000	-	
10054	C7	- Bridge Improvements	All Clackmannanshire	Roads	50,000	46,000	96,000	-		-	96,000	-	
10055	C8	- Road Safety	All Clackmannanshire	Roads	100,000	164,710	264,710	237,687		237,687	264,710	-	
10056	C9	- Lighting Replacement	All Clackmannanshire	Roads	250,000	15,000	265,000	5,848		5,848	265,000	-	
10057	C10	Road & Footpath Improvements	All Clackmannanshire	Roads	154,000		154,000	149,912		149,912	154,000	-	
10058	C11	Road Safety (Claremont/Kellie Place)	Alloa	Roads	45,000		45,000	2,486		2,486	45,000	-	Works commenced. Completion by end of October
	Total (C)	**Total Roads Asset Management Strategy :**			**2,464,000**	**238,710**	**2,702,710**	**646,930**	**-**	**646,930**	**2,702,710**	**-**	
	(D)	**Lands Asset Management Strategy :**											
10061	D1	SWF/Wheeled Bins	Various	Lands	30,000		30,000	8,595		8,595	30,000		Fully committed in 16/17
	Total (D)	**Total Lands Asset Management Strategy :**			**30,000**	**-**	**30,000**	**8,595**	**-**	**8,595**	**30,000**	**-**	
	(E)	**Fleet Asset Management Strategy :**											
10062	E1	Vehicle Replacement	N/A	Fleet	726,000	-	726,000	1,648		1,648	726,000	0	Dependant on the outcome of the fleet review & replacement plan with Alternative procurement models - Lease v Purchase.
	Total (E)	**Total Fleet Asset Management Strategy :**			**726,000**	**-**	**726,000**	**1,648**	**-**	**1,648**	**726,000**	**0**	
	(F)	**IT Asset Management Strategy :**											
10064	F1	IT Infrastructure	tbc	I.T.	160,000		160,000	25,673		25,673	160,000	-	Programme on target for completion in 2016/17
10065	F2	Telecare	tbc	I.T.	75,000		75,000	-		-	75,000	-	
10066	F3	Social Services Integrated System	N/A	I.T.	55,000	30,000	85,000	-		-	0	(85,000)	Project on Hold pending Management decision
10067	F4	Digital Transformation	N/A	I.T.	135,000		135,000	-		-	135,000	-	Spend anticipated in Q4. Currently scoping for new Roads & Leisure systems, with works expected to commence in October after procurement
10068	F5	e-Building Standards	N/A	I.T.	20,000		20,000	985		985	15,000	(5,000)	Project costs less than originally estimated
10069	F6	Managed Wi-fi	N/A	I.T.	140,000		140,000	134,858		134,858	140,000	-	Programme on target for completion in 2016/17
10070	F7	Financial Management System Replacement	N/A	I.T.	35,000	150,000	185,000	22,144		22,144	185,000	-	
	Total (F)	**Total IT Asset Management Strategy :**			**620,000**	**180,000**	**800,000**	**183,660**	**-**	**183,660**	**710,000**	**(90,000)**	
		TOTAL CAPITAL PROGRAMME			**10,042,000**	**1,212,990**	**11,254,990**	**1,202,581**	**(100,000)**	**1,102,581**	**8,040,460**	**(3,214,530)**	

Housing Capital Programme 2016-17 Period to March 2017	16-17 Net Budget	Gross Expenditure to 30/06/16	Income to 30/06/16	Net Expenditure to 30/06/16	Forecast as at 31/03/16	Budget to Forecast Variance	Comment	C/F to 2016-17
SCOTTISH HOUSING QUALITY STANDARD								
TACKLING SERIOUS DISREPAIR								
PRIMARY BUILDING ELEMENTS								
Structural Works								
Asbestos Testing for Council Houses 2013-17	25,000	4,209		4,209	10,000	(15,000)	Less work now being carried out as Capital	
Asbestos Removal Works for Council Houses 2013-17	125,000	5,300		5,300	30,000	(95,000)	Programme moves away from Kitchens &	
Structural Works								
	150,000	**9,509**	**0**	**9,509**	**40,000**	**(110,000)**		
SECONDARY BUILDING ELEMENTS								
Damp/Rot								
2013-17 Damp & Rot Works	100,000	11,138		11,138	100,000	0		
Damp/Rot	**100,000**	**11,138**	**0**	**11,138**	**100,000**	**0**		
Roofs / Rainwater / External Walls							Programme involves liaison with Private Owners	
2014-17 Roof & Render Upgrading Works	2,527,000	108,844		108,844	1,527,000	(1,000,000)		
Roofs / Rainwater / External Walls	**2,527,000**	**108,844**	**0**	**108,844**	**1,527,000**	**(1,000,000)**		
Doors								
External Door Replacement 2014-18	10,000	0		0	10,000	0		
Window & Doors	**10,000**	**0**	**0**	**0**	**10,000**	**0**		
Windows								
Window Replacement 2014-18 Sidey	1,011,400	74,309		74,309	1,011,400	0		
Window Replacement 2014-18 PCU	807,600	0		0	807,600	0		
Windows	**1,819,000**	**74,309**	**0**	**74,309**	**1,819,000**	**0**		
Secondary Building Elements								
	4,456,000	**194,291**	**0**	**194,291**	**3,456,000**	**(1,000,000)**		
ENERGY EFFICIENCY								
Full/Efficient Central Heating								
2013/16 Central Heating Replacement	1,854,000	378,891		378,891	1,854,000	0		
Bowmar Community Energy Savings Programme (CESP)	183,000	0		0	183,000	0		
Home Energy Efficiency Programme Area Based 2015-16 (HEEPS)	355,000	110,074		110,074	355,000	0		
Energy Efficiency Works	250,000	0		0	250,000	0		
Full/Efficient Central Heating	**2,642,000**	**488,965**	**0**	**488,965**	**2,642,000**	**0**		
	2,642,000	**488,965**	**0**	**488,965**	**2,642,000**	**0**		
MODERN FACILITIES & SERVICES								
Kitchen Renewal								
Kitchen Replacement 2014-18	263,000	0		0	263,000	0		

Kitchen Renewal	263,000	0	0	0	263,000	0		
Bathrooms								
2013-16 Bathroom Replacements PCU Team	50,000	0		0	50,000	0		
Bathrooms	50,000	0	0	0	50,000	0		
	313,000	0	0	0	313,000	0		
HEALTHY, SAFE & SECURE								
Safe Electrical Systems / CO Detectors								
Safe Electrical Rewire 2013-17	300,000	82,278	0	82,278	300,000	0		
Safe Electrical Systems	300,000	82,278	0	82,278	300,000	0		
Communal Areas (Environmentals)								
2011-15 Rep/Up Door Entry Systems	205,000	47,544	0	47,544	205,000	0		
External Works : Fencing, Gates, Paths	125,000			0	125,000	0		
Door Entry Upgrade Term Contract 2016-20								
Communal Areas (Environmentals)	330,000	47,544	0	47,544	330,000	0		
	630,000	129,822	0	129,822	630,000	0		
NON-SHS ELEMENTS								
PARTICULAR NEEDS HOUSING (CITC)								
Conversions & Upgradings								
Conversions & Upgradings	50,000		0	0	50,000	0		
Conversions & Upgradings	50,000	0	0	0	50,000	0		
Disabled Adaptations								
Aids & Adaptations 2013-17	50,000			0	50,000	0		
Disabled Adaptations	50,000	0	0	0	50,000	0		
Demolitions								
Demolitions - The Orchard	2,000	0	0	0	2,000	0		
Demolitions	2,000	0	0	0	2,000	0		
Environmental Improvements								
Environmental Improvements - Community Hub Enablement	60,000			0	60,000	0		
HRA Roads & Footpaths Improvements	112,000			0	112,000	0		
MCB Tenant Community Improvement Fund	208,000	395	0	395	208,000	0		
Fencing Replacement Contract 2015-19	0							
Environmental Improvements	380,000	395	0	395	380,000	0		
	482,000	395	0	395	482,000	0		
Council New Build Housing (Transforming Communities)								
Hallpark New Build	85,000	0		0	85,000	0		
New Build - Fairfield School	466,000	245,640		245,640	466,000	0		
New Build - Tilly Community Centre Phase 1a	119,000	132,203		132,203	119,000	0		
New Build - Tilly Community Centre Phase 1b/OTSP Refurbishment	193,000	0		0	193,000	0		
New Build - Tilly Community Centre Phase 2	20,000	0		0	20,000	0		
The Orchard	828,000	0		0	0	(828,000)	Expenditure on hold pending final decision	828,000

Off The Shelf Purchase	1,300,000	4,968		4,968	1,300,000	0		
Off The Shelf Refurbishment	230,000	88,767	0	88,767	230,000	0		
Council New Build Housing (Transforming Communities)	**3,241,000**	**471,578**	**0**	**471,578**	**2,413,000**	**(828,000)**		
	3,241,000	**471,578**	**0**	**471,578**	**2,413,000**	**(828,000)**		
Other Costs / HBMS								
Computer Equipment - New (HBMS)	60,000	21	0	21	60,000	0		
Construction Design Management	20,000			0	20,000	0		
Other Costs / HBMS	**80,000**	**21**	**0**	**21**	**80,000**	**0**		
	80,000	**21**	**0**	**21**	**80,000**	**0**		
TOTAL CAPITAL EXPENDITURE	**11,994,000**	**1,294,581**	**0**	**1,294,581**	**10,056,000**	**(1,938,000)**		
Sale of Council Property								
Sale of Council Houses	(240,000)	539	(228,960)	(228,421)	(2,800,000)	(2,560,000)	Last year of SOCH scheme.	
Sale of Council Property	**(240,000)**	**539**	**(228,960)**	**(228,421)**	**(2,800,000)**	**(2,560,000)**		
NET EXPENDITURE	**11,754,000**	**1,295,120**	**(228,960.00)**	**1,066,160**	**7,256,000**	**(4,498,000)**		**828,000**

Corporate Savings Position

19 August 2016

1.0 Introduction

This document outlines the corporate position in achieving savings approved by Council in February 2016. The approved savings totalled £7,500,858 for 2016/17.

Following post Budget review, one small additional approved saving of £400 was identified (S&CS) that had not been included in the February total.

The revised, final savings total for 2016/17 is, therefore, £7,501,258.

All 2016/17 budgets reflect the approved savings.

Section 2: Summarises the key points arising from this position statement.

Section 3: Summarises the 2016/17 and 2017/18 savings forecast by service (achievable and unachievable).

Section 4: Details the individual service savings which are forecast not to be achieved either partially or in full during 2016/17 (Business case references provided)**.**

Section 5: Provides details of potential compensatory savings in 2016/17 and 2017/18 impact where appropriate.

Section 6: Details the individual service savings which are forecast not to be achieved either partially or in full during 2017/18 (Business case references provided).

2.0   Summary of key points from progress report on implementing agreed savings

- The total forecast savings for 2016/17 currently stands at £5,489,990.

- When compared with the approved 2016/17 Budget, this means £2 million of unachievable savings are currently being forecast ('worst case scenario')

- Services have identified the potential for £575k of compensating savings in 2016/17

- If all of the compensating savings were delivered, the shortfall in the delivery of planned 2016/17 savings is reduced to £1.4m (Best Case scenario)

- 5/6 services are forecasting unachievable savings in 2016/17

- H&CS is forecasting all savings will be delivered in 2016/17

- Social Services is forecasting £1.2million of savings will not be delivered in 2016/17 (highest)

- Council approved £1.9 million of savings for 2017/18 in February 2016

- Services are forecasting that £430kof these are no longer achievable in 2017/18, though £315k of potential compensatory savings identified

- As we move to Budget preparation 2017/18, £1.5 million of approved savings forecast as deliverable

- 4/6 services are forecasting unachievable savings in 2017/18

- R&G and H&CS are forecasting all savings will be delivered in 2017/18

- Education is forecasting £253k of savings will not be delivered in 2017/18 (highest)

- New in year demand pressures starting to emerge for 2016/17 e.g. Living Wage in Social Services: work in hand to review assumptions and impact

3.0 Approved Council Savings 2016/17-2017/18

All services and their Accountants have provided an updated position on implementation of 2016/17 approved savings. This is collated in Table 1 below.

Table 1. Clackmannanshire Council Savings Monitoring 2016/17

Service	Council Approved 2016/17 Savings, Feb 2016	2016/17 Revised Savings Targets, July 2016	2016/17			
			Forecast savings to 31 March 2017	Proposed Compensatory Savings	Difference between target and forecast savings. (Worst Case Scenario)	Difference between target and forecast savings with compensatory savings. (Best Case Scenario)
D&E	£1,131,464	£1,145,907	£1,107,496	£0	-£38,411	-£38,411
EDU	£644,628	£610,863	£412,081	£0	-£198,782	-£198,782
HCS	£454,430	£417,363	£417,363	£0	£0	£0
R&G	£2,452,721	£1,531,521	£1,326,400	£425,000	-£205,121	£219,879
SOS	£1,919,874	£2,004,939	£816,204	£0	-£1,188,735	-£1,188,735
SCS	£897,741	£839,480	£731,511	£150,000	-£107,969	£42,031
Corporate	£0	£951,185	£678,935	£0	-£272,250	-£272,250
Council Total:	£7,500,858	£7,501,258	£5,489,990	£575,000	-£2,011,268	-£1,436,268

All services and their Accountants have provided an updated position on 2017/18 approved savings. This is collated in Table 2 below.

Table 2. Clackmannanshire Council Savings Monitoring 2017/18

Service	2017/18				
	Savings Expected	Revised Expected Savings	Proposed Compensatory Savings	Difference between target and forecast savings. (Worst Case Scenario)	Difference between target and forecast savings with compensatory savings. (Best Case Scenario)
D&E	£377,176	£248,838	£0	-£128,338	-£128,338
EDU	£370,688	£117,945	£0	-£252,743	-£252,743
HCS	£57,495	£57,495	£0	£0	£0
R&G	£419,199	£419,199	£0	£0	£0
SOS	£292,331	£142,234	£0	-£150,097	-£150,097
SCS	£323,740	£152,716	£315,000	-£171,024	£143,976
Corporate	£46,500	£318,750	£0	£272,250	£272,250
Council Total:	£1,887,129	£1,457,177	£315,000	-£429,952	-£114,952

4.0   Forecast Unachievable Savings 2016/17 (Full/Partial)

Service Approved	Saving	2016/17 Target Saving	2016/17 Revised Expected Saving
Corporate (RAG)	Review of working week, role flexibility and other terms and conditions	£363,000	£90,750
Corporate Totals:		**£363,000**	**£90,750**
Development and Environment	DAE 167 013 Increase Burial Charges	£3,750	£0
Development and Environment	DAE 167 022 Review & Re-design GIS	£16,333	£0
Development and Environment	DAE 167 001 Savings approved by Council in February 2015	£309,500	£294,500
Development and Environment	MCB SOS 24c Review of Equipment Stores – Fleet	£4,000	£0
Development and Environment	MCB SOS 02a Review of Day Care Provision and Community Supports for Older People	£16,000	£0
Education	MCB EDU 008 Redesign Sport and Youth Services	£100,000	£75,000
Education	EDU 167 001 Long Service Awards (Teachers)	£4,900	£0
Education	EDU 167 003 Replace head of Sauchie Nursery with single status post	£9,375	£0
Education	EDU 167 008 Stop school mail delivery service	£7,000	£0
Education	EDU 167 013 Primary PE & Sport Team Coordinator / Administrator	£14,058	£0
Education	EDU 167 016 Removal of Family Support Workers (Park Primary School)	£41,875	£19,353
Education	EDU 167 018 Reduction of Staffing within the Central Team	£27,500	£0
Education	EDU 167 019 Review of ASN Transport	£12,638	£0
Education	EDU 167 021 Removal of Home School Liaison / Transition Coordinator Posts	£71,563	£15,880

Education	EDU 167 029 Home School Liaison and Inclusion Support Worker in Lochies	£49,375	£15,439
Resources and Governance	MCB RAG 067 Assets Review: Cleaning Service	£80,000	£30,000
Resources and Governance	RAG 167 036 Increased Income from Registrar's Building	£5,340	£0
Resources and Governance	RAG 167 036 Budget reduction on vacating Greenfield	£101,229	£45,000
Resources and Governance	RAG 167 042 Budget reduction on vacating Limetree	£12,000	£9,000
Resources and Governance	RAG 167 057 Transfer pavilions	£23,276	£0
Resources and Governance	RAG 167 062 Relocate Centrespace	£86,600	£0
Resources and Governance	RAG 167 066 Remove unnecessary building lease costs	£32,220	£0
Resources and Governance	RAG 167 069 15 Mar Street (Museum Store)	£8,671	£0
Resources and Governance	MCB RAG 099 Reduce Cleaning Service - TVR	£100,000	£50,000
Resources and Governance	MCB SOS 003 Property Savings	£25,000	£0
Resources and Governance	MCB SCS 06b Hubs	£20,420	£0
Resources and Governance	RAG 111 003 Income and Charging Savings	£2,525	£0
Resources and Governance	SCS 032 002 ParentPay Savings	£1,840	£0
Social Services	MCB SOS 001 Review of High Value Care Packages	£214,000	£0
Social Services	MCB 002 Review of Day Care Provision	£400,000	£143,000
Social Services	MCB 003 Redesign of Intermediate Care	£117,000	£0
Social Services	MCB 024 Review of Social Services Equipment	£48,000	£16,333
Social Services	MCB 050 Review of Commissioning	£131,000	£0
Social Services	SOS 167 04a Absorb Complaints Role	£12,833	£0
Social Services	SCS 014 004 Voluntary Organisations' Savings	£51,562	£46,803
Social Services	SOS 167 04b Remove Performance and Quality Role	£14,583	£0
Social Services	SOS 167 04e Remove Corporate Parenting post	£16,916	£0
Social Services	SOS 167 032 Vacancy Management	£156,000	£0

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Social Services	SOS 167 014 Reduce External Care Home Provision by 3%	£200,000	£0
Social Services	SOS 167 017 Review EDT (out of hours) service hosted by Stirling	£9,000	£0
Social Services	SOS 167 24a Reduction in third party payment to Family Support service to Falkirk Council by 15%	£3,000	£0
Social Services	SOS 167 24b Reduction in third party payment to Signpost service to FV NHS by 15%	£8,076	£0
Social Services	SOS 167 24c Reduction in third party payment to Time4Us service to FV NHS by 15%	£1,500	£0
Social Services	SOS 167 24d Reduction in third party payment to Alcohol Support Service to FN NHS by 15%	£1,242	£0
Social Services	SOS 167 034 Redesign MECS service to realise 15% efficiency	£57,000	£0
Social Services	SOS 167 039 Reduce costs of staff absence	£30,000	£0
Social Services	SOS 167 041 Review of External Commissioned Advocacy Review	£14,000	£0
Strategy and Customer Services	SCS 167 026 Reconfiguration of Customer Services	£61,296	£0
Strategy and Customer Services	SCS 167 029 Reduce Establishment – Strategy and Performance	£113,176	£59,296

4.1 Forecast Over-recovery of Approved Savings 2016/17

Service Approved	Saving	2016/17 Target Saving	2016/17 Revised Expected Saving
Development and Environment	Redesign Sustainability Service. Reduce and stop delivery of discretionary elements.	£0	£16,672
Education	Reduction in School Library Posts	£20,625	£34,455
Resources and Governance	PPP service reductions	£0	£160,000
Strategy and Customer Services	Hubs £41,286		£48,493

5.0 Compensatory Savings for 2016/17 and 2017/18

5.1 Compensatory savings not requiring Council approval.

Service Approved	Saving	2016/17 Target Saving	2016/17 Revised Expected Saving	2017/18 Target Saving	2017/18 Revised Expected Saving
Resources and Governance	Catering underspend due to securing Scottish Government funding	£0	£425,000	£0	£0
Social Services	Reconfiguration of Early Years Provision to mainstream Education services (approved August 11th Council, 2016)	£0	£90,841	£0	£108,901
Strategy and Customer Services	Customer Services Team Leader Vacancy	£0	£25,000	-	-
Strategy and Customer Services	Library Assistant Vacancy	£0	£20,000	-	-

5.2   Compensatory Savings which would require Council approval.

Service Approved	Saving	2016/17 Target Saving	2016/17 Revised Expected Saving	2017/18 Target Saving	2017/18 Revised Expected Saving
Strategy and Customer Services	Terminate contract with Clackmannanshire Health Lives (six-month, in-year saving)	£0	£44,500	£0	£133,500
Strategy and Customer Services	Terminate contract with Sauchie Active8	£0	£8,000	£0	£24,000
Strategy and Customer Services	Terminate contract with The Gate	£0	£1,750	£0	£5,250
Strategy and Customer Services	Terminate contract with Women's Aid	£0	£41,500	£0	£124,500
Strategy and Customer Services	Terminate contract with Café Society	£0	£5,000	£0	£15,000
Strategy and Customer Services	Terminate contract with Rape Crisis	£0	£3,250	£0	£9,750
Strategy and Customer Services	Terminate contract with Artists in Residence	£0	£1,000	£0	£3,000

All contract terminations have been costed based on Council approval and three-month notice given to organisations by 30th September 2016. Financial savings reflect January to March 2017 for financial year 2016/17 and April to December 2017 for financial year 2017/18.

6.0 Forecast Unachievable Savings 2017/18 (Full/Partial)

Service Approved	Saving	2017/18 Target Saving	2017/18 Revised Expected Saving
Development and Environment	Roads and Transportation Future Delivery Model	£200,000	£100,000
Development and Environment	Review and redesign of GIS posts across the Council.	£11,666	£0
Development and Environment	Redesign Sustainability Service. Reduce and stop delivery of discretionary elements.	£33,345	£16,673
Education	Home to school transport move to statutory limits	£139,375	£0
Education	Replace Head of Sauchie Nursery with Single Status post	£5,625	£0
Education	Stop school mail delivery service	£5,000	£0
Education	Primary PE and Sport Team Coordinator / Administrator	£10,042	£0
Education	Removal of Family Support Workers (Park Primary School)	£25,125	£3,927
Education	Reduction of staffing within the central team	£16,500	£0
Education	Review of ASN transport	£7,583	£0
Education	Remove Home School Liaison Transition Coordinator Posts	£42,938	£15,880
Education	Home School Liaison and Inclusion Support Worker in Lochies	£29,625	£9,263
Social Services	Redesign of Intermediate and Residential Care Services for Older People	£164,000	£0
Social Services	Review of Social Services Equipment	£28,000	£11,667
Social Services	Implementation of Multi-Systemic Therapy	£47,000	£0
Social Services	Absorb Complaints Officer Role to be absorbed into Long Term Team	£9,166	£0
Social Services	Remove from establishment Performance and Quality Officer Role	£10,416	£0
Social Services	Remove from establishment Corporate Parenting post	£12,083	£0

Strategy and Customer Services	Hubs £146,894		£48,493
Strategy and Customer Services	Reduce establishment – Customer Services	£43,783	£0
Strategy and Customer Services	Reduce establishment – Strategy and Performance	£80,840	£52,000

6.1 Forecast Over-recovery of Approved Savings 2017/18

Where some savings initiated during 2016/17 are delayed, this means the financial return is anticipated to be achieved in later years. Where there are savings to be achieved in 2017/18 that were expected to have been achieved during 2016/17, these are listed below.

Service Approved	Saving	2017/18 Target Saving	2017/18 Revised Expected Saving
Corporate (RAG)	Review of working week, role flexibility and other terms and conditions	£0	£272,250

CLACKMANNANSHIRE COUNCIL

Report to Audit & Finance Committee

Date of Meeting: 15 September 2016

Subject: Social Services Finance Report

Report by: Asst Head of Social Services and Depute Chief Executive

1.0 Purpose

1.1. This paper provides an update on the financial performance of Social Services to date. This report focuses on revenue spend for the current financial year, 2016/17. Projected outturns up to March 2017 are set out in the report.

2.0 Recommendations

2.1. The Committee is asked to:

2.2. note the Social Services projected overspend of £3.953m and the key reasons for this position (paragraph 3.2)

2.3. note the key pressures in Child and Adult Care services which contribute to the overspend forecast (sections 4 and 5 respectively)

2.4. approve the Child Care External Placements provider uplift request from Seamab and refer to Council for appropriate governance

2.5. note and endorse the Depute Chief Executive's interim proposals for improvement detailed in Section 6.

2.6. Refer to Council for decision the creation of the £2 million Earmarked Reserve for Social Services in 2016/17 (paragraph 6.4)

2.7. endorse the recovery plan which aims to minimise the level of forecast overspend in 2016/17 (Appendix 2).

3.0 Background

3.1. The Social Services budget continues to be under considerable pressure. This is in line with a widespread trend across Scottish local government and one which has been widely reported. It has been suggested at a national level for some time that these demographic pressures are likely to result in councils' expenditure on providing social services to consume an ever-

increasing share of our total expenditure in coming years. On this basis, it is important that councils continue to look for new models of delivering Social Services which continue to meet statutory responsibilities in the most efficient and cost effective manner.

3.2. The service is projecting a Revenue budget overspend of £3.953K (See Appendix 1 for detailed breakdown). The most significant factors contributing to this position are:

- **Ongoing childcare pressures**: whilst the Service has delivered a 31% reduction in the cost of external childcare placements since April 2016, there remains a significant pressure on this budgeted expenditure. External Foster Care for Looked After Children and the associated transport costs also remain areas of pressure. Additionally, during the year increases in provider rates above the levels assumed for budgeting purposes further contribute to the overspend position

- **Adult care pressures:** The service is experiencing an increase in activity in Long Term Placements and Care at Home which is attributed to demographic pressure. Alongside this, implementation of the Living Wage is above levels anticipated at the time the Budget was set. A Budget adjustment is also required to align Scottish Living Wage income and expenditure.

- **Delivery of 2016/17 savings:** When the 2016/17 Budget was approved along with its associated approved savings, all service budgets were adjusted to reflect this position (i.e. budgets were reduced accordingly in all services). This means that where savings are not achievable in the year, an overspend occurs. Recent information provided to elected members indicates that the highest level of unachievable savings have been identified within Social Services. These savings are spread across the range of Social Services delivery but the greatest concentration is found in Adult Care.

Further detail on the issues summarised above is set out below.

4.0   Child Care

External Placements

4.1   Child Care External Placements has a projected overspend of £1.041m. This relates to ongoing placements from prior years which are currently being reviewed by the Service.

4.2   This is a reduction of 31% on the 2015/16 out-turn position. Social Services and Education Managers continue to meet on a fortnightly basis to monitor and review External Placements to ensure that there is a rigorous and joint governance process in place.

4.3   The Children's Hearing has ultimate decision-making responsibility in relation to a child's residence.   Financial pressures continue to arise where, on

occasion, there are differences between the recommendations made by the Service and the decisions taken by the Children's Hearings.

4.4   It has been recognised that the process in place for approving ad hoc provider uplifts throughout the financial year can be improved to better align with the budget setting process. A consequence of the historic approach is set out at paragraph 4.5. This situation has resulted in the need to request additional governance outwith the Budget setting process where a provider fee increase is above the level assumed.

4.5   Seamab is an education and residential care provider which is not within the Scotland Excel Children's Residential Framework. This provider has requested a 12.48% rate uplift compared with the 1% uplift assumed within the Budget. The Provider has provided their financial accounts which have been reviewed by the Social Services Accountant and which support the position reported by the Provider: the level of uplift reflects a more accurate cost of a child's placement and will minimise the need for the Provider to continue to draw on its reserves to meet its budgeted expenditure in the future. The service has sought to negotiate a reduction with the Provider but this has not been successful. The fee rate would mean that the Provider would be around the median rate for the range of Providers the Service currently uses. The Service is seeking governance from elected members to agree to the Seamab uplift request.

4.6   The Social Services Planning and Commissioning Team have been working with Finance to implement a revised process for the future. The new arrangements will require providers to submit their uplift requests at the start of the Council budget setting process. This will ensure that the Service has adequate information to quantify a more accurate demand pressure bid. It will also mean that providers will be informed of their approved uplift when the Council budget is set in February allowing them to manage their budgets more effectively.

Looked After Children

4.7   Looked After Children has a projected overspend of £114k. This is made up of £249k overspend within External Foster Care Placements and is partially offset by underspends within Internal Foster Care (£77k) and Kinship Care (£58k).

4.8   The level of Looked After Children also has an impact on the Transport of Clients budget which is currently projecting £77k overspend.   This is a reflection of the number of children accommodated in Foster Care placements outwith the Local Authority. The overspend relates to the cost of transporting children to school by taxi as well as to contact arrangements for children following decisions from children's hearings. The Service is currently undertaking a review of the use of External Foster Care Placements.

4.9   The Child Care Service has also experienced a high level of staff turnover and as a result has used agency workers to maintain staffing levels, in particular to meet statutory staffing ratios. Although recruitment is ongoing and the level of agency workers has reduced, their use is still required to

support the transition of newly qualified personnel. This has resulted in a projected overspend of £32k in 2016/17.

4.10   Throughcare Aftercare (TCAC) is reporting a £50k underspend on payments to individuals. This is based on the current level of young adults who are receiving support from the Service.

5.0   Adult Care Service

5.1   The Adult Care Service is projecting an overspend of £2.656m. This relates to increased activity in Long Term Placements and Care at Home as a result of demographic growth pressures, savings put forward by the Service that are no longer achievable and the effect of the Scottish Living Wage being introduced 1 October 2016.

5.2   Whilst the Service invested considerable effort in managing emerging pressures during the year, there was an increase in the levels of care being provided in the last quarter of financial year 2015/16. The full year effect of this has resulted in a projected overspend for Care at Home and Long Term Placements of £850k and £554k respectively.

5.3   The Care at Home overspend includes the Review of High Value Care Packages saving (MCB001) of £214k which won't be achieved this financial year.

5.4   In addition to the Review of High Value Care Packages, there were other MCB savings put forward by Adult Services that will not be achieved during 2016/17. The impact on the overspend is £511k.

5.5   The Scottish Government made £250m funding available in 2016/17 to Integrated Joint Boards to help the partnerships establish new ways of working. The funding available for Clackmannanshire is £2.39m. As a consequence of the Budget setting process, income of £2.23 million has been applied to the Service Budget. Discussions are currently being taken forward with the Integration Chief Officer to allocate the remaining £160k to fund the additional unanticipated growth. An additional budget adjustment is required to ensure that the income is aligned with the planned expenditure on Scottish Living Wage.

5.6   One of the conditions of the offer is that Local Authorities use the funding to support private and third sector providers to pay their social care workers the Living Wage with the aim of improving the quality of social care.

5.7   The condition also assumed that providers will meet their share of the costs. This is a pressure that some providers have indicated that they are unable to sustain. As a result, the Service has received uplift requests from providers that were greater than that anticipated in the budget setting process. This situation is consistent with the position across Scotland and planned discussions between the Scottish Government and COSLA are to include the potential for funding the full year costs of implementing the Scottish Living Wage as part of the 2017/18 local government settlement negotiations.

5.8   The increased levels of care being provided by the Service along with the in year provider uplift results in a projected overspend of £741k relating to

provider rates. This had previously been flagged as an emerging pressure at the Member Briefing in August 2016.

5.9   The Service recognises that the current levels of activity are unsustainable and are looking at ways to control the commissioning process more effectively.

6.0   Management Action

6.1   Given the significant turnover in the Service's senior management, the Depute Chief Executive has provided additional support in the preparation of this report, particularly in respect of the budgeting, financial management, reporting and governance considerations of the forecast position and its underlying pressures. This section sets out the Depute Chief Executive's interim proposals for improvement that include specific matters which require Committee endorsement and Council approval.

6.2   In 2015/16, when an overspend was forecast by Social Services, an action plan was developed and implemented which resulted in a 42% reduction in the forecast overspend position by 31st March 2016. Early and targeted action, therefore, has the potential to deliver a significant and positive improvement in the position by the year end.

6.3   The Depute Chief Executive has set out the following interim proposals which she has indicated seek to strike an appropriate balance between challenging the service to deliver an improvement in the current forecast position and being realistic and supportive of the Service in the face of the pressures outlined in the previous sections of the report. It is also intended that early discussions will take place with the new Head of Social Work when she joins the Council in October to take forward any additional activity that may further improve the current position.

6.4   The key proposals are as follows:

·   The creation of an earmarked reserve of £2 million for Social Service pressures which is funded from General Fund uncommitted reserves in 2016/17. This can be applied to future outturn reports, however will not be allocated to the Service Budget as further work is required to quantify and confirm trends in demand (see below). It is clear that Living Wage/ Scottish Living Wage pressures should, however, be prioritised as failure to deliver on the Scottish Government commitment has the potential to result in the loss of the Council's £2.39 million share of HSCI funding. It is also assumed that the Seamab fee placement request, if approved, would be subsumed within this sum

·   Forecasts are currently made on the basis of an extrapolation of current activity levels rather than historic trends in demand. Work needs to be undertaken to build on the trend analysis built up in undertaking the Zero Based Budgeting (ZBB) exercise to establish a systematic arrangement to support the accuracy of budget profiling and forecasting, improve the basis of service planning assumptions and priorities and support the Service's decision making in respect of demographic pressures. As part of the exercise the Service should also consider the adequacy of its

current information systems to provide reliable activity and trend data, including to support reporting to management and elected members. The exercise should be conducted for all aspects of service delivery

- Once reliable trend data is available this should be used to establish the Service's future budget requirement. Additionally, the information should be used to ensure that the corporate forecast of the indicative funding gap is as robust as possible

- A robust recovery plan should be developed which focuses on reducing the 2016/17 overspend and /or increasing savings. Challenging improvement targets should be set and improvement actions allocated and prioritised by Service Management. It is suggested that the Social Work Business Manager's time is prioritised in respect of the coordination of action plan activity and providing monitoring information and progress reports for management and elected members. Activity should also be co-ordinated with the Corporate Change Programme co-ordinator

- Work should be undertaken to benchmark Social Service's financial performance with other councils. A particular focus should be to look at relative funding levels and financial performance to allow the Council to consider the financial capacity for efficiencies in future years when set against continuing financial pressures in the Service. This activity could be considered within the scope of the Scrutiny Committee review if members view this as complementary to its work

- The Service should identify any resource requirements arising from the establishment of the recovery plan. Depending on the nature of resource required, work can be reprioritised within the Council, appropriate governance sought for Spend to Save or Council approval sought where additional resource is required

- The Council's Corporate Management Team has agreed to provide support to lead appropriate, significant improvement activity to improve on the current forecast outturn for 2016/17. Recently, one Head of Service has been asked to provide support to increase the pace and momentum around the delivery of the Children's Residential Unit which has the potential to reduce the amount the Council currently spends on external child care placements. Alongside this, other initiatives are being reviewed by the Assistant Heads of Service to identify those which would also benefit from such support

- Subject to the endorsement of the new Head of Social Work, a Business Case should be prepared by the Service in conjunction with the Head of Housing, Revenues and Community Service and the Corporate Change Co-ordinator to propose a systematic review of all aspects of service delivery using the Vanguard approach (or other similar option). A timetable and full costings should be established for a rolling programme of change reviews within the service to support the redesign and restructuring of the Service

- Spend to Save to be used to resource a fixed term Home Care resource manager to oversee Older People's budget management and to build capacity in the service for the future

- Additional transitional Accountancy assistant support to be provided to support the Service Accountant in managing additional work associated with the recovery plan and Business Case development

- Service financial performance reports should continue to be provided to each meeting of the Audit and Finance Committee and set out updates on progress with the delivery of the recovery plan and the associated impact on the forecast outturn position.

6.5 Having considered the above proposals, a draft recovery plan has been prepared by the Service and this is attached at Appendix 2. It is intended that this will be kept under regular review and new actions added if they are likely to secure improved performance. It should be considered alongside the actions highlighted in paragraph 6.4. There is clearly a blend of immediate priority actions which seek to provide an improvement in the current financial year, alongside medium to longer term redesign and restructuring considerations. The Service Management Team is currently reviewing all activity to identify those areas where additional corporate support and reprioritisation is required to deliver an improvement on the current position. Elected members will be kept up to date with progress through regular Financial Performance reports to the Audit and Finance Committee.

7.0   Sustainability Implications

7.1   None

8.0   Resource Implications

8.1   Financial Details

8.2   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 **þ**

8,3   Finance have been consulted and have agreed the financial implications as
set out in the report.   Yes **þ**

8.4   Staffing

8.5   None

9.0   Exempt Reports

9.1   Is this report exempt?   Yes ·· (please detail the reasons for exemption below)   No **þ**

10.0   Declarations

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

11.0   Our Priorities (Please double click on the check box þ)

11.1   The area has a positive image and attracts people and businesses   ··
        Our communities are more cohesive and inclusive   þ
        People are better skilled, trained and ready for learning and employment   ··
        Our communities are safer   þ
        Vulnerable people and families are supported   þ
        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   ··

12.0   Council Policies (Please detail)

13.0   Equalities Impact

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

15.0   Legality

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

17.0   Appendices

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

18.1   Appendix 1 – Social Services Revenue Budget

18.2   Appendix 2 - Social Services Recovery Plan

19.0   Background Papers

20.0   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)   No þ

Author(s)

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Approved by

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

Appendix one

Table 1 - Revenue Expenditure

Service	Annual Budget 2016/17	Projected Outturn to 31/03/17	Variance Outturn V Budget
	£000 £000		£000
Mental Health & Learning Disability 5,731		6,986	1,256
Elderly & Physical Disability Care	3,587	4,374	787
Adult Provision	3,913	4,526	613
Adult Management	(284)	(284)	0
Adults	**12,946**	**15,602**	**2,656**
Child Care Resourcing	4,552	4,741	189
Child Care Support	2,206	2,257	51
Early Years & Families	1,620	1,636	16
Child Care	**8,378**	**8,634**	**256**
Residential Schools	3,000	4,041	1,041
Criminal & Youth Justice Services	191	191	0
Strategy 503		503	0
Social Services Management Support	385	385	0
Total Revenue	**25,403**	**29,356**	**3,953**

Social Services Financial Management Action Plan Updated

Aims

1. to show the specific actions taken by senior managers across Social Services to address specific financial concerns raised by elected members.

2. to promote open, accountable, and effective financial practices.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
1. Transitions 16/17	Analysis of costs/effects associated with transitions	Assistant Heads of Service, Service Managers, Business Manager and Finance	April 17	Ongoing	Full year costs and projections are to be monitored in relation to children and adult services. This will allow budgets to be monitored more closely.
2. Outstanding debts for services received.	Review charging policy, processes, and levels of performance.	Service Managers, Team Leaders, Service Accountants	April 17	Ongoing	Closely monitor the implementation of the charging policy and financial income . This will be an audit exercise which will support the service to increase revenues over the rest of 16/17

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
3. Review and monitor expected income levels for financial planning from ICF, Discharge funding, Scottish Government	A review and monitoring of expected and received funding across all areas of the business	Assistant Head of Service (Adults)	April 17	Ongoing	As above
4. Review of all Care packages and targeting overnight living carers allowances.	Reviewing officers in post to review high cost care packages.	Assistant Head of Service – Adults.	31st December 2016	Ongoing	All cases subject to review in order to reduce service activity while maintaining care packages at safe and financially sustainable levels.
5. The need for payment for external placements with independent fostering agencies.	Increase recruitment of Foster Carers to offset dependency. New Targets set for 16/17	Assistant Head of Service, Service Manager & Adoption and Fostering Team Leader	April 17	Ongoing	To build on 15/16 targets which were achieved which will reduce the need for external placements
6. Financial accounting to Social Services budgets.	Monthly detailed analysis ensuring charges are attributed correctly to Social Services	Assistant Heads of Service and Finance	April 17	Ongoing	Increased scrutiny which will result in ensuring budgets are aligned correctly.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
	budgets.				
7. Certify financial monitoring by senior managers.	Monthly budgetary meetings by senior mangers and Finance.	Assistant Heads of Service and Finance	April 17	Ongoing	Senior Managers will ensure financial regulations and governance procedures are in place.
8. Safeguard finance systems to service activities for financial projections	a) Review of current IT systems. Options appraisal to purchase and test new system meets business needs b) Rollout management training for managers and budget holders.	Chief Finance Officer & Head of Social Services	April 17	Ongoing	Closer financial monitoring.
9. Financial share of overspends between Education and Social Service.	Discussions have taken place between assistant heads of each service to agree percentage shares into next financial year.	Head of Service	April 17	Ongoing	Future apportions of financial costs correctly aligned between Education and Social Services

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
10. Contain spending by front line staff.	Review current controls and authorisations controls for front line staff and implement reductions.	Service Managers & Finance	April 17	Ongoing	Schemes of delegation appropriately managed.
11. Renewed focus on budgetary pressures and any changes in demand for service	Complete a detailed review of the needs of the service following the end of shared services first phase in Childcare, then Adult Services. Identifying demands and resource needs	Assistant Heads Children and Adult Services and Business Manager.	April 17	Ongoing	Increased awareness of demographic trends and service demands to inform future financial planning.
12. Review of cross charging arrangements following the end of shared services.	Review of current cross charging arrangements and that appropriate actions are taken to ensure end dates are correctly accounted for.	Assistant Heads of Service	April 17	Ongoing	
13. Develop Supported carers policy and recruit	A short life working group will develop a new supporting	Service Managers & Team Managers	April 17	Ongoing	This work will support the Children (Scotland) Act 2014. Spend to save authorised of 97K.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
carers to meet legislative responsibilities for young people who require continuing care.	carers policy and strategy to recruit carers. This will inform business case.				Aim is to reduce high cost external placements by providing a supported carer within local community
14. Review variations in uplifts of existing contracts.	A short life working group established to review and analyse anomalies across contracts	Procurement Manager and Assistant Heads of Service	April 17	Ongoing	Review of spend for Scotland Excel placements will continue and annual uplift arrangements will fit in with annual budget setting process 16/17
15. Update eligibility criteria policy for adult services which meets statutory responsibilities.	A review of current eligibility criteria under SDS legislation will be presented to Committee for implementation.	Assistant Head of Adult Services	October 16	Ongoing	This will ensure consistency of assessment criteria applied to all service users across Clackmannanshire.
16. To identify further management savings and revise financial planning assumptions	Senior Managers across all service areas asked to review projects for further efficiency savings as part of MCB process 16/17.	Assistant Heads of Service	April 17	Ongoing	Transformation Board overseeing governance of projects and business cases agreed by council budget setting.
17. Workforce planning review	A robust review of the current trends, demands for both	New Head of Service	April 17	Ongoing	This will ensure that the needs of vulnerable children, young people and adults are fully resourced.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
	adult and children's services.				This will identify and inform a service redesign which will ensure the changing needs of Social Services clients are met.
18. Ensure Assessment and Care Management procedures are robust	Update assessment & care management procedures to focus on appropriate intervention, managing risk and focussing on managing care packages via reviews.	Assistant Head of Services	October 2016	Ongoing	Managing risk whilst ensuring legislation responsibilities are met.
19. Ensure the effective management of Social Services resources	Review resource panel as per the committee report with a move to recruiting a temporary manager for the remainder of the financial year.: Recruit by.	Assistant Head of Service Adults	October 16	Ongoing	Focus will be to work full time on the management of resources, provide operational management to the Business Support Team, provide training to Social Work and Community Nursing staff on risk thresholds and developing appropriate care packages in line with minimum intervention

CLACKMANNANSHIRE COUNCIL

Report to	Audit and Finance Committee

Date of Meeting:	15th September 2016

Subject:	Corporate Risk & External Audit Actions

Report by:	Head of Strategy & Customer Services

1.0 Purpose

1.1. This report provides the 2015/16 end of year update on the Council's:

- Corporate Risk Log,
- Annual Statement of Preparedness, and
- External Audit Actions.

2.0 Recommendations

2.1. It is recommended that Committee notes the report, commenting and challenging as appropriate.

3.0 Considerations

3.1. Corporate Risk Management Process

3.1.1. The Head of Strategy & Customer Services is responsible for the Council's corporate risk management approach. All managers are responsible for risks in their service areas and the corporate risk log is owned by the Corporate Management Team. The Council follows a systematic risk process, reporting corporate risks to Resources & Audit Committee on a 6-monthly basis and service risks to other Committees on a quarterly basis. Processes are assessed via internal and external governance and audit mechanisms, and peer-reviewed by other local authorities.

3.1.2. Each corporate risk log review involves gathering information from internal and external sources, a meeting of the Corporate Risk & Integrity Forum and individual meetings with Corporate Management Team members, to:

- Review existing corporate and service risks with their owners;
- Analyse dependencies, 'knock-on effects' and wider perspectives;
- Investigate emerging externally-identified risks for local relevance;
- Evaluate emerging internally-identified risks, such as those highlighted during the Annual Governance Statement process.

3.1.3. In 2015, the Association of Local Authority Risk Managers (ALARM) published a 'top 10' of significant risks currently being managed by UK public bodies (compiled from a member survey). Mapping to our own corporate risk log demonstrated that, despite some variation in risk groupings, all significant risks were already reflected locally. Though this does not reflect the effectiveness of risk management, it at least provides confidence that we are achieving the aim of being 'risk aware', rather than 'risk averse'.

3.1.4. Risks with implications for more than half the Council (3 of the 6 services), or with significant implications (red) for a specific service, are considered for escalation to the corporate log, where they are managed until their significance reduces. Risks are recorded on the Covalent performance management system and associated with priority outcomes, actions (or action plans), and existing controls (strategies, policies, procedures, etc.).

3.1.5. We identify our approach to managing each risk as:

- Treat: action is required to reduce the risk,
- Tolerate: actions within our control are complete and plans are in place,
- Transfer: the risk will be passed to another party, such as insurers,
- Terminate: the activity that is causing the risk will be ceased.

3.2. Corporate Risk Log – Appendix A

3.2.1. The revised corporate risk log demonstrates that, despite the considerable challenges currently facing the public sector, changes to the risk assessments since the 2015/16 half year stage are relatively minimal. The most significant issues currently facing the Council still relate to Financial Resilience, Organisational Change and Information Management.

3.2.2. Progress on the latter regarding positive feedback on the Records Management Plan from the Keeper of the Records Scotland and Internal Audit has reduced its score. Some recent Health & Safety incidents and investigations have increased the related risk from amber to red and work is ongoing to ensure service compliance with policies and procedures.

3.2.3. There are close relationships between many risks and, as has been the case for some time, the financial situation (or resulting requirements such as the contraction of the workforce) is increasing a number of other risks. It is, therefore, vital that organisational change is implemented and supported efficiently across the organisation, and that governance and scrutiny functions operate effectively to identify and mitigate risks.

3.2.4. The other red risk relates to partnership management and considerable but differing activity in the 3 major partnerships means this will be 'Transferred' for management via other risk logs. Shared Services will be separated by the end of 2016/17 and Health & Social Care risks will be managed via the Social Services and HSCI risk logs. Community Planning risks have been assessed as less severe and/or being managed appropriately so will be included on service logs, where appropriate. The Performance & Change Team continue to provide advice in developing service, project and partnership risk logs.

3.2.5. Progress also continues regarding the amber risks being 'Treated', which relate to various issues around demographics, governance, welfare, organised crime and extremism (details in Appendix A). Actions around Roles & Responsibilities have been completed and the target assessment score has been reached, therefore, this risk will be removed from the Corporate log but will continue to be reviewed via annual governance processes.

3.2.6. The risks being 'Tolerated', where actions within our control have been completed and plans are in place to manage the risks, should they materialise, mainly relate to Emergency Planning. The only change to this section is the addition of a risk regarding Utility Failure as, while issues around Severe Weather are already captured, there are differing causes and consequences specific to loss of gas, electricity, water and/or telecoms. These risks are explored in more detail in the Statement of Preparedness.

3.3. Statement of Preparedness – Appendix B

3.3.1. The revised Statement of Preparedness provides additional information and assurance on the Council's readiness to respond to risks with a potentially direct impact on Business Continuity or community safety. The risks presented here broadly reflect the 'Tolerate' section of the corporate risk log and look in more detail at the potential consequences and controls relating to different types of event.

3.3.2. Work continues in developing frameworks to manage such events, working with partners to pool resources and ensure that response to emergency situations is effective and minimises impact on the area. Events during the winter, including the temporary closure of the Forth Road Bridge, have provided valuable knowledge and experience to add to scenario planning, training and exercising at a local and national level.

3.3.3. The only risk from the statement still included in the 'Treat' section of the corporate risk log relates to anti-extremism, as actions are still being completed. Two key threads in this area relate to how we 'Prepare' for an incident occurring (including all staff being shown a video on how to respond), and how we 'Prevent' an incident from occurring (including key staff being trained in identifying those vulnerable to extremism or radicalisation and discouraging its development). While both of these threads are relevant to corporate risk log, only 'Prepare' is relevant to the statement.

3.3.4. Climate Change as a whole is not included on the corporate risk log but is managed by Development & Environmental Services via the Sustainability & Climate Change Strategy. Progress is reported to Enterprise & Environment Committee and the strategy is currently being revised.

3.4. External Audit Actions – Appendix C

3.4.1. Deloitte UK's audit of the Council's 2013/14 accounts resulted in 13 actions arising from recommendations, of which only one, regarding Sundry Trust Funds is still outstanding though nearing completion. As a partial assurance in itself, only 4 actions were agreed in the most recent audit (2014/15), with one already complete and the remainder on target. External Audit remain a key source of insight into the effectiveness of corporate risk management.

3.4.2. Abbreviations:

ALARM	Association of Local Authority Risk Managers
CIPFA	Chartered Institute of Public Finance & Accountancy
COMAH	Control of Major Accident Hazards
CONTEST	Counter-terrorism Strategy
EP	Emergency Planning
FRB	Forth Road Bridge
FV	Forth Valley
HSCI	Health & Social Care Integration
HSE	Health & Safety Executive
ICT	Information & Communication Technology
LRP	Local Resilience Partnership
MCB	Making Clackmannanshire Better
PVG	Protecting Vulnerable Groups
R&A	Resources & Audit
RRP	Regional Resilience Partnership
SOA	Single Outcome Agreement
VHF	Very High Frequency
WRAP	Workshop to Raise Awareness of Prevent

4.0 Sustainability Implications - *This report has no direct sustainability implications*

5.0 Resource Implications

5.1. Financial Details - This report has no direct financial implications

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 þ

5.4. Staffing - This report has no direct staffing implications

6.0 Exempt Reports

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

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 þ)

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   þ

(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 þ

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 þ

10.0 Appendices

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

Appendix A - Corporate Risk Log

Appendix B – Statement of Preparedness

Appendix C - External Audit Actions

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 þ
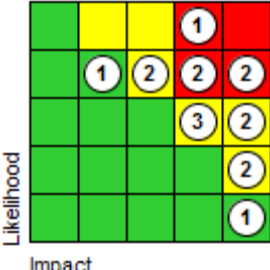
Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Judi Richardson	Performance & Information Adviser	2105

Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Head of Strategy & Customer Services	███████████
Garry Dallas	Executive Director	███████████

Appendix A – Corporate Risk Log

Clackmannanshire Council
www.clacksweb.org.uk

Summary of Changes	Distribution of Risk Scores
At the end of the 2015/16 financial year (out of a total of 16 risks):	

Status

🔴 5 risks are red (same as in the 2015/16 half year report)

🔺 9 risks are amber (same as in previous report)

✅ 2 risks are green (increase from 1 in previous report)

Approach

11 risks are being Treated (decrease from 12 in previous report)

4 risks must be Tolerated (increase from 3 in previous report)

1 risk will be Transferred (increase from 0 in previous report)

Change in Score Since Last Review

I 1 risk has increased

- 11 risks remain the same

D 1 risk has decreased

N 1 risk has been newly added to the log

R 2 risks will be removed from the log after this report

Code	Title	Score	Status	Approach	Change Since Last Review
COU CRR 008	Insufficient Financial Resilience	20	🔴	Treat	-
COU CRR 034	Insufficient Pace and Scale of Organisational Change	20	🔴	Treat	-
COU CRR 028	Inadequate Co-ordination of Partnerships	20	🔴	Transfer	R
COU CRR 012	Health & Safety Non-compliance	16	🔴	Treat	I
COU CRR 009	Information & Knowledge Not Safeguarded or Utilised	16	🔴	Treat	D
COU CRR 005	Inability to Respond to Changing Demographics	15	🔺	Treat	-
COU CRR 033	Major Governance Failure	15	🔺	Treat	-
COU CRR 032	Council & Community Impact of Welfare Reform	12	🔺	Treat	-
COU CRR 037	Failure to Address Serious Organised Crime	12	🔺	Treat	-
COU CRR 031	Failure to Prepare for Severe Weather Events	12	🔺	Tolerate	-
COU CRR 022	Public Health Emergency	12	🔺	Tolerate	-
COU CRR 040	Failure of Public Utility Supply	12	🔺	Tolerate	N
COU CRR 011	Harm to Child(ren)	10	🔺	Treat	-
COU CRR 038	Failure to Prevent Extremism and/or Radicalisation	10	🔺	Treat	-
COU CRR 023	Industrial Unrest	8	✅	Tolerate	-
COU CRR 039	Unclear or Unfulfilled Roles & Responsibilities	5	✅	Treat	R

Approach: Treat						

Insufficient Financial Resilience		**Priority Outcome**	9. The Council is efficient, effective and recognised for excellence	**Status**	🔴	**Change Since Last Review**	➖
Deputy Chief Executive	COU CRR 008			**Current Score**	**20**	**Target Score**	**5**

Description	The Council does not have sufficient funds to meet its liabilities and cannot meet essential service demands or customer needs, or respond to external agendas.
Potential Effect	Reputational damage, legal implications and severe and extended loss of service provision. Possibility of Alliance partners also being affected contributes to the potential impact, given the interdependencies.
Latest Note	While some factors have increased since the 15-16 half year stage (Scottish Government settlement & decoupling of Shared Services), other factors have reduced (16/17 budget agreed, and MCB efficiencies beginning to be realised), resulting in an overall consistent score. Financial performance is scrutinised via internal processes, external audit and R&A Committee (see June update on the same agenda as this report). The new financial system will improve transparency, efficiency and compliance with robust accounting processes.

Related Actions	2014/15 External Audit Action Plan	COU EXA 145	Existing Controls	Financial Management Strategy
	Ongoing work by services to identify savings proposals, supported by the Accountancy team	CRR COU 003		Budget Challenge & Monitoring
	Making Clackmannanshire Better Corporate Change Programme	MCB PRG		Invest to Save Principles & Processes

Insufficient Pace and Scale of Organisational Change		**Priority Outcome**	9. The Council is efficient, effective and recognised for excellence	**Status**	🔴	**Change Since Last Review**	➖
Chief Executive	COU CRR 034			**Current Score**	**20**	**Target Score**	**5**

Description	The Council fails to proactively drive the fundamental redesign of services and organisational planning/ development with the speed required to address the funding gap due to ineffective change management.
Potential Effect	Failure to maintain the required level of provision for statutory services. The corporate business improvement programme, Making Clackmannanshire Better, does not establish sustainable service delivery and a sustainable cost base for the future.
Latest Note	Feb-16 Special Council meeting approved MCB savings of £7.65m and noted MCB areas for further consideration and development during 2016/17. Services are in the process of implementing savings or starting projects. A corporate model for monitoring and reporting on progress of MCB actions is in place.

Related Actions	Making Clackmannanshire Better Corporate Change Programme	MCB PRG	Existing Controls	Communications Strategy
	Housing & Community Safety working with Vanguard Scotland to redesign & simplify processes, focussing on customers, efficiency and other key operational priorities	CRR HCS 001		Business Planning Process
	Implement Communications & Marketing Strategy actions in support of the MCB programme	SCS 15 018		Trade Union & Elected Member Communication Forums

🟢 Low - 9 or below   🔺 Medium - 10 to 15   🔴 High - 16 or above   **I**ncreased score   ➖ Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log   Page 2 of 16

Health & Safety Non-compliance
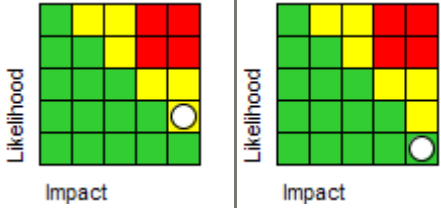
Health & Safety Non-compliance		Priority Outcome	7. Health is improving and health inequalities are reducing; 9. The Council is efficient, effective and recognised for excellence	Status	🔴 Change Since Last Review **I**
Head of Resources & Governance	COU CRR 012			Current Score **16**	Target Score **4**

Description	A Health & Safety incident results in the injury to or death of a staff member or customer due to lack of awareness of or non-compliance with policies and procedures. Such incidents may also arise from the actions of third parties, whose activities may be outwith the direct control of the Council.
Potential Effect	The effects on individuals and their families, financial penalties (including HSE intervention fees), criminal proceedings, adverse publicity, increased insurance or damage to Council assets.
Latest Note	Actions arising from the last Internal Audit are complete. Restructuring of the Health & Safety team will improve performance though recent incidents, accident statistics and other HSE investigations suggest compliance with H&S duties is not deployed uniformly across the Council. Work is ongoing to ensure managers are aware of their statutory duties to identify and manage H&S risks in their areas of responsibility.

Related Actions	Governance Improvement Plans across all services	CRR RAG 001	**Existing Controls**	Health & Safety Management System
				Maximising Attendance & Employee Wellbeing Policy
				H&S Handbook for Managers

Information & Knowledge Not Safeguarded or Utilised
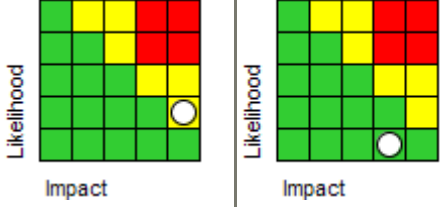
Information & Knowledge Not Safeguarded or Utilised		Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status	🔴 Change Since Last Review **D**
Head of Resources & Governance	COU CRR 009			Current Score **16**	Target Score **8**

Description	Information is not protected due to a lack of compliance with information sharing, records management or ICT protocols, or organisational knowledge is not available when needed due to 'single points of failure', poor succession planning, lack of awareness of the knowledge held by different service areas, or system failure.
Potential Effect	Increased difficulty and time to access information and loss of tacit information and knowledge when staff leave or are absent, resulting in duplication or non-completion of (possibly statutory) duties. Loss of productivity when systems do not operate effectively, causing frustration and impact on staff morale. Uninformed decision-making and possible legal and reputational issues relating to data breaches.
Latest Note	(Some actions still to be updated when business plans approved). Progress continues with the Records Management plan (positive feedback from the Keeper of Records Scotland and improved Internal Audit opinion) and implementation of the new financial system, Interim Workforce Strategy and revised HR policies (and moving to cloud-based systems reduces risks regarding data loss). Risks remain, however, regarding retaining appropriate information as Shared Services separate, and the retention of knowledge as the workforce contracts.

Related Actions	2016/17 Internal Audit Plan	CRR RAG 010	**Existing Controls**	Information Management Strategy
	Develop a records management plan and implement a records management policy.	RAG 15 008		Digital Strategy
	Identify and procure a new finance system and re-engineer finance business processes to support its introduction in 2016-17.	RAG 15 009		Interim Workforce Strategy

🟢 Low - 9 or below   🔺 Medium - 10 to 15   🔴 High - 16 or above   **I**ncreased score   **-** Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log   Page 3 of 16

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Inability to Respond to Changing Demographics		Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	-
Chief Executive	COU CRR 005			Current Score	15	Target Score	5

Description	The Council is unable to appropriately redesign services due to not acting on predictions of changing needs and demand in areas such as the 'ageing population' (including more single-person households), increasing school roles and changing needs relating to health, complexity of care needs and socio-economic behaviour.
Potential Effect	Inappropriate allocation of resources and assets, misalignment of corporate objectives with customer needs, inability to demonstrate Best Value, and possible financial and reputational consequences of responding to situations that have not been planned for.
Latest Note	Improved use of data on demand-led pressures in 16/17 budget-setting, which continues to contribute to decision-making. Work around community engagement is ongoing and the SOA will be refreshed to ensure it reflects community need. Work continues in services affected by specific demographic shifts, such as School Estates and Adult Care (as part of Health & Care Integration).

Related Actions	Undertake consultation following the review of the school estate in Clacks	EDU_SA17a	Existing Controls	Customer Consultation & Communication
	Improve current referral processes and information sharing between services	HCS CHS 410		Budget Challenge & Monitoring
	Finalise in conjunction with NHS FV the Strategic Plan for adult health and social care services	SOS SSS 053		Community Engagement Process

Major Governance Failure		Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	-
Head of Resources & Governance	COU CRR 033			Current Score	15	Target Score	5

Description	A significant failure of compliance with statutory duties due to a lack of awareness or understanding of corporate policies or codes of conduct, or through non-adherence, including through management or elected member override of controls of procedures.
Potential Effect	Significant reputational damage, injury or loss of life, legal action, financial loss or disruption to service delivery.
Latest Note	The 15-16 Annual Governance Statement has identified areas of progress in the last year and areas of risk at both a corporate and service level (see June update on the same agenda as this report). Governance improvement actions will be progressed by each service and reported to service committees, and strategies and local codes of conduct will be updated to reflect recent revisions in CIPFA governance standards. (Updated related actions will be added when approved).

Related Actions	2014/15 External Audit Action Plan	COU EXA 145	Existing Controls	Scheme of Delegation
	Governance Improvement Plans across all services	CRR RAG 001		Resources & Audit Committee
	2016/17 Internal Audit Plan	CRR RAG 010		Governance & Audit Processes

🟢 Low - 9 or below   🟡 Medium - 10 to 15   🔴 High - 16 or above   **I**ncreased score   - Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log
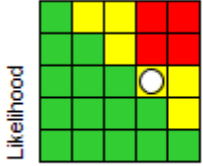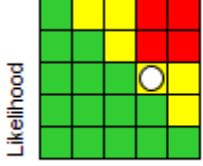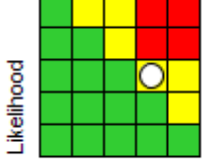
Council & Community Impact of Welfare Reform		Priority Outcome	1. The area has a positive image and attracts people and businesses; 5. Vulnerable people and families are supported	Status	⚠	Change Since Last Review	‒
Head of Housing & Community Safety	COU CRR 032			Current Score	12	Target Score	6

Description	The welfare reform agenda increases deprivation in the area, removes between £8 million and £10 million from the local economy and requires the Council to provide additional services and support due to a national priority of reducing welfare expenditure.
Potential Effect	Potential reversal of efforts to reduce deprivation and improve economic development in the area, as well as reputational, budget and staffing implications of providing new services (the impact of the transfer to Universal Credit cannot yet be quantified).
Latest Note	Members updated on impacts in March 2016. Housing service is being restructured to try to provide more personal and direct advice for customers and service users. Additional partnerships being considered.

Related Actions	Implement new, supported bus services in Clackmannanshire	DAE SBP 132	Existing Controls	Scottish Welfare Fund (Crisis & Community Grants)
	Develop and implement Local Employability Strategy 2014-17 action plan	DAE SBP 137		Housing Options Service
	Review current housing support and intensive tenancy management services for all vulnerable tenants/customers (temp and secure accommodation)	HCS SBP 064		Restructured Housing Management Service

Failure to Address Serious Organised Crime		Priority Outcome	4. Our communities are safer; 6. Substance misuse and its effects are reduced	Status	⚠	Change Since Last Review	‒
Head of Strategy & Customer Services	COU CRR 037			Current Score	12	Target Score	6

Description	Public bodies fail to address the issues around serious organised crime, involving drugs, violence, fraud, money laundering and/or human trafficking.
Potential Effect	Physical or financial harm to individuals, businesses, communities or the Council. Direct or indirect disruption to Council services and associated reputational and/or legal implications.
Latest Note	Local, regional and national delivery plans have been developed and Police Scotland's Counter-corruption Unit provided a presentation in Mar-16, attended by 19 staff members, including 3 Heads of Service. A self-assessment focussing on key areas such as Procurement, Licensing, Planning and Housing, as well as 'insider threat' has been completed and an action plan will be developed, with support from Police Scotland.

Related Actions	Implement actions and requirements of the National Fraud Initiative	CRR RAG 008	Existing Controls	Forth Valley Alcohol & Drugs Partnership
	Implement actions from Divert and Deter strands of Let Scotland Flourish Strategy	CRR SCS 006		Serious Organised Crime Delivery Plan
				Let Scotland Flourish Strategy

🟢 Low - 9 or below   ⚠ Medium - 10 to 15   🔴 High - 16 or above   **I**ncreased score   ‒ Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log

Harm to Child(ren)		Priority Outcome	5. Vulnerable people and families are supported; 6. Substance misuse and its effects are reduced	Status	⚠️	Change Since Last Review	▬
Head of Social Services; Head of Education	COU CRR 011			Current Score	10	Target Score	5

Description	A lack of intervention or action by the Council fails to prevent the serious harm of a child/children.	
Potential Effect	The effects of the injury or death on the individual, family, friends and staff members, and reputational harm or criminal proceedings, with associated costs, as well as the impact of reputational damage and negative publicity on morale, workforce development and sustainability.	
Latest Note	The Care Inspectorate continue to report positive follow-ups in relation to the Integrated Children's Service Plan. Monitoring of continuous improvement will be undertaken by the Children & Young People Strategic Partnership Group with an overview by the Public Protection Forum. Though the separation of Shared Services has significant strategic implications, it is not expected to impact directly on front-line, operational risks of this nature in the short-term.	

Related Actions	Integrated Children's Services Plan	CRR SOS 003	Existing Controls	Public Protection Forum
	Roll out of the Outcomes Framework for all children in Children's Services to evidence outcomes for children and families	SOS SSS 051		
	Implement the process in relation to the role of the Lead Professional under the Children & Young Persons legislation and the transition between the Lead Professional and Named Person service	SOS SSS 050		Children & Young People Strategic Partnership Group

Failure to Prevent Extremism and/or Radicalisation		Priority Outcome	1. The area has a positive image and attracts people and businesses; 4. Our communities are safer	Status	⚠️	Change Since Last Review	▬
Head of Strategy & Customer Services	COU CRR 038			Current Score	10	Target Score	4

Description	A terrorist incident (or other malicious attack) causes physical or financial harm to individuals or groups in Clackmannanshire, potentially caused by the radicalisation of someone from the area (who could be involved in an incident either here or elsewhere). The fear of these issues could also have an impact on quality of life.	
Potential Effect	Casualties and fatalities, damage to property and infrastructure, need for evacuation or temporary housing for those affected and potential for wider economic damage. Financial harm to individuals, businesses or the Council. Direct or indirect disruption to Council services and reputational and/or legal implications.	
Latest Note	WRAP training has begun but needs to be accelerated. Work continues to identify all high priority staff, using PVG registration as a baseline. An e-learning module on the content of WRAP training is currently being tested. All staff will be shown the "Staysafe" video outlining how to react to a malicious attack on a Council workplace. A request has been made to Police Scotland to train HR staff in the identification of fraudulent identity documents.	

Related Actions	Implement the Clackmannanshire Council CONTEST Delivery Plan, based on the Government's CONTEST Strategy	CRR SCS 005	Existing Controls	Forth Valley Local Resilience Partnership
				CONTEST Working Groups (FV & Clacks)
				WRAP Staff Training

🟢 Low - 9 or below   🔺 Medium - 10 to 15   🔴 High - 16 or above   **I**ncreased score   ▬ Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log

Unclear or Unfulfilled Roles & Responsibilities		Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status		Change Since Last Review	R
Chief Executive	COU CRR 039			Current Score	5	Target Score	5

Description	Elected Members, officers, suppliers or other stakeholders are unclear about their roles and responsibilities, are not scrutinised effectively and/or are not held to account if they do not fulfil these responsibilities.
Potential Effect	Lack of recognition of critical issues and crucial decisions not being made or challenged appropriately, with potential impact on service delivery, including statutory duties, and possible financial and reputational implications.
Latest Note	Related actions identified in 13/14 external audit and 14/15 Annual Governance Statement process have been completed. Service Level Agreements and various Council policies and Codes of Conduct have been revised and Elected Member training needs are assessed annually. This risk will now be removed from the Corporate Risk Log and re-assessed at a service and corporate level, should further issues be highlighted in the future.

Related Actions	2013/14 External Audit Action Plan	COU EXA 134	Existing Controls	Service Level Agreements
	Governance Improvement Plans across all services	CRR RAG 001		Governance & Audit Processes
	Conduct annual Training Needs Analysis with Elected Members	CRR SCS 007		Council & Committee Structures & Remits

Low - 9 or below   Medium - 10 to 15   High - 16 or above   Increased score   - Consistent score   Decreased score   New risk   Remove from log   Page 7 of 16

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Failure to Prepare for Severe Weather Events		Priority Outcome	1. The area has a positive image and attracts people and businesses; 4. Our communities are safer	Status	⚠	Change Since Last Review	▬
Head of Development and Environment	COU CRR 031			Current Score	12	Existing Controls	

Description	Inability to respond to impact of severe weather events on workforce or community due to lack of appropriate planning. This is most likely to include flooding from rainfall or coastal surges, hazardous winter weather or heatwaves (all of which, due to climate change, are likely to become more frequent and severe).		Business Continuity Plans
			Forth Valley Local Resilience Partnership
Potential Effect	Widespread community dislocation, damage to properties, businesses, roads and utility infrastructure (including telecoms or power loss), or inability of staff to get to workplace. Increased workload in Emergency Planning, Housing, Roads and Customer Services, resulting impact on service delivery, reputation and finances.		Winter & Flood Management Plans

Public Health Emergency		Priority Outcome	7. Health is improving and health inequalities are reducing; 9. The Council is efficient, effective and recognised for excellence	Status	⚠	Change Since Last Review	▬
Head of Strategy & Customer Services	COU CRR 022			Current Score	12	Existing Controls	

Description	Significant numbers of Council staff and customers become ill due to the occurrence of a public health emergency, such as a flu pandemic.		Business Continuity Plans
			Pandemic Flu Plan
Potential Effect	Depending on the nature of the health emergency, potentially short- and long-term health implications for members of the public and staff absence if either ill themselves or caring for family and/or friends. Substantial disruption to back-office support functions and front-line service provision, including to customer groups already considered vulnerable.		Major Incident Operational Procedures

Failure of Public Utility Supply		Priority Outcome	4. Our communities are safer; 5. Vulnerable people and families are supported	Status	⚠	Change Since Last Review	N
Head of Strategy & Customer Services	COU CRR 040			Current Score	12	Existing Controls	

Description	Loss of gas, electricity, water or communications over a significant area due to failure of a provider's infrastructure as a result of a local or national event. The Council has limited capability to reduce the risk of failure or disruption of external provider's infrastructure, other than following best practice in excavation work.		Major Incident Operational Procedures
Potential Effect	Fatality, injury or health risk caused by escape of gas or loss of electrical supply. Requirement to evacuate areas and find alternative accommodation, including for vulnerable people. Disruption to local agencies and businesses in providing normal services. Failure of telecoms infrastructure preventing contact with health, care and emergency services.		Business Continuity Plans
			Emergency Response Plan

🟢 Low - 9 or below   🟡 Medium - 10 to 15   🔴 High - 16 or above   **I**ncreased score   ▬ Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log   Page 8 of 16

Industrial Unrest			Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status	✅	Change Since Last Review	−
Head of Resources & Governance		COU CRR 023			Current Score	8	Existing Controls	

				Existing Controls
Description	Industrial action by Council staff (including shared service staff employed by Stirling Council), partners or suppliers arises, normally in relation to local or national budget-related changes to terms and conditions, or restructuring.			Business Continuity Plans
				Forth Valley Local Resilience Partnership
Potential Effect	Impact on staff morale and productivity with associated impact on service delivery, costs and reputation, as well as impact on customers dependent on services. In the case of partner or supplier strike action, we may decide not to complete all aspects of normal service delivery during strike action. Business Continuity & Resilience planning mitigate the impact of strike action to a tolerable level.			Trade Union Communications Protocol

Approach: Transfer

Inadequate Co-ordination of Partnerships			Priority Outcome	5. Vulnerable people and families are supported; 9. The Council is efficient, effective and recognised for excellence	Status	🔴	Change Since Last Review	R
Chief Executive		COU CRR 028			Current Score	20	Target Score	8

Description	Loss of influence and accountability through failure to effectively manage partnerships due to lack of clear purpose, delivery model, or arrangements for resource-sharing or performance management. Particular risk to major partnerships, such as Shared Services, Health & Social Care and Community Planning Partnership.
Potential Effect	Failure to meet efficiency, customer or statutory needs/requirements, significant consequences for vulnerable groups and reputational implications. Need for further redesign, recruitment, retraining or retendering, reduced momentum for further integration and impact on staff morale and productivity.
Latest Note	Risks around the 3 major partnerships mentioned above will be 'Transferred' for management via other risk logs (and, for Shared Services, will be 'Terminated' by the end of the 2016-17 financial year). A risk log for the separation of Shared Services has been developed, and Health & Care risks will now be managed via the Social Services and HSCI risk logs (all developed with advice from the Performance & Change Team). Community Planning risks (Community Empowerment and engagement, 3rd sector commissioning and public sector reform) have been assessed as less severe and/or being managed effectively, thus relevant elements will be reflected on service risk logs.

Related Actions	Follow published timescales for ending Shared Services as per the Strategic Partnership Agreement	CRR STP 003	Existing Controls	Shared Services Programme Board
	Deliver an approved business case that defines joint resourcing and service redesign by Clackmannanshire Alliance	SCS 15 007		Single Outcome Agreement
	Finalise in conjunction with NHS FV the Strategic Plan for adult health and social care services	SOS SSS 053		Health & Care Integration Joint Board

🟢 Low - 9 or below   🔺 Medium - 10 to 15   🔴 High - 16 or above   **I**ncreased score   **−** Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log   Page 9 of 16

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Low - 9 or below   Medium - 10 to 15   High - 16 or above   **I**ncreased score   **-** Consistent score   **D**ecreased score   **N**ew risk   **R**emove from log   Page 10 of 16

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Appendix B – Statement of Preparedness 2015/16

Risk, Score & Assessment	Impact Category	Consequence Description & Scale		Internal Controls	External Controls
Severe Storms and Gales ⚠ 12 Developing	Social	• Care for People • Service Delivery • Travel dislocation	High	➢ LRP Travel Plans ➢ Business Continuity Plans ➢ Emergency Response Plan ➢ Major Emergency Operational Procedures ➢ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➢ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system. ➢ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➢ Recruitment of Vulnerable Persons Team	➢ RRP Transport plan for Forth bridge ➢ LRP Emergency Response Framework ➢ LRP Resilience & Preparedness Framework ➢ LRP/RRP Mass Fatalities Framework ➢ LRP Public Communications Framework ➢ Strong links with utility companies ➢ Tried and tested working and exercising ➢ LRP Exercise winter 2015 ➢ Recent events, such as FRB closure have provided knowledge & experience
	Health	• Persons cut off from outside • Loss of utility e.g. power	High		
	Economic	• Loss productivity • Loss of communications	High		
	Environment	• Damage to trees	Med		
	Co-ordination/ Communication	• Severe co-ordination issues from loss of web and phone services	High		
Flooding due to abnormally intense rainfall and/or coastal flooding from high tides and tidal surges ⚠ 12 Developing	Social	• Care for people • Property • Service delivery	High	➢ Roads & Flood management plans ➢ Business Continuity Plan ➢ Emergency Response Plan ➢ Major Emergency Operational Procedures ➢ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➢ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system. ➢ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➢ Recruitment of Vulnerable Persons Team	➢ LRP Emergency Response Framework ➢ LRP Resilience & Preparedness Framework ➢ Care for People Framework ➢ LRP/RRP Communications Framework ➢ LRP Voluntary Sector Coordinating Group and Single Point of Contact ➢ RRP Resilient Telecoms working group ➢ Adoption of Resilience Direct ➢ LRP Flood plan (focus on fuel supply) ➢ Understanding by Flood managers and EP staff of coastal flood causes
	Health	• Primary Care • Casualties or fatalities	Med		
	Economic	• Local Economy • Business Continuity	High		
	Environment	• Environmental damage • Clean up	High		
	Co-ordination/ Communication	• Public information • Multi-agency/central govt	Med		
Flu pandemic ⚠ 12 Developing	Social	• Care for People • Service delivery	High	➢ National Flu Pandemic Plan ➢ Business Continuity Plan ➢ Emergency Response Plan ➢ Major Emergency Operational Procedures ➢ Manager Resilience Training and Exercising at local and national level. ➢ Continual local and RRP vigilance on diseases - Bird flu outbreak in Fife 2015 ➢ Exercising in regard to multi agency work - Exercise Coal Tip - March 2016 in Alloa. ➢ Recruitment of Vulnerable Persons Team	➢ LRP Care for People Framework ➢ NHS Planning Framework ➢ LRP/RRP Mass Fatalities Framework ➢ LRP/RRP Communications Framework ➢ Scotland-wide 5 month exercise - 'Silver Swan' (2015) and follow-up with outside care providers ➢ Animal Health Plans and exercising
	Health	• Primary Care • Public Health • Fatalities	Very High		
	Economic	• Business Continuity • Impact on local economy	High		
	Environment	• Environmental damage • Clean up	Low		
	Co-ordination/ Communication	• Public information • Multi-agency/central govt	Very High		

✅ Low - 9 or below   ⚠ Medium - 10 to 15   🔴 High - 16 or above

Risk, Score & Assessment	Impact Category	Consequence Description & Scale		Internal Controls	External Controls
Utility Failure (Loss of Electricity Gas and Water) ⚠ 12 Developing	Social	• Service access limitations • Loss of Social Media • Feelings of insecurity	High	➢ Business Continuity & Emergency Response Plans, Major Emergency Op. Procedures ➢ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➢ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system ➢ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➢ Power supply backups at Kilncraigs ➢ Ongoing work to import other resilient systems through voluntary sector ➢ Of Note Clacks has LOST a resilient system with the ending of the fleet VHF radio network ➢ LRP Transport Plan	➢ LRP Emergency Response Framework ➢ LRP Resilience & Preparedness Framework ➢ LRP/RRP Mass Fatalities Framework ➢ LRP Public Communications Framework ➢ Resilient telecoms work on potential outside systems ➢ Scottish Government Resilience Office well practiced in recent events and has experience through FRB closure ➢ RRP structure improving mutual aid ➢ RRP Developing transport plan
	Health	• Home & residential care • Hygiene issues from lack of water (or ability to heat) • Cold food storage failure	High		
	Economic	• Loss of productivity • Loss of food outlets due to lack of cold food storage	High		
	Environment	• Leaks of damaging products from system loss	Low		
	Co-ordination/ Communication	• High information demand • Resilient systems required	High		
CONTEST **Prepare** thread (anti-extremism) ⚠ 10 Developing	Social	• Fear & uncertainty • Need for local leadership	High	➢ Business Continuity Plan ➢ Emergency Response Plan ➢ Major Emergency Operational Procedures ➢ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➢ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system ➢ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➢ Recruitment of Vulnerable Persons Team ➢ Power supply backups at Kilncraigs ➢ Ongoing work to import other resilient systems through voluntary sector ➢ COMAH Exercise of March 2016	➢ LRP Emergency Response Framework ➢ LRP Resilience & Preparedness Framework ➢ LRP/RRP Mass Fatalities Framework ➢ LRP Public Communications Framework ➢ Adoption of Resilience Direct ➢ Resilient Telecoms Plans ➢ Tried and tested working and exercising
	Health	• Casualties & fatalities • Medical facility capacity	High		
	Economic	• Effect on industry/ consumer confidence • Disruption of transport/fuel supplies (if Grangemouth)	Low		
	Environment	• Permanent loss of facility (if CBRN incident) • Council must lead long-term RECOVERY phase	Low		
	Co-ordination/ Communication	• Massive requirement for communication with public	High		
Negative impact of climate change ✅ 9 Developing	Social	• Care for people • Property • Service delivery	High	➢ Sustainability & Climate Change Strategy ➢ Local Biodiversity Action Plan ➢ Carbon Management Plan ➢ Energy Strategy ➢ Flood Management Plan ➢ Roads Asset Management Plan ➢ Business Continuity Plan ➢ Emergency Response Plan ➢ Major Emergency Operational Procedures ➢ Recruitment of Vulnerable Persons Team	➢ LRP Care for People Framework ➢ NHS Planning Framework ➢ LRP Emergency Response Framework ➢ LRP Resilience & Preparedness Framework ➢ LRP/RRP Mass Fatalities Framework ➢ LRP Communications Framework ➢ LRP Flood plan focussing on Grangemouth and fuel supply ➢ Improved staff understanding of causes
	Health	• Primary Care • Casualties or Fatalities	Med		
	Economic	• Local Economy • Business Continuity	High		
	Environment	• Environmental damage	High		
	Co-ordination/ Communication	• Public information • Multi-agency/central govt	High		

Way Ahead

1. Short life multi-agency sub-group has been established through LRP to identify more efficient and effective processes for partner agencies to identify "persons at risk" focussing on data sharing and data quality. Agreement has now been reached with Forth Valley NHS and the 3 Councils to pre-prepare data for this purpose. Update - still ongoing with trials run in Falkirk with FVNHS.

2. NHS Forth Valley developing local framework in consultation with Category 1 member organisations.

3. RRP Resilience and Preparedness Sub group are currently reviewing the generic recovery framework following national exercise in November 2013 - ALBAN TARGE

4. Communication Framework being reviewed in light of outcomes from national exercise

5. Clackmannanshire will contribute as a Category 1 member to these national frameworks and continue to review local plans and revise as appropriate

6. A number of Senior Managers have undergone Tactical Managers Training.

7. Over 30 staff trainined in Multi Agency table top exercise 2016 to increase knowledge and capacity within the organisation to prepare, respond and recover from the impact should these risks be realised.

8. Exercise Silver Swan supported by Council Managers who gained appreciation of mass illness implications

9. Gales and flooding of 2015 has led to Scotland wide re appraisal of risk and response models

10. Recent Exercising 'good practice' was achieved in full in March 2016

Capability Maturity Levels - Defined

Developing   Not all risk critical elements of the capability to meet the required response are in place. Further capability development to achieve the required response will be progressed locally and/or part of the multi agency LRP/RRP capability development programme.

Achieving   All capability development to meet the risk critical elements of the response has been undertaken. Areas to improve the response have been identified and will be progressed locally and/or as part of the LRP/RRP capability development programme.

Maintaining   The LRP/RRP has a fully mature capability and in addition to this an active programme of monitoring and reviewing is in place to progress lessons identified and learnt at appropriate intervals. Further to this, maintenance of skills programme for responders has been developed and implemented.

Additional Information

Given the restructuring of Police and Fire Services in Scotland the restructure to Local Resilience Partnerships (LRPs) are now well established having locally directly replaced the LRP in Tactical matters. The Forth Valley LRP has now met for real in numerous situations and by teleconference for others.

Whilst the member organisations which constitute category 1 responders remain as before geographical and administrative changes to structure and deployment are being implemented.

the larger Regional Resilience Partnership is still developing although its work streams are well established and give a wider area view on developments and processes

Appendix C – External Audit Actions

(Please note that some actions cannot be marked complete until the following year's audit)

2014/15 Audit

Total of 4 actions identified in Deloitte UK's audit of 2014/15 accounts, 1 complete – overall progress: `25%`

Priority 2 (Amber) - Potential to become high risk if not addressed promptly

Property, plant & equipment revaluations - modern equivalent asset		Chief Accountant	COU EXA 404	
Recommendation	With regard to MEA considerations for land, we recommend that the valuer should, where possible, determine the land value reflecting an appropriate site size for a MEA facility and if possible determine a site value reflecting least cost to replace basis.		Due Date	30-Jun-16
			Progress	0%
Latest Note	21-Apr-16	This will be covered in any future engagement with valuers, related to COU EXA 403 which is expected to be completed by the target date.	Expected Outcome	✔

Priority 3 (Green) - Other risk factor noted

Accrued expenses - post year-end invoice reflection in accounts		Chief Accountant	COU EXA 401	
Recommendation	Invoices received after year-end of low value are not always reflected in the year-end accounts. We recommend that all post year end invoices relating to pre year end are accounted.		Due Date	30-Jun-16
			Progress	0%
Latest Note	21-Apr-16	Expected completion within target.	Expected Outcome	✔

Property, plant & equipment revaluations - management & challenge of advice		Chief Accountant	COU EXA 403	
Recommendation	We recommend that the Council ensure there is an experienced internal contact who can manage and challenge the advice of externally sourced valuation.		Due Date	30-Jun-16
			Progress	0%
Latest Note	21-Apr-16	Action expected to be completed by target date.	Expected Outcome	✔

2013/14 Audit

Total of 13 actions identified in Deloitte UK's audit of 2013/14 accounts, 12 complete – overall progress: `98%`

Priority 2 (Amber) - Potential to become high risk if not addressed promptly

Clackmannanshire Council Sundry Trust Funds – appointment of independent trustee		Head of Strategy & Customer Services	COU EXA 303	
Recommendation	We recommend that consideration is given to the appointment of an independent trustee to the Board of each charity. This would remove the formal audit requirement under Section 106 of the Local Government (Scotland) Act 1973.		Due Date	31-Mar-15
			Progress	80%
Latest Note	04-May-16	Four trusts remain on the Councils Sundry Trust Fund Accounts with a number removed as a result of the appointment of an Independent representative to their Board of Trustees. We are reviewing how these remaining trusts are currently administered and considering options for community councils to take an active role where there is a clear geographic focus.	Expected Outcome	⚠

✔ Will complete within target   ⚠ Will complete outwith target   ✘ Will fail to complete

CLACKMANNANSHIRE COUNCIL

Report to Audit and Finance Committee

Date of Meeting: 15 September 2016

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 2014/15.

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.   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.

3.2.   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.   The 2015/16 Annual Internal Audit and Fraud Plan was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

3.3. We were able to provide an improved overall assurance level in relation to Information Governance which was a targeted follow up review following previously only having provided limited assurance. We also provided significant assurance on the progress of the New Financial System Project through undertaking stage reviews as the project progressed. These examples demonstrate not only the contribution to improving control regimes that is being encouraged by Internal Audit and Fraud work but also the willingness of services to open themselves up to scrutiny and address control issues.

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? N/A

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 2015/16 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
Stephen Coulter	Head of Resources and Governance	
Nikki Bridle	Depute Chief Executive	

Clackmannanshire Council

www.clacksweb.org.uk

INTERNAL AUDIT AND FRAUD

ANNUAL REPORT

APRIL 2015 TO MARCH 2016

INDEX   **Page**

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 2015 to March 2016.

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.

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;

- 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 2016. We have provided overall significant or reasonable assurance for all final reports presented to Committee. In relation to final draft reports issued we are raising concerns around ICT Asset Management and have limited assurance around this. We have in some reports provided limited assurance against single specific risks but still provided an overall positive assurance. Control weaknesses were identified in relation to best value arrangements for the iTrent project, creditor systems, travel and subsistence rules and guidance and approval of consultancy and agency workers. 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 2016,

- 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 19 reviews during 2015/16, 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   Date: April 2016

Internal Audit and Fraud Team Leader

Clackmannanshire Council

3.   OVERVIEW OF 2015-16

3.1   Internal Audit and Fraud's Annual Plan for 2015/16 was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015. The Plan comprised 19 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 (Register of Electors- Postal & Proxy Vote Application and Annual Assurance Report) for the Assessors which will be reported separately to the Valuation Joint Board. A total of 172 weeks were included within the Annual Plan.

Assurance

3.2   Of the 19 audits planned, all have been completed, with 14 final and 5 draft reports issued to management. These audits form the basis of the Internal Audit opinion.   Details of internal audit activity undertaken during 2015-16 is summarised in Appendix A.

3.3   It should be noted that for the final reports issued to date, Internal Audit provided significant assurance for 4 reviews and reasonable assurance for 10. Significant assurance was provided for Administration of Blue Badges, Progress of the New Financial System, Cash Collection & Handling and Leisure Income. Reasonable assurance was provided for Compliance with IT Security Policies, Capital Project Management, iTrent, Debt Recovery, Information Governance, Creditor Management, Travel & Subsistence, Consultancies & Agency Workers, Mobile Phone Income and Delegated Financial Approval Authority. For the 5 draft reports issued there are no matters arising that would affect the overall assurance opinion provided although as noted at 2.2 we have raised concerns around ICT asset management.

3.4   We were able to provide an improved overall assurance level in relation to Information Governance which was a targeted follow up review following previously only having provided limited assurance. We also provided significant assurance on the progress of the New Financial System Project through undertaking stage reviews as the project progressed.   These examples demonstrate not only the contribution to improving control regimes that is being encouraged by Internal Audit and Fraud work but also the willingness of services to open themselves up to scrutiny and address control issues.

3.5   During the year progress on implementation of agreed recommendations from previous reviews was initially followed up on a quarterly basis.   New arrangements were introduced whereby agreed management actions arising from previous Internal Audit Reports are now being recorded on Covalent and will be reported through relevant service committees. Progress has been made on implementing and addressing recommendations from previous reports. Over the year 54 recommendations have been implemented.   Target dates for implementation of agreed management action are now included within Covalent and will be included in 2015/16 service performance reporting.

Contingency

3.6 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 2015/16 work undertaken has included providing advice on Climate Change Report validation, spot checks on social work intermediary accounts, providing assurance on payroll accuracy and providing assistance with reconciliation of Scottish Welfare Fund crisis grant awards.

Governance

3.7 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

3.8 The National Fraud Initiative 2014/15 (NFI) commenced in the second quarter of 2014/15 with data being exported to Audit Scotland between October and December 2014. Matches were made available in February 2015. The data matching identified 1,575 matches of which 1.419 were rated as high and medium risk. An early decision was taken to investigate all matches issued. Of the 1,575 matches identified, 1,553 have now been investigated and closed. This resulted in 5 fraud and 9 errors in housing benefit being identified amounting to £12058.43 and 8 creditor errors identified totalling £12861.33. The balances are in the process of being recovered.

3.9 Responsibility for investigating housing benefit fraud was transferred to the Department for Work and Pensions on 30 October 2015. One member of staff transferred at the same time. Up to this point the team had received 36 referrals for 2015/16 with over 23 investigations commenced up to the end of October. In that time investigations have identified over £31,394 of overpayments with 6 sanctions issued. 12 Live cases have been transferred to DWP.

3.10 The team have utilised information provided by revenues to help identify instances where Single Adult Discount may be being claimed improperly. 31 cases have been identified. Similarly the team has identified a further 9 cases using other data matching techniques. The team have also been utilising data matches provided by our external auditors to identify payment errors with just over £3k of duplicate invoices identified and recovered

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. I am satisfied that Internal Audit work has been carried out in compliance with the Public Sector Internal Audit Standards.

4.2 The Internal Audit and Fraud Team undertook a self assessment against the PSIAS during 2014/15 with the aim of identifying development work required. A Quality Improvement Plan identifies some areas for improvement. This has resulted in a re-drafting of the Internal Audit Charter for inclusion in financial regulations and an updating of the internal audit manual. The team have also prepared a Customer Service Questionnaire that will be issued to clients following audit reviews carried out under the 2016/17 plan and beyond.

4.3 Further development work is also planned around annual plan administration, review and update of working papers and a review of the assignment planning process to ensure that fieldwork is properly targeted around significant risks

4.4 Internal Audit measures its performance against a set of four Key Performance Indicators (KPI). Performance against each of these for 2015/16 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 R&A target date	93	95
3. Audits completed within budget %.	80	85
4. Actual days as % of planned days.	95	83

APPENDIX A - INTERNAL AUDITS COMPLETED IN 2015/16

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2015-16	Corporate	Final Report Issued
Assurance				
Compliance with IT Security Policies	5	2015-16	Corporate	Final Report Issued
Capital Project Management	5	2015-16	Resources and Governance/Corporate	Final Report Issued
Workforce Planning	5	2015-16	Corporate	Draft Report Issued
Shared Services	6	2015-16	Social Services & Education	Draft Report Issued
Health and Social Care Integration	5	2015-16	Social Services	Draft Report Issued
Administration of Blue Badges	4	2015-16	Development and Environmental	Final Report Issued
iTrent	5	2015-16	Resources and Governance	Final Report Issued
Debt Recovery	4	2015-16	Housing and Community Services	Final Report Issued
ICT Asset Management Plan and IT Contract Management	5	2015-16	Resources and Governance	Draft Report Issued
Information Governance	4	2015-16	Corporate	Final Report Issued
Progress of the New Financial System Project	4	2015-16	Resources and Governance	Final Report Issued
Cash Collection and Handling	4	2015-16	Corporate	Final Report Issued
Creditor Management	4	2015-16	Development and Environmental	Final Report Issued
Fleet Management	4	2015-16	Corporate	Draft Report Issued
Travel and Subsistence	4	2015-16	Corporate	Final Report Issued

Audit	Audit Weeks	Annual Plan	Service	Progress
Consultancies and Agency Workers	5	2015-16	IT/Corporate	Final Report Issued
Mobile Phone Usage	2	2015-16	Strategy and Customer Services	Final Report Issued
Leisure Income	5	2015-16	Corporate and Housing and Community Services	Final Report Issued
Delegated Financial Approval Authority	4	2015-16	Development and Environmental	Final Report Issued
Fraud				
Fraud and Error Prevention & Detection	55	2015-16	Internal Audit and Fraud	Completed
Fraud Awareness and Training	3	2015-16	All Services	Completed
National Fraud Initiative	6	2015-16	All Services submitting data	Completed
Other				
Follow Up	4	2015-16	All Services	Completed

ASSURANCE ASSESSMENTS

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.

CLACKMANNANSHIRE COUNCIL

Report to: Audit and Finance Committee

Date of Meeting: 15 September 2016

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 2016/17 which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.

1.2. The report also provides an update on the progress of implementation of recommendations 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 2016/17.

3.0 Considerations

Progress Against 2016/17 Plan

3.1. Progress on completion of the Assurance element of the Annual Plan 2016/17, is summarised in the table below, with more detail being provided in **Appendix A**.

Status of Audits		%
To be Commenced	10	53
Onsite/On going	5	26
Draft Report Issued	4	21
Final Report Issued	0	0
Total	19	100%

3.2. 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 B** and cover the following reviews;

- Validation of Climate Change Submission

- Housing Revenue Accounts

- R & G Performance Management

  Final Reports - Assurance

3.3. The following reports from the 2015/16 plan are provided for:-

- Workforce Planning **(Appendix C)**

- HSCI Due Diligence **(Appendix D)**

- ICT Asset Management Plan and Contract Management **(Appendix E)**

- Fleet Management **(Appendix F)**

- Progress of the New Financial System Project **(Appendix G)**

  The following reports from the 2016/17 plan are provided for:-

- Social Media **(Appendix H)**

- Progress of the New Housing IT System Project **(Appendix I)**

- Insurance **(Appendix J)**

- Stock Control **(Appendix K)**

  Fraud

3.4. The team have been liaising with Head of Strategy and Customer Services to contribute to a number of initiatives on countering Serious and Organised Crime. The team have also been involved in specific investigations which are reported directly to relevant head of service. Counter fraud training has been provided to the Procurement Matters Group.

3.5. The National Fraud Initiative (NFI) is a bi-annual counter-fraud exercise currently managed by the Audit Commission and administered in Scotland by Audit Scotland on behalf of local authorities and other public bodies. The NFI uses computerised techniques to compare information about individuals held by different public bodies and on different financial systems to identify potential inconsistencies or circumstances between data held that requires further investigation. Inconsistencies between datasets are then investigated to identify possible fraud and/or error, stop overpayments and, where possible recover the sums involved.

3.6. The 2016/17 NFI exercise has now started. There are two phases of the exercise with Phase 1 being data extract and upload and Phase 2 being investigation. Internal Audit and Fraud are responsible for co-ordinating the NFI exercise and reporting the progress of investigations to Audit Scotland. Internal Audit and Fraud will also liaise with services and provide guidance, where necessary. The plan for phase 1 is attached at **Appendix L**.

Progress of Follow Up

3.7. Agreed Management actions arising from previous Internal Audit Reports are now being recorded on Covalent and will be reported through Scrutiny Committee. The progress made by Officers on these agreed actions is summarised in **Appendix M** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

3.8. Work is now complete on reviews from the 2015/16 plan, with draft or final reports being issued for all reviews. Work on the 2016/17 plan has now started. 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? 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 - Progress on 2015/16 Internal Audit and Fraud Annual Plan

Appendix B - Terms of Reference

Appendix C - Workforce Planning

Appendix D - HSCI Due Diligence

Appendix E - ICT Asset Management Plan and Contract Management

Appendix F - Fleet Management

Appendix G - Progress of the New Financial System Project

Appendix H - Social Media

Appendix I - Progress of the New Housing IT System Project

Appendix J - Insurance

Appendix K - Stock Control

Appendix L - NFI Project Service Plan 2016-17 Phase 1

Appendix M - 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)

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

Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources and Governance	
Nikki Bridle	Depute Chief Executive	

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	6	2016-17	Corporate	To Be Commenced
Assurance				
Governance- Council, Committees and Executive	5	2016-17	Corporate	To Be Commenced
Social Media	5	2016-17	Corporate and Strategy and Customer Service	Draft Report Issued
HSCI	4	2016-17	Social Services	To Be Commenced
Housing Revenue Accounts	4	2016-17	Housing and Community Safety	Ongoing
Validation of Climate Change Submission	2	2016-17	Development and Environment	Ongoing
H&S Management Systems	5	2016-17	Development and Environment.	To Be Commenced
Education- 1	4	2016-17	Education	To Be Commenced
Education- 2	4	2016-17	Education	To Be Commenced
Budget Management and Monitoring	4	2016-17	Social Services	To Be Commenced
Social Services	4	2016-17	Social Services	To Be Commenced
R&G Performance Management	5	2016-17	Resources and Governance	Ongoing
Progress of the New Housing IT System Project	4	2016-17	Housing and Community Safety	1st Interim Draft Report Issued
Debt Recovery and Housing Benefit (Vanguard Impact)	4	2016-17	Housing and Community Safety	To Be Commenced
Implementation of the new Finance System.	5	2016-17	Resources and Governance and Corporate	To Be Commenced
Insurance	4	2016-17	Resources and Governance	Draft Report Issued

Audit	Audit Weeks	Annual Plan	Service	Progress
Stock Control	5	2016-17	Corporate	Draft Report Issued
Land and Property Asset Management	5	2016-17	Resources and Governance and Development and Environment.	Ongoing
ICT Strategy Implementation	4	2016-17	Resources and Governance	To Be Commenced
Procurement	4	2016-17	Resources and Governance and Corporate	Ongoing
Fraud				
Fraud and Error Prevention and Detection	23	2016-17	Internal Audit and Fraud	Ongoing
Whistleblowing	4	2016-17	Corporate	To Be Commenced
National Fraud Initiative	3	2016-17	All Services submitting data	Ongoing
Fraud Awareness and Training	3	2016-17	All services	Ongoing
Other				
Follow Up	2	2016-17		Ongoing

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INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Development and Environment

AUDIT AREA: Validation of Climate Change Submission

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

The Climate Change (Scotland) Act 2009 defines public bodies' climate change duties. The Scottish Government has set targets, which are set out in the Act and are a 42% reduction in greenhouse gas emissions by 2020 and an 80% reduction by 2050. The Council has a duty to contribute to this. There is a strong expectation that each public body will set its own targets for reducing greenhouse gas emissions from its own estate and operations, through a Carbon Management Plan.

The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order - requires annual reporting, and sets out the format of the report. The reporting is intended to help with Public Bodies Duties compliance, engage leaders and encourage continuous improvement. A standardised report will assist in providing accurate and consistent performance information to inform direction and decision making. The order requires relevant public bodies to prepare reports on compliance with climate change duties. The first full mandatory report for 2015-16 data and activities is due to be submitted by 30th November 2016.

Sustainable Scotland Network (SSN) have issued a formal guidance note for Public Bodies climate change duties 2015/16 report. The guidance covers the completion of the online reporting form and how to enter the information in the correct format. The guidance also covers requirements for the validation of information and the importance of introducing internal and/or external arrangements to help ensure the quality of figures and information contained in the climate change report. Internal Audit will help meet the validation requirements by providing assurance on the accuracy and authenticity of the 2015-16 data in the report.

The scope of the audit will focus on validating the Climate Change Return to ensure the figures are and accurate and comply with the requirements of Part IV of the Climate Change (Scotland) Act 2009.

RISKS

The following risks could prevent the achievement of the objectives of an accurate and timely climate change submission and have been identified as within scope for this audit;

- Climate change figures are inaccurate, are not compliant with the reporting requirements and do not reflect current practice.

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.

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INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Housing and Community Safety

AUDIT AREA: Housing Revenue Accounts

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

The Housing (Scotland) Act 1987 set out the requirements for local authorities to maintain a dedicated Housing Revenue Account (HRA) in relation to their housing stock.

In February 2014 The Scottish Government issued Guidance on the Operation of Local Authority Housing Revenue Accounts in Scotland. This Guidance summarises the legal basis for having a separate council landlord account and lists the accounting and auditing protocols which local authorities must adhere to when submitting their housing accounts to Audit Scotland. The aim of the Guidance is to ensure that tenants of local authorities receive the maximum benefit from their rents and ultimately the best standards of service. It will assist in promoting consistency in the way in which HRAs operate in Scotland and in by promoting the efficient use of resources. It will also help ensure transparency in the operation of the account and the recording of financial information so that tenants can better understand how their housing service is delivering benefit to them and at what cost.

The scope of this audit will be to review HRA transactions to ensure compliance with the Guidance on the Operation of Local Authority Housing Revenue Accounts in Scotland.

RISKS

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

- HRA policies and procedures are poorly defined or unclear leading to erroneous transactions and non compliance with National Guidance.

- HRA transactions not clearly documented leading to inconsistencies and a lack of transparency.

- Failure to implement clear and effective management information and reporting systems leading to absence of robust monitoring and challenge by stakeholders and failure to demonstrate value for money.

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.

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INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Resources and Governance

AUDIT AREA: Performance Management

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

The Resources and Governance core functions include:

- Accountancy (Budget Management and Financial Accounting)

- Governance (Human Resources, Legal Services, Health & Safety, Democracy, Internal Audit and Fraud)

- Information Technology

- Asset Management (Cleaning, Catering, Caretaking and Project Management and Design)

Resources & Governance Services aims to ensure that financial and human resources, building assets IT systems and governance processes facilitate the delivery of the Council's corporate priorities in a legally compliant, cost efficient and effective way.

The Scope of this audit will be to review the adequacy of the Resources and Governance Performance Management Framework in achieving core aims and objectives. The performance management of Internal Audit and Fraud is out with the scope of this review.

RISKS

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

- Business objectives are not being met;

- Inaccurate performance information; and

- Inadequate monitoring of performance results in not identifying and implementing areas for improvement.

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.

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1.   INTRODUCTION

1.1   This report details the findings of the Internal Audit review of Workforce Planning. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2   Workforce planning is about having the right level of skills and experience in the organisation to achieve current and future objectives.

1.3   The Council agreed the Interim Workforce Strategy and Organisational Change Procedure in October 2015 and in February 2016 after further consultation agreed the Severance Policy and Redeployment Policy. All these documents together form the Council's Workforce Planning Framework

1.4   The Council's Workforce Strategy sets out the Council's proactive approach to the recruitment, retention, support and development of its staff..

2.   SCOPE AND OBJECTIVES

2.1   The scope of the audit was to review the key controls in place surrounding the Council's Workforce Planning arrangements. At the time of this review Service Workforce Plans were still being developed and the voluntary redundancy and voluntary severance process was ongoing. It has been recognised that this review will report on the current status of the workforce planning framework and planned developments with a further review of this area will be considered as part of future audit plans.

2.2   Internal Audit, in conjunction with the Head of Resources and Governance, identified the key risks relating to the Workforce Planning Process. At the time of this review the Workforce Planning Policies had been recently approved by the Council and they were still in the process of being implemented. As a result our review is restricted to the early stages of workforce planning and our assurance opinion is restricted to this period. We can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Workforce Planning roles and responsibilities and procedures are poorly defined or unclear leading to lack of ownership and failure to actively manage the workforce.	Reasonable
Inadequate consultation with stakeholders.	Reasonable

3.   FINDINGS

3.1   We can provide reasonable assurance that Workforce Planning (WFP) roles and responsibilities and procedures are clearly defined. The Council has approved a WFP Framework that consists of the following policies and procedures: Interim Workforce Strategy, Organisational Change Procedures, Severance Policy and Redeployment Policy. The WFP Framework's key aim is to proactively manage a contraction in staff resources in the medium to long term, whilst delivering a contribution to the savings requirement in the short term. It also seeks to provide greater clarity and support for staff and minimise anxieties that the increasing pace and momentum of the managed contraction will likely bring. It is anticipated that this interim plan and subsequent work will evolve and become more detailed as key decisions regarding the Council are made.

3.2   The interim Workforce Strategy (WFS) represent the Council's commitment to create a sustainable and affordable workforce. It details the Council's priorities for the future, and outlines the work required which will help develop the workforce in the medium to long term. The WFS states that it should be updated on a regular basis in order to reflect the Council's Policy and practices. There is no formal timetable for regular review of the WFS. (Finding 5.1)

3.3   The organisational Change Procedure, one of the key tools that supports the WFS, was approved by the Council on 22/10/15. This procedure sets out the Council's approach to managing human resources implications of organisational change. It details the Council, Management and HR responsibilities for engaging with Trade Unions and staff prior to and during organisational change.

3.4   The Severance Policy was agreed by the Council on 23/2/16. Should there be a requirement to reduce the staffing establishment this policy sets out the mechanisms to be used. The aim of the Policy is to ensure that all employees will be treated fairly and that the process applied is transparent. The Policy details the conditions and arrangements for voluntary severance and redundancy. The Policy dictates the roles of the key officers and Services. The severance policy provides scope for Compulsory Redundancy but the decision to go for Compulsory Redundancy should be made by the Council with regard to the prevailing policy and financial circumstances. At the time of this review the voluntary redundancy and voluntary severance process was ongoing. The application and compliance with this policy will be considered for review as part of future audit planning processes.

3.5   The redeployment policy was agreed by the Council on 23/2/16. The Policy states that "the Council will redeploy employees who no longer have a post and this policy aims to ensure management of redeployment is fair, consistent and supportive." Again compliance with this policy will be considered for review as part of future audit planning processes.

3.6   A key outcome of the WFS is the creation of a Workforce Planning Toolkit (the toolkit). The toolkit is designed to assist each Council Service to assess and capture key drivers and future gaps. It also includes a reporting framework which will form the basis for all Service Workforce Plans. At the time of this review Service Workforce plans were still being developed. Key milestones of the WFP have been agreed by CMT and are monitored through a project plan. This includes finalised Service Workforce Plans being due to be reviewed by CMT on 1 June 2016. Workforce Plans and compliance with the toolkit will be considered for review as part of future audit planning processes. Roles and responsibilities of Senior Management, HR and Organisational Development in relation to compliance with the WFP framework are not formally defined. (finding 5.2)

3.7   We can provide reasonable assurance that there is adequate consultation with stakeholders. At the time of our review a WFP Communications Plan was being developed and Service management advised that this would be completed on 4/4/16 and thereafter it will be presented to CMT for approval.

3.8   Communication is taking place on a variety of levels across channels to ensure that workforce planning information is communicated to all staff. The methods of communication include Council Reports, CMT Briefs, Connect Intranet articles, staff briefings and team meetings. In order to get feedback on the effect of the workforce planning process on staff a brief was recently submitted to CMT which provided detail on proposed changes to the staff survey process. The amended content of the

survey included questioning in relation to leadership, management of change and employee engagement.

3.9   Executive Management have held a number of open invitation staff briefing sessions on budget implications which include workforce planning. The briefing session slides and questions and answers are available for staff on the Council Intranet. Member briefings are not scheduled until after Service WFPs have been completed and the organisational WFP has been submitted to the Council. It is anticipated that a general update will be given to the Council in October 2016.

3.10   The Organisational Development Adviser has carried out training with Service Management in order to go through the processes involved in the toolkit and the development of Service Workforce Plans. The project plan timeframes have slipped with regards these training sessions and at the time of this review training had not been carried out by Education, Social Services or Housing and Community Services and there were no immediate plans for this training to take place. (Finding 5.3)

3.11   The Severance Policy states that the Council will offer appropriate support to employees at risk of redundancy which may include, for example, advice and information relating to stress, individual financial / benefits arrangements and job search techniques. A Voluntary Severance factsheet detailing budget position and the voluntary severance application process is available on the Council Intranet.

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	-
Priority 3	3
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There is no formal timetable for reviewing and updating the Interim Workforce Strategy. Management advised that review is likely to happen on an annual basis.	Workforce Strategy does not reflect current practices and circumstances potentially leading to failure to actively manage the workforce.	3	An overview timetable will be drafted in order to co-ordinate updates to Council regarding the Interim Workforce Strategy, and half yearly updates to the Councils Management team.	OD Advisor	29/04/2016
5.2	Roles and responsibilities for Senior Management, HR and Organisational Development for compliance with the WFP framework are not formally defined.	Lack of ownership and failure to actively manage the workforce.	3	Responsibility for Workforce planning, and the creation of Service Workforce Plans in particular, ultimately falls with Service Management. In order to embed the process within Services, a 'Roles and Responsibilities' section will be integrated into the Workforce Planning Toolkit (this is the most common reference point for workforce planning within the Council and will therefore be highly visible to those undertaking the process).	OD Advisor	29/04/2016

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.3	The project plan timeframes have slipped with regards training sessions and at the time of this review training had not been carried out by Educations, Social Services or Housing and Community and there were no immediate plans for this training to take place.	Responsible officers are not aware of roles and responsibilities leading to lack of ownership and failure to actively manage the workforce.	3	The need for these sessions was established via a paper submitted to CMT. Where there was no initial uptake from Services, chase ups were made by the Head of Service for Customer and Strategy Services. To address this situation the Council's OD Advisor will continue to chase Services, and progress with the provision of workforce planning data for Services. It is anticipated that this will then spur on further responses and engagement in the process.	OD Advisor	29/04/2016

HEALTH & SOCIAL CARE INTEGRATION DUE DILIGENCE   **APPENDIX D**

1.   INTRODUCTION

1.1   This report details the findings of the Internal Audit review of Health and Social Care Integration Due Diligence. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2   The Clackmannanshire & Stirling Health & Social Care Partnership has been established in response to the Public Bodies (Joint Working) (Scotland) Act 2014. The Partnership comprises NHS Forth Valley, Stirling and Clackmannanshire Councils. The IJB will have a combined budget for services and functions which are in scope and for which it is hosting services on behalf of the partners. It will also have indicative budgets for services delegated for strategic planning purposes. The alignment of the budgets will be the subject of a due diligence process agreed between the partners and the partnerships, in order to help provide the IJB with assurance that its resources are adequate to allow it to carry out its functions and to assess the risks associated with this.

1.3   The Scottish Government has issued Guidance on Integration Financial Assurance, recognising that partners should coordinate due diligence activities across financial assurance as well as legal and operational assurance. Stirling, Clackmannanshire and Falkirk Councils, along with NHS Forth Valley, have shared estimated figures of 'in scope' and 'out of scope' budgets for Health and Social Care Integration, following agreed methodologies. This report focuses on financial assurance from the Clackmannanshire Council perspective. The content of this report will be incorporated into a joint Financial Assurance report produced by the Internal Audit teams of NHS Forth Valley and the Stirling & Clackmannanshire Council Internal Auditors to be presented to the Stirling & Clackmannanshire IJB at a future date.

2.   SCOPE AND OBJECTIVES

2.1   The scope of our audit was to address the recommendation, in the IRAG guidance (Guidance on Integration Financial Assurance) that Local Authority and Health Board Internal Auditors provide a report to the Local Authority on the assurance process.

2.2   Internal Audit, in conjunction with Accountancy Staff, identified the key risks relating to the financial assurance process undertaken to agree the Clackmannanshire Council allocation base budget for 2015/16.   We can provide **Significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
The financial assurance process may not have followed national guidance.	Significant

3. FINDINGS

3.1   The final version of the Integration Financial Assurance Guidance was issued by the Scottish Government in June 2015 and provides guidance on the process of financial assurance to allow the IJB to assess the resources to be delegated and associated risks.

3.2   Section 3.2.1 of the Financial Assurance guidance states that: "It is recommended that the initial sums should be determined on the basis of existing Health Board and Local Authority budgets, actual spend and financial plans for the delegated services. It is important that the plans are tested against recent actual expenditure and that the assumptions used in developing the plans and the associated risks are fully transparent."

3.3   This report provides assurance on the process undertaken to agree the Clackmannanshire Council allocation base budget for 2015/16. We can provide Significant assurance that the process undertaken to agree the Clackmannanshire Council allocation base budget for 2015/16 has been in line with national guidance with the methodology used sound.

3.4   Integration arrangements included the formation of a Finance Workstream Group, chaired by the NHS Forth Valley Director of Finance, with membership comprised of Chief Financial Officers of the Falkirk, Clackmannanshire and Stirling Councils along with Senior Finance representatives from each of the above. The Finance Workstream Group reports to the Programme Board which is chaired by the Chief Officer for Stirling & Clackmannanshire IJB.

3.5   The IJB Integration Scheme required that costing methodologies were agreed by the end of July 2015. Principles were established by a methodology paper which was developed and agreed by both Partnerships and the proposals were subsequently reviewed and submitted to the two Transitional Boards for their approval.   In order to ensure that the IJB budget setting processes undertaken by Clackmannanshire were appropriate, we examined the *'Integration Joint Board Budget Methodology'* and reviewed a sample of the underlying working papers used to produce these reports. We also discussed the detailed process undertaken with accountancy staff.

3.6   A Clackmannanshire Council Integration Masterfile spreadsheet was produced to record the previous three years figures and to track all agreed changes made by the Finance Workstream Group. This spreadsheet has been regularly presented to the Finance Workstream Group and where changes were agreed, they have been made with strict version control.

4.   RECOMMENDATIONS

4.1   No issues have been reported and no further management action is required.

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1. INTRODUCTION

1.1   This report details the findings of the Internal Audit review of the Council's Information and Communication Technology (ICT) Asset Management System. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2   Effective ICT is critical to the operation of Clackmannanshire Council and the effective delivery of services. One of the key elements of the Council's ICT strategy and vision is that the Council knows what ICT assets it has, where they are located and their value. This information is vital to ensure the Council deploys and manages its ICT assets effectively to enable it to continue to deliver improved public services.

1.3   A key element of the Council's ICT Strategy and complimentary ICT Asset Management Plan (ICTAMP) is the introduction of an ICT asset management system. A centralised Asset Register Database was implemented in 2013/14 (GLPI). The aim of the asset register is to record all assets, their location, lifecycle and value in a centralised location in a consistent manner. The new system will also support the information needs of the ICTAMP by providing the data on which the ICT acquisition and maintenance strategies and future investment programme will be based.

2. SCOPE AND OBJECTIVES

2.1   The scope of the audit was to review and evaluate the high level controls around the new ICT Asset Management System including the fit with the ICT Asset Management Plan.

2.2   Internal Audit, in conjunction with Senior ICT Officers, identified the key risks relating to the audit. We found weaknesses in relation to recording of asset disposals and the level of management information available on the assets recorded on the asset register.   There is a formal ICT Asset Management plan and related polices and procedures in place however these have not been reviewed recently. In our opinion we can only provide overall **limited** assurance that risks are being adequately mitigated

Key Risk	Assurance Assessment
ICT Asset Management Plan and IT Contract Management procedures and roles and responsibilities are insufficient, poorly defined or unclear leading to failure to actively manage and monitor the Asset Plan and IT Contracts.	Reasonable
Acquiring inappropriate ICT assets and failure to optimize the use of each ICT asset during its life.	Reasonable
Failure to dispose of ICT assets when they are no longer cost effective.	Limited
Failure to continuously improve processes for managing IT Contract Management.	Reasonable
Reliable and complete information for internal and external requirements is not available.	Limited

3.   FINDINGS

3.1   We can provide reasonable assurance that the ICT Asset Management Plan (ICTAMP) and IT Contract Management Procedures are relatively well defined and clear. The ICT Strategy (2012-2017) sets out the vision, principles and strategic direction for the Council's use of ICT. The Strategy also dictates that ICT spend should be managed to ensure best value, through centralising ICT budgets and through centralised and collaborative procurement. ICT budgets were centralised in13/14 and Senior IT Officers are responsible for approving expenditure and are also involved in procurement of IT Systems.

3.2   The ICTAMP 2013-2017 describes the ICT assets owned by Clackmannanshire Council. The ICTAMP sets out guiding directions and principles for the high level roles of ICT for purchasing and managing ICT assets. ICT Strategy and AMP are due for formal review and re-publish this year. Related asset management policies and procedures are in place however these have not been subject to review recently. As the ICTAMP is updated so should related policies and procedures. (Finding 5.1)

3.3   An IT Asset Policy has been in place since 2013 and provides an overview of the IT Service Asset Management process for tracking assets. The Policy defines what IT Assets are and the systems in place for recording and managing them. IT Asset Procedures outline the steps to be taken to record information for IT assets throughout their lifecycle. ICT Asset Disposal Procedures were last updated in October 2014 and are a one page document outlining the process to dispose of assets and update the asset register. ICT Purchasing Procedures outline processes for purchasing ICT assets from providing a business case to approval of orders. The key players in ICT Asset Management: System Owners, IT Management and IT Customer Services roles in relation to asset management have not been specifically defined. It was also noted that although there were contract management processes in place there are no written IT contract management procedures in place (Finding 5.2).

3.4   We can provide reasonable assurance that appropriate ICT assets are acquired and that their use is being optimised during their life. Since the consolidation of ICT Budgets in 2013/14 ICT Senior Management have been responsible for approving ICT asset expenditure and this has enabled greater scrutiny by ICT to query payments to ensure contracts are in place and value for money is being achieved. IT Management: Monitor the spend of ICT Budget and record PO & Invoices within the Asset Register.

3.5   The IT purchasing procedures require an evaluation of the business case. A business case is prepared and evaluated if purchases are from a national framework contract. In addition purchases are made in line with the Councils Contract Standing Orders and national procurement guidelines. Asset order requests are signed off by the relevant service line manager. ICT Assets are recorded on an Asset Register by automatic uploads of assets connected to the network and manually input by ICT Officers. However we found a number of inconsistencies on the information that is recorded.   Through audit testing we found that assets on the asset register were not always linked to PO / Invoice and procurement documents and contracts are not scanned / linked to the assets. (Finding 5.3)   It is recognised that purchasing processes are in place but the Asset Register has still to be developed fully in order to be a fully integrated and link directly to purchasing documentation.

3.6   The recognition software has not been working since December 2015 therefore there is a risk that assets added to system since this date will not have been reconciled to the asset register. (Finding 5.4) There is some mitigation here in that access to the network can only come through ICT and on an annual basis an independent health check is undertaken to ensure that the systems and processes that control access to the network are robust. In addition software has recently been introduced to automatically identify the location and type of all computer terminals connected to the network.

3.7   The ICTAMP states that the management of ICT Assets is based on the ICT industry best practice ICT Lifecycle Model. In practice this is not the case. Clackmannanshire Council utilise assets until they are no longer fit for purpose and/or are not cost effective to repair. This lifecycle model is not clearly defined per category of asset and the rationale on whether or not to continue utilising an asset is also not formally recorded (Finding 5.5)   Lifecycle and capacity management is however being undertaken on an informal basis through IT Management Meetings and the regular monitoring of device capacity.   Senior Management advised that the Clackmannanshire Lifecycle model will be based on the Internationally recognised Information Technology Infrastructure Library (ITIL) Lifecycle Model.

3.8   We can only provide limited assurance in relation to the arrangements for the disposal of ICT Hardware Assets when they are no longer cost effective. ICT Senior Management advised that that assets will be replaced when they are not cost effective to retain (e.g. replacement costs are lower than costs being incurred as a result of inefficient assets). Although management make a rational decision on the disposal of assets based on cost and the practicality of carrying out a repair there is no formal documented evidence of the evaluation of cost effectiveness. Furthermore we identified the following non conformance with the ICT Asset Disposal Procedures: disposal records not linked to the asset register, no equipment disposal spreadsheet is maintained and uploaded to the asset register; scanned copies of disposal receipts are not linked in to the asset register, no reconciliations carried out between asset register and actual assets disposed off. (Finding 5.6)

3.9   The council utilises 2 external contractors to dispose of asserts on a zero cost basis. No official disposal certificate is received and there is no agreement in place for this service to ensure assets are disposed of appropriately and in Line with WEEE Regulations (Finding 5.7). It is council policy for information to be held on devices to be encrypted with other information held on Corporate Systems.

3.10   We can provide reasonable assurance that the processes for managing IT Contracts are being continuously improved. As a result of centralising ICT budgets in 2013/14 ICT Management approve the purchase of ICT Assets. This has lead to greater ICT Officer involvement in procurement, functionality and contract management arrangements of ICT Assets. Also ICT have a role in ensuring that assets connected to the network meet PSN Security requirements. It is our view that this greater level of ICT scrutiny reduces the risk of inconsistent account management and helps ensure that value for money is obtained.

3.11   ICT Management Team (ICTMT) meets regularly to discuss and agree ICT development issues. The ICTAMP contains a ICT Asset Management Improvement Plan. Although the ICTMT record and monitor agreed actions there was little evidence that the ICT Asset Management Improvement Plan Actions have been progressed towards implementation. (Finding 5.8) Management advised that this was because IT resources have been concentrated on other higher priority projects.

3.12   As mentioned in paragraph 3.3 above ICT Contract Management roles have not been formally defined.

3.13   We can only provide limited assurance that reliable and complete asset management information for internal and external requirements is available. The ICTAMP specifies that information for internal and external requirements can include: Planning for shared services, regulatory compliance, license renewal, compliance with FOI requests, and contract negotiation and renewal.   There is limited management information produced from the Asset Register. At present the accuracy of the information held in the register can not be guaranteed due to lack of reconciliations, software updates not been working since December and no links to disposals. At present the main purpose of the Register is to records assets, expenditure and to be able to answer related queries from budget holders.   ICT Management advised that there were other sources of information (ICT Service Desk databases and network reports) that can be used to help meet internal and external information requirements but this can be time consuming to obtain from these disparate systems and they were not reviewed at the time of this audit.

3.14   Policy and procedures specify reporting requirements such as ICT reporting annually on asset status, publishing an annual capacity plan and asset plan updates, annual report on disposals, reports to Services upon request at the time of this review these reports were not being produced. (Finding 5.9) Improved asset monitoring and reporting would contribute to a more embedded approach to system lifecycle management, which if combined with a supporting investment programme would mitigate failures of ICT assets which have had a significant impact on IT Service Delivery

3.15   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	6
Priority 3	3
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	ICT Strategy and AMP due for formal review and re-publish this year. Related asset management policies and procedures are in place however these have not been subject to review recently.	Roles and responsibilities are poorly defined or unclear leading to failure to actively manage and monitor the Asset Plan and IT Contracts.	3	ICT Strategy and AMP renewed	ICT Service Manager	30/10/16
5.2	The key players in ICT Asset Management: System Owners, IT Management and IT Customer Services roles in relation to asset management have not been specifically defined. It was also noted that although there were contract management processes in place there are no written IT contract management procedures in place.	Roles and responsibilities are poorly defined or unclear leading to failure to actively manage and monitor the Asset Plan and IT Contracts.	3	Produce Contract Management Standards document	Principal Development Officer	30/7/16
5.3	Through audit testing we found that assets on the asset register were not always linked to PO / Invoice and procurement documents and contracts are not scanned / linked to the assets.	Incomplete inaccurate asset information recorded about non ICT approved assets	2	Migrate legacy systems to fully integrated Asset Management System	Principal Development Officer	31/3/17
5.4	Network Asset recognition software has not been scanning and updating the asset register since December 2015.	Incomplete inaccurate asset information recorded about non ICT approved assets.	2	Reinstate network asset software once infrastructure changes complete	ICT Services Team Leader	30/9/16

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Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.5	The Clackmannanshire lifecycle model is not clearly defined and is not in line with industry standards as specified in the ICT AMP. In addition the rationale on whether or not to continue utilising an asset is not formally recorded.	Assets not managed effectively.	2	Asset Management Improvement plan added to Service Business plan for 16/17	ICT Service Manager	31/3/17
5.6	There was no documented evidence of cost effectiveness and functionality being evaluated as part of managing the lifecycle of assets. The following weaknesses were identified in relation to the disposal arrangements: - disposal records not linked to the asset register, - no equipment disposal spreadsheet is maintained and uploaded to the asset register, - scanned copies of disposal receipts are not linked to the asset register, No reconciliations carried out between asset register and actual assets disposed off.	Failure to dispose of assets when they are no longer cost effective. Non compliance with policy and failure to dispose and record assets appropriately.	2	Publish an annual capacity plan and asset plan updates	ICT Services Team Leader ICT Service Manager	31/3/17

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.7	The council utilise 2 external contractors to dispose of asserts on a zero cost basis and receipts are obtained. No official disposal certificate is received and there is no agreement in place for this service to ensure assets are disposed of appropriately (In line with WEE Regs)	Failure to dispose of assets in a controlled and appropriate way.	3	Review destruction processes and establish suitable contracts	Principal Development Officer	30/9/16
5.8	There was little evidence that the improvement actions identified in the ICTAMP have been progressed towards implementation.	Failure to continuously improve process for IT Contract Management.	2	Asset Management Improvement plan added to Service Business plan for 16/17	ICT Service Manager	31/3/17
5.9	There is limited management information produced from the Asset Register. Policy and procedures specify reporting requirements such as ICT reporting annually on asset status, publishing an annual capacity plan and asset plan updates, annual report on disposals, reports to Services upon request. At the time of this review these reports were not being produced from the asset register.	Reliable and complete information for internal and external requirements is not available.	2	Reporting on Capacity already added to PRD targets for Infrastructure Team Leader	ICT Services Team Leader	31/3/17

1. INTRODUCTION

1.1   This report details the findings of the Internal Audit review of Fleet Management. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2   Responsibility for the maintenance purchase and storage vehicles and plant rests with Environmental Services, part of Development and Environmental Services, based at the Kelliebank Depot in Alloa. At the time of our audit, the Council fleet consisted of 330 vehicles (including plant) with a related annual Capital budget of C£1m for 15/16. The vehicles and plant are used by services for direct delivery of a service to the public or supporting service delivery in some way.

1.3   Efficient management of the fleet is critical to the delivery and performance of public services. In the current financial climate, we must improve the performance of our investment in physical assets over their available life.

2. SCOPE AND OBJECTIVES

2.1   The scope of the audit was to assess the controls in place to manage the risks affecting fleet management.   The following areas were reviewed: defined policies and procedures for fleet management; effective utilisation of the fleet; maintenance of fleet; arrangements for licences; insurance arrangements and replacement and disposal of fleet.

2.2   Internal Audit, in conjunction with the Environment Manager, identified the key risks relating to the audit. In our opinion there is a good control environment operating in relation to fleet management and the proposed arrangements for their management going forward. We have however significant concerns around the apparent lack of value for money being achieved from the vehicle parts contract and associated inadequate contract management arrangements.   We can however provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Fleet Management Polices and Procedures, roles and responsibilities are poorly defined leading to non compliance with standards and inefficient or an ineffective fleet resource.	Significant
The Council does not obtain value for money from fleet replacement, disposal and the short term hire of vehicles.	Limited
Lack of routine inspection and vehicle maintenance potentially leading to increased costs, litigation and lack of Service Delivery.	Significant
Lack of control over vehicle storage, vehicle deployment, licensing and insurance arrangements leading to inappropriate vehicle use.	Reasonable
Inadequate management information systems, leading to inefficiency and loss of control.	Reasonable

3.   FINDINGS

3.1   We can provide significant assurance that Fleet Management Policies and Procedures, roles and responsibilities are properly defined. A Fleet Asset Management Policy (FAMP) 2013 - 2018 was approved in 2013. The FAMP has now been superseded by a Making Clackmannanshire Better (MCB) technical and strategic project review of Fleet Services.   The review will include a review of leasing or purchase of vehicles, the capital programme for procuring vehicles, the capacity of the fleet workshop and fleet resources including employees. The review is due to be completed by May 2016.

3.2   Fleet Services hold an up to date Operators Licence and is meeting the relevant requirements. Fleet vehicles also comply with the Road Traffic Act 1988, Rules and Regulations. An independent annual inspection by the Freight Transport Association on vehicles included within the Operators Licence found that all checks were satisfactory.

3.3   We are happy that the Council obtains value for money from fleet replacement, disposal and the short term hire of vehicles. Procedures are in place for fleet replacement and disposal and these procedures comply with the FAMP and Contract Standing Orders. Vehicle replacement is based on a 10 year capital programme, which is forecast and adapted according to demands of the client services. It was confirmed that vehicles are being procured from suppliers within Scotland Excel contracts for the Supply and Delivery of Heavy and Municipal Vehicles and Cars and Light Commercial Vehicles

3.4   It was confirmed that there are proper arrangements in place to extract the maximum life from vehicles. Vehicle disposals are usually the result of a scheduled replacement but can also be due to a vehicle becoming surplus to requirements. The disposal method depends on the vehicle, type, age and condition. Fleet Services check out vehicles to be disposed and if the vehicle still has some useful life left then it can be used to replace a vehicle that needs to be taken out of service due to its condition, or offered up as a pool car. Where vehicles are sold at Auction or written off by insurance it was verified that the handover of vehicles is signed for with the vehicle removed from the Asset Register and SAVE, the software system used for fleet management.

3.5   Services only hire replacement vehicles as a last resort with vehicles hired from the Scotland Excel contracts when specialist vehicles are being repaired or serviced. As at the end of January 2016, around £10k has been spent on short term hires. Alternatives used by services to short term hires are pool vehicles and reciprocal agreements with other services.

3.6   A contract is in place with Bridge Motor Factors for the procurement of vehicle parts from 1 June 2012 to 31 May 2016. However, the contract value of £740,000 has already been exceeded by £165,596.31 with the contract spend to date at the end of January 2016 being £905,596.31 with £879,029.30 spend directly by Fleet Services. Due to the contract value, the contract would be required to be retendered via the EU Journal and as this is a lengthy process, this cannot be achieved before the contract expiry date. The Procurement Manager has recommended that the existing Scottish Excel Fleet Parts contract be used by Fleet Services from 1 June 2016 (Finding 5.1).

3.7   We have significant concerns that the contract for vehicle parts has not delivered value for money. We tested a number of transactions over the life of the contract and compared prices paid to those offered either by general parts suppliers, main dealers or direct from manufacturers. We were working off limited descriptions so there may be some variations in comparisons however we are confident that we have sufficient evidence to back up findings. For a sample of invoices between March 2013 and February 2016 we found that, where we could make a comparison, payments via the contract were 178% higher than from retail sources. For samples taken from 2015/16 invoices this jumps to a 235% difference. As noted above a total of just over £900k has been spent on this contract. (Finding 5.2)

3.8   We also have concerns about the management of the contract. We were advised that the contract was tendered on a basket of commonly used parts however testing identified a very small proportion of the tendered parts actually being purchased. Added to this, where they have been

purchased the price paid can be significantly higher than that provided in the original tender. Where a part is required that does not appear on the original tender we were advised that the part is ordered without first identifying or agreeing a price. Fleet advised that they do not have resources available to properly manage the contract.

3.9 As a result we can only provide limited assurance that value for money is being achieved.

3.10 We can provide significant assurance that routine inspections and vehicle maintenance are properly carried out. A service schedule spreadsheet records the first eight schedules due as required by the Operator Services Agency (VOSA) guidance. A check is made that all schedules are undertaken with the actual service date recorded on SAVE. It was verified that when a vehicle is purchased, service schedules are being properly set up. Workshop staff are issued with a routine maintenance checklist covering all required checks.

3.11 Drivers complete a defect sheet for any repairs required. A job line is completed with all details of the work required and completed recorded in SAVE. The independent check by the FTA found suitable systems for defect reporting and planned inspection frequency.

3.12 Fleet Services carry out inspections of taxi licences. It was found that inspections of taxi licences are properly controlled. The charges comply with the Charging Register and cover the costs of the work carried out. The MOT's arranged for the taxis comply with Contract Standing Orders with the MOT's carried out under the same quotes as council vehicles MOT's.

3.13 We can provide reasonable assurance over the control of vehicle storage, vehicle deployment, licensing and insurance arrangements. It was found that vehicles are held securely. Property Contracts operate a homeworking scheme. When the new Automated Fleet Telematics system is rolled out then the information required to quantify the efficiency savings from increased productivity and savings in fuel usage will be available. There are detailed guidelines in place for use of council pool cars.

3.14 Vehicle keys are held in key safes by Land and Burial Services, Waste Services in Forthbank and the Whins Resource Centre. The rest of the services based at Kilncraigs, Forthbank and Kelliebank keep the keys on a board at night. (Finding 5.3) A spare set of keys for all council vehicles is also held by Fleet Services who hold these in a locked stores area with all spare keys signed out and in.

3.15 Drivers carry out daily drivers' checks on their vehicles and evidence this check in a Drivers Book. The monitoring that their drivers are carrying out these checks by six services were reviewed. Roads Services have increased the daily vehicle checks following a recent health and safety incident with safety sensors now checked. Supervisors for all services apart from Waste Services check that drivers are carrying out these checks and evidence this check (Finding 5.4). Previous quarterly health and safety checks carried out by Waste Services included checking that drivers' checks are being completed has lapsed. When vehicles are serviced or repaired, Fleet Services check that drivers checks are being completed and if not completed this is reported to the Fleet Contracts Manager and the drivers Line Manager. There have been no reports from Fleet that any waste drivers are not completing the daily checks. In addition the annual independent check by the FTA found that the daily walk round checks by drivers were satisfactory.

3.16 A new Automated Fleet Telematics System is to be implemented in February 2016 with a Project Support Officer employed to assist with the implementation of the system and meet with services. The system will improve efficiency with a better control of fleet with surplus vehicles identified, journeys reviewed to identify if could be better planned, vehicles faults identified and reported and routes identified if required. The system will be linked to the employee ID card with all journeys logged.

3.17 Comprehensive information on all the Council's vehicles are recorded in SAVE, with management reports showing when MOT and road tax due. A Roads Fund Checklist ensures that all vehicles are taxed by the due date with the SAVE report of road tax due checked to the DVLA reminders to ensure compliance. A schedule of each months MOT tests is completed from the SAVE report with a pre MOT check carried out along with the scheduled service check if possible.

3.18   An annual insurance policy covering all Council vehicles is arranged by the Insurance Officer within Corporate Accountancy.

3.19   We can provide reasonable assurance that there are adequate management information systems in place. Monthly reports of fleet costs including fuel are available to services. Services mainly just carry out a broad-brush review of the fleet costs spreadsheet.   Following the change in management accounting practice around 2011 service budgets had their fleet costs removed and there was a lack of accountability by services for fleet costs. In theory there is now not much incentive for Services to use fewer vehicles as this results in no direct budget saving. (Finding 5.5) However, there have been efficiency savings made by Services including not carrying too much stock as less fuel used; further electric vehicles to be procured; routes picking up Service Users carefully planned and Waste vehicles not going to the tip in Stirling until full.

3.20   A monthly Fuel Transactions report showing costs of fuel by each driver, performance graphs is scrutinised by the Environment Manager with any high use queried with the relevant service.

3.21   Fleet Services arrange for a driver who had two accidents in six months to be reassessed for driving. This policy is not written down but is the practice followed. This is not detailed in the Guidance on Managing Fleet Vehicles Safety in the Workplace with Managers unaware or unclear of this practice. (Finding 5.6)

3.22   Services are now being recharged for damage to vehicles where the damage was caused by driver error. This is to make services aware of the cost to the council from carelessness by one of their drivers with services therefore carrying out an investigation into the incident with possible disciplinary action taken.

3.23   Fleet Service performance including decreasing the carbon emissions from the fleet have been reported to the Enterprise and Environment Meeting on a quarterly basis for scrutiny by members. This was a key action from the FAMP. The remaining key actions from the FAMP will be evaluated in the planned review of Fleet Services.

3.24   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	1
Priority 2	1
Priority 3	3
Priority 4	1

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The vehicle parts contract has exceeded contract value and needs to be retendered via the EU Journal. This is not achievable before the contract expiry date. It has been recommended by the Procurement Manager that the existing Scottish Excel Fleet Parts contract be used by Fleet Services from 1 June 2016.	Lack of compliance with contract standing orders and best value not obtained for the Council.	2	Vehicle parts will be sourced from the Scotland Excel collaborative procurement framework.	Environment Manager	At expiry of current contract and by 1 June 2016
5.2	Vehicle Parts contract has not delivered value for money. Contract has not been adequately managed.	Council has incurred significant overspend. Potential legal challenge	1	Appropriate controls, training and supervision will be introduced to ensure compliance with Financial Regulations. Undertake analysis of spend on materials out with the scope the Scotland Excel collaborative procurement framework e.g. non-core parts such as tools, consumables, to determine which procurement route to take for those items	Environment Manager	Immediate effect In parallel with 5.1. by 1 June 2016

FLEET MANAGEMENT   **APPENDIX F**

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.3	Vehicle keys are held in key safes by Land and Burial Services, Waste Services in Forthbank and the Whins Resource Centre. The rest of the services based at Kilncraigs, Forthbank and Kelliebank keep the keys on a board at night.	Improved security where vehicle keys held in a key safe	3	Service users to be instructed to keep vehicle keys in locked key safes where practical to do so. *Financial Regulations [20.2]… each Service Chief Officer is responsible for the operation and control of vehicles in use within their own Service.* Team Leader Fleet to issue advisory instructions to Service users regarding the security of vehicles and keys.	Team Leader Fleet	By 31st March 2016
5.4	Previous quarterly health and safety checks carried out by Waste Services included checking that drivers' checks are being completed has lapsed.	Health and Safety issue.	3	The new Waste Services Team Leader intends to reintroduce the random health and safety inspections.	Waste Services Team Leader	
5.5	Following the change in management accounting practice around 2011 service budgets had their fleet costs removed and there was a lack of accountability by services for fleet costs. In theory there is now not much incentive for Services to use fewer vehicles as this results in no direct budget saving	Lack of accountability of fleet costs by services.	3	There is a duty on Service users to identify surplus or under-used assets within their own service, including the control of vehicles used by them: viz. *Financial Regulations [20.2]… each Service Chief Officer is responsible for the operation and control of vehicles in use within their own Service.* The introduction of the Fleet Telematics System commences around April 2016 and reports from the system will assist Service management , working in partnership with Fleet Services, to identify under-used vehicles.	Environment Manager, Service Mangers from fleet user services	Post implementation and embedding of Fleet Telematics: August 2016

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.6	Fleet Services arrange for a driver who had two accidents in six months to be reassessed for driving. This policy is not written down but is the practice followed. This is not detailed in the Guidance on Managing Fleet Vehicles Safety in the Workplace with Managers unaware or unclear of this practice.	Lack of clarity of treatment of drivers accidents.	4	Vehicle accidents, depending upon cause and investigation outcome, may be subject to: 1 HSWA 1974 etc. 2 Road Traffic offence prosecution 3 Council disciplinary procedures 4 Referred to Fleet for re-training	Outcomes 1,2,3 are the responsibility of Service management Outcome 4 is the responsibility of the Fleet Team Leader but will require consultation prior to implementation of a policy change	Outcome 4: September 2016

PROGRESS OF THE NEW FINANCIAL SYSTEM PROJECT   **APPENDIX G**

1.   INTRODUCTION

1.1   This report details the position of the New Finance System Project as at April 2016. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2   The Funding for the replacement Finance System Project was agreed at a Special Council Meeting in February 2013. In November 2014 a dedicated Project Manager was employed to oversee the implementation of the new Finance System. In June 2015 the Project Manager left employment with the Council but this role was filled internally by the appointment of two IT Business Analysts as co-project managers.

1.3   In discussion with Senior Finance staff it was agreed that assurance needs to be provided on the progress being made of the implementation of the project. This review will consider progress of the project throughout 2015/16 to provide independent assurance to the Resources and Audit Committee that risks are being mitigated.   This report is the fourth and final report on the Progress of the New Financial System Project. The Implementation of the New Finance System will be reviewed as part of the 2016/17 Internal Audit Plan.

2.   SCOPE AND OBJECTIVES

2.1   The scope of the audit is to regularly review controls in place and the progress of the New Financial System Project.

2.2   Internal Audit, in conjunction with the Project Manager and Project Senior Responsible Officer, identified the key risks relating to the audit. In our opinion there is a good control environment operating in relation to progressing the New Finance System Project. However the loss of supplier's lead consultant in the build phase has required a revision of the project timescale and a phased implementation which means that different elements of the system will go live at different times. We can still provide overall **significant** assurance that risks are being adequately mitigated as a new consultant has been put in place, the project plan adjusted accordingly and a full system acceptance and handover date of 21/9/16 is still on schedule.

Key Risk	Assurance Assessment
Project Management roles and responsibilities, documentation and system development specification are poorly defined or unclear leading to lack of ownership and failure to actively manage and monitor the project.	Significant
The progress of the contract is not monitored or progressed in line with agreed targets.	Significant
Inadequate consultation with stakeholders.	Significant
Changes to the contract are not managed and result in additional costs.	Significant
Procurement of the new system is not in line with contract standing orders.	Significant
Inadequate testing prior to sign off of new system resulting in requirements not being met and additional costs.	Significant

3.   FINDINGS

3.1   Audit reviews undertaken recently, including Budget Management, General Ledger, Treasury Management, Debt Recovery, and Creditors Management have highlighted a number of control weaknesses in the current Finance System. Weaknesses identified include reliance on paper based systems, poor access controls, high level of manual intervention required, limited reporting and limited systems integration, instances where Invoices, Purchase Orders, Payroll, HR and imprest transactions are not being appropriately authorised.   The system has been designed to address all these issues. The Finance System is an overarching system that again is designed to integrate with all Service Delivery Systems. Its successful implementation is critical to Council Service Management and the Council being able to achieve its objectives in an efficient and sustainable manner.

3.2   The initial phase of this project from November 2014 to July 2015 involved identifying the extent of the current system and the requirements and scope of the proposed new system. The aim of the project is to introduce a new integrated business solution across all Clackmannanshire Council's sites that streamlines business processes and enables end users to operate more effectively. A System Supplier (TechOne) has been selected through a tender exercise and a system implementation Project Initiation Document (PID) has been agreed and signed off by the Project Senior Responsible Officer and the Supplier on 6/10/15.

3.3   At the time of this review (April 2016) the project progress was in line with the project plan. Phase 1 (All supplier and customer criteria uploaded and centralised processing of invoices) of the new TechOne Finance System (Finance System) went live on 1/4/16 with Phase 2(Procure to pay, management accounting and enterprise budgeting) and Phase 3 (Procurement cycle**)** due to be implemented and final system acceptance and hand over due on 21/9/16.

3.4   Phase 1 of the project involved the implementation of the following system functionality on 1/4/16:

- All income and expenditure is recognised through Tech One.

- Revenues team use the system to raise customer invoices, chase debt and complete banking reconciliations to income received.

- The chart of accounts have been developed in consultation with Service Accountants and uploaded to The Finance System and core back office systems.

- All supplier and customer details have been refined and uploaded.

- Centralised invoicing: Creditors teams will centrally scan supplier invoices which will be workflowed to department pools for coding and subsequently workflowed to budget holders for authorisation except those processed through Servitor.

- Service areas will use The Finance System to raise sales invoices and will continue to use purchase order books until Phase 2 of the project has been implemented.

3.5   All invoices received direct at Service areas are forwarded to the Creditors Team to be processed centrally within The Finance System. The exception to this at present is Development and Environment and Housing operations which utilise the Servitor system at Kelliebank Depot. Servitor processes invoices with an uploaded file being processed by the Finance System.   We have previously raised concerns about visibility of controls as invoices are not i-doxed at Kelly bank in line with corporate requirements. However, we have been advised by management that Servitor is due to be replaced by a new Housing IT System which will be fully integrated with The Finance System and is due for development in 16/17 .

3.6   Phases 2 and 3 of the Finance System are planned to be implemented prior to project completion on 21/9/16 and include:

- Procure to pay is in 3 pilots the first on the 5/7/16 then 21/7/16 and then 6/9/16 (Phase 3) for Education and R&G Assets. It involves raising and authorising purchase orders on the system. It

also includes full centralised invoice matching to authorised purchase orders to initiate automatic processing for payment.

- Management Accounting and enterprise budgeting which includes management information and reporting and is due to go live on 5/7/16.

- Procurement cycle to include development and input of supplier and procurement catalogues and is due to be implemented on 5/7/16.

3.7   The following issues have been identified by the Project Management Team and we are content that these are being addressed as part of the Project Boards Risk Management Procedures:

- There is a backlog of invoices to be processed on the system. This is being addressed by splitting backlog into batches and distributing to staff for processing.

- System alterations have been required due to Revenues Services processes not being fully identified at the specification phase of the project.

- Resourcing issue in relation to updating and maintaining procurement catalogues. Resource requirement identified and possibility to fulfil internally being explored.

- General communications issues whereby specific categories of users and general awareness could be improved. This is being addressed by more targeted interaction with specific Service Teams and increased communication through the regular Council communication channels.

3.8   We can provide significant assurance that project management roles and responsibilities, documentation and system development specification are well defined and up to date. The following key project management documents have been approved and are up to date: Project Initiation Document (PID), Project Plan, Project Specification. In addition the Project Team advised that a full End of Project Report including benefits realisation and lessons learned will be prepared and agreed by the Project Board prior to system sign off.

3.9   The Project Board is a key project group with responsibility for leading, reviewing and endorsing the PID and Project Plan. Thereafter the Project Board will review the progress of the Project and the associated service budget. We found the membership and frequency of the meetings to be adequate and in line with the PID. The Project Operational Group comprises representatives from key Project Services and is involved in the Project oversight and control.   The Group can also include other key stakeholders that have special interest in the outcome of the Project. The Project Team comprises staff chosen to work on the Project and Project Champion from the Services selected by the Project Operational Group. Team member roles will vary depending on the phase of the project.

3.10   We can provide significant assurance that the contract is being monitored and is progressing within agreed targets. The Project Plan was approved by the Project Board and defines the stages of the project, associated tasks and target timeframes and milestones.   The Project Managers are responsible for the day to day monitoring of the Project Plan and ensuring milestones are achieved. The Project Managers and the System Supplier prepares a regular Project Progress report which details the status of the Project and progress against Project Plan milestones and this is reported to project members and stakeholders.

3.11   We can provide significant assurance that there is adequate consultation with stakeholders. Key stakeholders are part of the Key Project Groups as described in Paragraph 3.10 above.   Key stakeholders were directly involved in the development of the Project Specification and Project Plan and are also directly involved in the system implementation phase. A formal communications strategy and plan have been developed and kept up to date with the most recent versions approved on 16/3/16. A wide range of stakeholders; both within Finance and across all Service Areas, have an interest in the implementation of the replacement Finance System and will be impacted by its ongoing development and implementation. It is important to keep all parties fully informed about the project for all involved to gain maximum benefits from the implementation. To achieve this, communication must be a priority for the Project Team. It is important that a suitable communication plan is in place and strategies can react to emerging requirements, to ensure project buy in and project deliverables are achieved.

3.12   Recent Finance System Project Team consultation and communication includes:

- Drop in awareness sessions.

- Attended Team Leader meetings and provided system demonstrations.

- Weekly updates on the Intranet in the run up to go live on 1/4/16.

- Targeted e-mails to specific user groups.

- In addition the Project Team have trained around 160 system users and developed supporting system user guides.

3.13   We can provide significant assurance that changes to the contract are identified and managed. Risk, Issues and Change Logs have been developed and are utilised as part of the project and discussed at Project Board Meetings. The system supplier has been selected and the subsequent system implementation is being managed through the PID, Project Plan and Solution Design Document.

3.14   We can provide significant assurance that the procurement of the new system is in line with the contract standing orders. Project Board and CMT decided that the use of an established framework agreement would be utilised in order to select a supplier for the new finance system. Suppliers on the framework were invited to tender based on the system specifications. The returned tenders and system demonstrations were evaluated on a price and quality weighting criteria based on system specifications. The Procurement Manager has taken an active role in all stages of the procurement

3.15   We can provide significant assurance that there is adequate testing and sign off arrangements in the Project Plan. At the time of this review system configuration tasks are being completed.   Detailed training and testing plans have been developed for this purpose. Status of system configuration, data cleansing, migration is in line with the plan.

3.16   In conclusion, we can provide overall significant assurance that key project risks are being identified, adequately mitigated and the Project Team will deliver the New Finance System with full system acceptance and handover date scheduled for 21/9/16.   This report is the fourth and final report on the Progress of the New Financial System Project.   The implementation of the Finance System will be reviewed as part of the 2016/17 Internal Audit Plan.

3.17   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 robust control environment was identified during this review and as a result no findings have been reported and no further management action is required.

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1. INTRODUCTION

1.1   This report details the findings of the Internal Audit review of Social Media (SM) utilisation. The review forms part of the Internal Audit and Fraud Plan for 2016/17, which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.

1.2   SM are computer based tools that allow people or companies to create, share, or exchange information, career interests, ideas, and pictures/videos in virtual communities and networks. The Council uses social networking to engage, inform and interact with communities and the Council has a corporate Facebook page and a Twitter account.

1.3   The Council initially developed a Social Networking Policy in 2011 which sets out corporate policy on the use of online social networking. The policy aims to protect both the Council and its employees by defining what online behaviour is acceptable. The policy was recently updated to reflect the changing ways that we use SM corporately, expectations from customers and the general high awareness and use of SM among staff. It is anticipated that the updated policy will be approved in 2016.

1.4   New developments and technology require flexible, adaptable and new approaches to communicating with our key audiences. Use of online services and mobile technology is increasing, and our customers expect fast, pro-active and reactive communication with the Council through SM channels. SM is now an important corporate communication channel and it has already proven as an efficient and effective way to communicate and engage with stakeholders.

1.5   Control of the Council's Social Media presence is important, as is the accuracy and appropriateness of information posted on Council accounts which can impact directly on the Council's standing and reputation as a Service provider.

2. SCOPE AND OBJECTIVES

2.1   The scope of this audit was to review the key controls in place relating to the Council's use of SM. Arrangements at schools were not included in this review and will be considered for inclusion in future planning.

2.2   Internal Audit, in conjunction with the Head of Strategy and Customer Services and the Strategy and Performance Manager, identified the key risks relating to the audit.   Corporate social networking accounts are managed by the Communications and Community Team and are well controlled. A new Policy including a Business Case application process and comprehensive Acceptable Use Guidelines have been developed alongside the policy. We can therefore provide overall **Significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Inadequate controls over Social Media set-up, management, maintenance and performance management leading to inappropriate content and reputational, legal and governance risks to the Council.	Reasonable
Social Media not utilised to its full potential for achieving business objectives and meeting customer needs.	Significant
The Social media Policy does not comply with legislative requirements and good practice guidelines.	Significant

3.   FINDINGS

3.1   We can provide reasonable assurance that there are adequate controls over Social Media (SM) set-up, management and maintenance and performance management.   The Communications and Marketing Strategy 2013 recognises SM as an important communication channel that can help the Council achieve its objectives. The Strategy acknowledges that SM as a communications tool provides significant opportunities for the Council in managing the corporate brand and in promoting achievements and success. SM also provides opportunities for engaging and diverting customers to other channels of communication.   In addition effective utilisation of SM will assist in fulfilling the Making Clackmannanshire Better aims of making efficiencies and transforming services. The Communications and Marketing Strategy is due to be updated in 2017.

3.2   The current version of the Social Networking Policy was approved in 2013. It details the ground rules for employees to ensure that the content of business and personal postings they make do not bring the Council into disrepute, nor breach their obligations under the Conditions of Service as employees of the Council. The Council has SM Corporate Accounts which are controlled by the Communications and Community Team (CCT) with access to update these accounts restricted to a limited number of Team members. However, the Policy also states that the council's official accounts must be used and new pages should not be set up. It was identified that a number of school-based and Sports Development SM accounts had been set up with no business case being formally recorded and no formal corporate approval and control of content by the CCT. (Finding 5.1)

3.3   At the time of this review the Social Networking Policy was being reviewed and still had to be approved. (Finding 5.2) The material change to the Policy is the inclusion of a business case application form for new SM accounts that requires formal approval by Service Managers and Communication and Community Team Leader.   In our opinion business case applications should be completed retrospectively for all Council related SM Accounts (Finding 5.1).

3.4   There is no specific SM training but the CCT have had peer-to-peer training and keep up to date with SM developments.   Comprehensive Social Media Acceptable Use Guidelines have also been developed by the CCT and these will be issued once the revised Policy has been approved.   The Principles of the Acceptable Use Guidelines are already being followed by the CCT Team when managing the corporate SM Accounts and these include: produce quality content; monitor for comments and queries; moderate content; effectively promoting and marketing; measure and evaluate usage and review and report.   Access to post on Corporate accounts is restricted to a limited number of the communications team who continually monitor and check content to ensure it is accurate and appropriate. In addition there are account filters in place which help ensure no content has inappropriate language.

3.5   We can provide significant assurance that SM is being utilised to its full potential for achieving business objectives and meeting customer needs. As stated in paragraph 3.1 the use of SM is recognised as a key tool in helping to achieve the Communications and Marketing Strategy and MCB objectives. The improvement actions in the Corporate Communications and Marketing Strategy have been progressed and these include the development of an online press office function for an efficient response to incoming media and press requests. The progress of these actions will help ensure the development of effective communication which SM has a key role to play.   As stated in 3.4 above Corporate SM accounts are managed and monitored by the CCT with the aim of informing and engaging with the public.   CCT use SM is used to share information, promote and communicate corporate events/services and to respond to customer enquiries..

3.6   Statistics in relation to SM interaction are available directly from SM accounts but also additional statistical information is available through the Social Sign-in Dashboard which is an additional piece of software that has been purchased for this purpose.   SM stats are reported to Services on specific campaigns and related information may be contained in Service plans. In addition high profile SM campaigns are reported through Service Committee reports. Service Management advised that the statistical information will be used to inform the development of the next Communications and Marketing Strategy. Customer satisfaction of the Council's SM is evaluated directly on SM Accounts but also via the Clacks 1000 Citizen Survey.

3.7   Unlike traditional media, online media is largely unregulated and not controlled and there are no specific legislative requirements relating to Social Media. However there are a number of social media best practice guides, related information legislation e.g. Data Protection Act and other organisation's SM policies. It is our view that the Social Network Policy and acceptable use guidelines are reasonable and are based on CCTs extensive working knowledge of using SM in a corporate environment and adhere to good practice principles. Therefore we can provide significant assurance that SM Policy does comply with legislative requirements and good practice

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.

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	-
Priority 3	2
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Independent Service specific SM accounts have been set up without a business case being recorded and without corporate approval. New procedures dictate that all Council SM accounts should have a business case approved by Service manager and Communications Team. The currently active corporate and Service specific SM accounts have not been formally approved.	Uncontrolled use and set up Council Social Media accounts. SM accounts not approved and utilisation not achieving business objectives.	3	Once new Policy approved, roll out associated business case application form and acceptable use guidelines, including retrospectively to existing accounts with the support of the Education Service.	Communications and Community Team Leader	31/3/17
5.2	Updated Social Networking Policy has not been formally approved.	Policy out of date leading to ineffective Social media use.	3	Proceed with new Policy to Policy Forum and CMT for sign off and approval	Communications and Community Team Leader	30/11/16

PROGRESS OF THE NEW HOUSING IT SYSTEM PROJECT   **APPENDIX I**

1.   INTRODUCTION

1.1   This report details the findings of the Internal Audit review of the New Housing System Project as at July 2016. The review forms part of the Internal Audit and Fraud Plan for 2016/17, which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.

1.2   In September 2015 The Corporate Management Team (CMT) approved replacing the current in-house bespoke Housing IT Systems with an integrated housing management, repairs and appointments system. The new Housing IT System will be provided by Technology One (TechOne) who are also the provider of the Council's Finance System. The Housing System Project will only fully commence with Tech One once the Finance System has been fully implemented and this is expected to take place in October 2016.

1.3   It is anticipated the implementation of the Tech One Integrated Housing IT system will ensure more efficient ways of working and deliver savings due to it being a cloud based solution with full Finance System integration, improved reporting functionality, and a reduction in current systems licensing costs.

1.4   In discussion with Senior Housing staff it was agreed that assurance needs to be provided on the progress being made of the implementation of the project. This review will consider progress of the project throughout 2016/17 to provide independent assurance to Resources and Audit Committee that risks are being mitigated. Interim reports will be provided as the project moves forward with a final report provided at the end. This report is the first interim report.

2.   SCOPE AND OBJECTIVES

2.1   The scope of the audit is to regularly review controls in place and the progress of the New Financial System Project.

2.2   Internal Audit, in conjunction with the Project Senior Responsible Officer and Project Manager identified the key risks relating to the audit. In our opinion at this early stage of the Project a good initial control environment is being formed and we can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Project Management roles and responsibilities, documentation and system development specification are poorly defined or unclear leading to lack of ownership and failure to actively manage and monitor the project.	Reasonable
The progress of the contract is not monitored or progressed in line with agreed targets.	N/A
Inadequate consultation with stakeholders.	Reasonable
Changes to the contract are not managed and result in additional costs.	Reasonable
Procurement of the new system is not in line with contract standing orders.	Substantial
Inadequate testing prior to sign off of new system resulting in requirements not being met and additional costs.	N/A

3.   FINDINGS

3.1   In September 2015 CMT agreed in principle to replace the current Northgate OHMS and Civica Servitor software with "Onehousing" a housing management extension to the new Finance IT system recently procured from Technology One (TechOne).

3.2   The successful implementation of "Onehousing" is critical to Council Service Management and the Council being able to achieve its objectives in an efficient and sustainable manner.

3.3   At the time of this review (July 2016) we can provide reasonable assurance based on the initial arrangements for formulating project management roles and responsibilities and documentation.   A member of the Housing Management Team has been assigned Project Management responsibilities and the project management arrangements are based on Prince 2 Project Management principles.

3.4   The Project Manager has developed a draft Project Initiation Document (PID) which specifies what officers hold the key project roles (Project Sponsor, Senior Responsible Officer, Project Manager) and also defines what the key project roles and responsibilities are. The PID also defines what the Key Project Groups (Project Board, Project Team, Project Operational Group its remit and desired membership). The Project Groups have been agreed by the Housing Management Team and the PID and Project Plan will be agreed by the Project Board.

3.5   At the time of this review the contract has been agreed but has not yet commenced and so no actual monitoring has been required. The Project Manager advised that contract terms will be factored into the Project Plan which will be monitored to completion.

3.6   On 16/9/15 The Corporate Management Team agreed that the TechOne Housing module implementation time will be greatly reduced as it will be an extension to an existing system; system costs will be reduced as it shares components with the already purchased finance system thereby reducing duplication, and integration costs will be minimised because interfaces will not need to be developed between the systems

3.7   The Project Manager is responsible for the day to day monitoring of the Project Plan and ensuring milestones are achieved. The Project Manager advised that once the project is underway regular Project Highlight Reports will be produced which will detail the status of the Project and progress against Project Plan milestones.

3.8   We can provide reasonable assurance that there is adequate consultation with stakeholders. A number of staff were given a demonstration of the TechOne Housing system and their feedback taken into account in the decision to go with the TechOne System. The Stakeholders have been identified as the Team Leaders and other key staff within the Housing Service.   They were identified as they represent the areas of business covered by the scope of the project.   They will be involved in the development of the specification of the new system. Key stakeholders are also identified in the PID as described in Paragraph 3.6 above. The PID also refers to a Communications Plan which has still to be developed. The Project Manager advised that front line staff will play a key role in compiling system specification and developing the system.

3.9   At the time of this review no changes were required to the Contract. We can provide reasonable assurance as Risk, Issues and Change Logs are referred to in the PID and initial project risks have been identified.

3.10   We can provide substantial assurance that the procurement of the new system is in line with the contract standing orders. TechOne was awarded the contract for the Finance system after a rigorous assessment process co-ordinated by the Procurement Manager. The Housing System Contract was approved and signed in September 2015 and is an extension of the Finance System Contract as the Housing system is a module of the existing TechOne System.

3.11   It is not appropriate to provide assurance on the adequacy of testing and sign off arrangements at this point as at the time of this review the system was not at the testing stage. We will review procedures at the appropriate time. The Housing Reporting Group are responsible for the information held on current systems have been tasked with identifying information required for the new system.

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   At this stage of the project a robust control environment was identified during this review and as a result no findings have been reported and no further management action is required.

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1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of the Council's Insurance arrangements. The review forms part of the Internal Audit and Fraud Plan for 2016/17, which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.

1.2 Insurance is a method of transferring risk from one party to another and thus mitigating the insured party's financial losses. This could be the risk of damage to an asset (e.g. property insurance) or the risk to others arising from an activity (e.g. liability insurance). Insurance is only a method of transferring risk. In itself it does not materially change the nature of the risk, its likelihood of occurring or its potential impact.

1.3 The Council have transferred some of the risk by purchasing an insurance policy to provide indemnity in respect of the class of risk concerned. The Council has a 2 year 10 months insurance contract running from 1/6/15 with the option of a 2 year extension. The insurance contract covers various classes of insurance e.g. Motor, Property, Public Liability.

1.4 In addition to the Insurance Contract the Council undertakes internal financing of risk through a dedicated insurance fund. The insurance fund covers the cost of valid claims that are less than the excess that has to be paid for claims as agreed in the insurance contract.

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2. SCOPE AND OBJECTIVES

2.1 The scope of the audit will focus on insurance fund administration and claims handling. The tendering of insurance contracts will be out with the scope of this review.

2.2 Internal Audit, in conjunction with the Chief Accountant and Insurance Officer identified the key risks relating to the audit. We found examples of sound controls relating to insurance provision contracts being in place and standard forms being completed for claims that were processed in line with insurance polices and insurance arrangements being compliant with the Council's Financial Regulations. We can therefore, provide overall **Significant** assurance that risks are being addressed and adequately mitigated

Key Risk	Assurance Assessment
Invalid claims resulting in reputational damage and financial loss.	Significant
Non compliance with regulations and legislation resulting in potential litigation and reputational damage	Significant
Insurance claims not fully accounted for and processed through Council Systems	Reasonable
Insurance cover is not up to date and sufficient to transfer risk resulting in risks not being managed, poor value for money and financial loss	Significant

3. FINDINGS

3.1 The Council agreed a Risk Management, Consultancy and Insurance Brokerage Contract on 1/9/14 for 4 years. The primary functions of this contract were for an insurance advisor to assist with the Council's Insurance functions. This includes advice on future strategy, development of Risk Management Strategies and to provide assistance in the tendering process for the purchase of Insurance Policies.

3.2 The Council agreed an Insurance and Claims Handling contract from 1/6/15 to 30/3/18. This contract covers the following classes of insurance: property, liability, accident and health, motor, engineering, computer, contract works contractors insurance, malpractice, officials indemnity, professional indemnity, fidelity guarantee and claims handling.

3.3 We can provide significant assurance that valid claims are being processed. The Council's Insurance Officer (Insurance Officer) is responsible for collating claims for the claims handler, recording and monitoring payments and reconciling transactions through the Insurance Fund. The claims handler and insurer have responsibility for deciding negligence and liability for insurance claims.

3.4 From discussions with officers responsible for insurance, reviewing the terms of the Insurance Polices per risk category and reviewing a sample of claims it was found that Clackmannanshire Council is compliant with the insurance policies. In addition standard claim forms were being completed when making an insurance claim.

3.5 The Council's Financial Regulations refer to Insurance arrangements and include requirements for inventory lists, and the completion of accident report forms. The consistency of claim information was reviewed and we found compliance with procedures and Financial Regulations.

3.6 When reviewing motor insurance claims it was found that two local suppliers were utilised to repair vehicle damage with a combined expenditure of approximately £10k pa over the last 4 years. This is in contravention with the Contract Standing Orders as there is no evidence of any contract in place for these suppliers and they are not been engaged through Contracts Scotland. (Finding 5.1) The insurance Officer role is carried out by one individual with cover provided if required by other members of the Corporate Accountancy Team. Cover has not been required for some time and although there are written instructions these were compiled over 4 years ago and at the time of this audit were still to be fully reviewed and updated. (Finding 5.2)

3.7 We can provide significant assurance that the Insurance arrangements comply with regulations and legislation. As stated in 3.5 above the insurance claims and arrangements were in compliance with the Council's Financial Regulations. In addition the Insurance industry is regulated and compliance with these regulations is the responsibility of the contracted insurance providers.

3.8 We can provide reasonable assurance that insurance claims are fully accounted for and processed through Council systems. The Insurance Officer maintains a claims spreadsheet based on claims received and information from the claims handler. At the end of the financial year the Insurance Officer reconciles the claims spreadsheet to transactions through the Council's Financial Ledger.

3.9 The claims handler charges a fee per transaction and this varies depending on which risk category the claim relates to. The payment of fees is taken in advance based on previous years levels and is taken directly from the Clackmannanshire account held by the claims handler. There is no checking done to ensure that all fees charged are accurate and relate to actual claims passed for processing. We were unable to carry out a reconciliation of claims handlers fees due to the lack of information relating to the fees paid (Finding 5.3).

3.10 For Public and Employers Liabilities claims payments are taken straight from the Clackmannanshire funded account held by the claims handlers with the excess repaid by the insurers back into this account. This account is funded through the payment of an invoice received from the claims handler. There is no checking of the transactions on this account in order to ensure that the

balance is correct before any extra funds are paid. We were unable to carry out checks on this account due to the level of detailed information available. (Finding 5.4

3.11   We can provide significant assurance that insurance cover is up to date and sufficient in transferring risk and achieving value for money. Consultancy and insurance brokerage and claims handling contracts are valid and insurance premiums have been paid up to date

3.12   An example of additional insurance being purchased was recently identified by The Insurance Section. This related to a school trip where the additional insurance was built into the overall trip. The Insurance Officer was of the view that this was a one off and the school have been informed that the Council has corporate travel insurance that would cover pupils and staff for regular school trips. On an annual basis the Insurance Officer provides an information bulletin to the whole Council requesting details of trips to be included in the insurance policy. We were advised that this would be amended to highlight the fact that the Council has Corporate Travel Insurance and if any additional insurance is required then this should be carried out through the Insurance Section. The Health and Safety Section are notified and assist affected Departments to investigate claims and put measures in place to reduce risks. Health and Safety also provide evidence and reports relating to accidents which are used to settle claims received

3.13   The Council's Insurance Broker is responsible for assessing the Councils insurance risks and insurance claim history and this is used to determine level of insurance required and the related premium costs. Measures are put in place by Departments affected by claims in order to reduce the cause and number of claims which will be reflected in lower insurance premiums and excesses in future insurance policies. For example, Fleet Services have put in place the following controls in order to reduce accidents: driver training/assessments, pre recruitment checks on driver credentials, a fleet tracking system which is used to ensure that vehicle checks are undertaken and the vehicle is being driven in a safe manner. The individual control measure put in place have not been specifically reviewed as part of this audit.

3.14   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.

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	2
Priority 4	-

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	No contract or engagement through Contracts Scotland for the vehicle repairs suppliers utilised through insurance.	Increased costs and not achieving value for money.	3	Review current use of vehicle repair suppliers as part of an overall Fleet review. Test the market and consult Scotland Excel for vehicle repair suppliers and retain evidence of the process and results. Put in place a process whereby best value is achieved by engaging with one supplier over another.	Fleet Team Leader	31/3/17
5.2	Insurance Administration work instructions have not been reviewed for more than 4 years.	Inconsistent work practices potentially resulting in invalid claims, time delays and additional costs.	3	Procedures reviewed and updated. Agreement for evidenced annual review to ensure current and fit for purpose.	Insurance Accountant Insurance Officer	31/8/16
5.3	There is no checking done to ensure that all claims handling fees charged are accurate and relate to actual claims passed for processing.	Extra costs incurred for a service that has not been provided.	2	Liaison with Claims Handler to ensure sufficient information is obtained in order to carryout regular reconciliation of fees to claims processed. In addition information will be obtained in order to carry out retrospective reconciliation of fees to claims processed.	Insurance Accountant Insurance Officer	31/3/17
5.4	There is no reconciliation of the Clackmannanshire Account held by the Claims handlers to ensure that the balance is correct before any further funds are paid.	Extra costs incurred as claims covered through internal funding rather than through the insurance company as detailed in the insurance contract.	2	A report will be requested along with the invoice detailing all transactions since the previous invoice and this will be reconciled to previous claims transactions.	Insurance Accountant Insurance Officer	31/3/17

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of stock control. The review forms part of the Internal Audit and Fraud Plan for 2016/17, which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.

1.2 Clackmannanshire Council had a stock value of C£500k as at 31 March 2016. For accounting and control purpose, stock takes are undertaken on an annual basis across Services and official stock certificates are signed off with stock figures included in the accounts. The Council's Financial Regulations (section 19) state that Heads of Service are responsible for the control of their stocks and stores. The Regulations also set out control objectives covering the management of stock to ensure that stock is held securely, accurately accounted for and that appropriate levels are maintained. There are also directions covering write-offs, losses and disposals.

1.3 A variety of stock items are held in different services. These include items for use by property maintenance, roads, catering, fleet, social services, waste and streetcare.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to assess the controls in place to manage the risks affecting stock control.

2.2 Internal Audit, in conjunction with Heads of Service, identified the key risks relating to the audit. In our opinion there is a robust control environment operating in relation to the control of the areas that hold the majority of stock and the proposed arrangements for their management going forward. There were some other more minor issues of non conformance that mainly related to areas that held small supply of stock rather than across the board failings. We can therefore provide overall **significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Stock Control Polices and Procedures are insufficient or inconsistent.	Significant
Inefficient stock control systems.	Reasonable
Stock is not held securely or properly accounted for.	Significant
Inappropriate stock levels are held leading to increased associated costs.	Reasonable

3. FINDINGS

3.1 We reviewed the controls in place for stock control at Property Contracts Unit (PCU), Clackmannanshire Equipment Service (CES), Catering, Waste, Roads and Fleet. A summary of the findings can be seen in the table below.

Control	Stock Section					
	PCU	CES	Catering	Waste	Roads	Fleet
Annual Stock Take Instructions	✓	✓	✓	✓	✓	✓
Stock Control Procedures	✓	✓	✓	✗	✗	✗
Stock Control Systems	✓	✓	✓	✗	✓	✓
Checking Stock In and Out	✓	✓	✓	✓	✓	
Ordering, Receiving and Paying for Stock	✓	✗	✓	✓	✓	✓
Stock held Securely	✓	✓	✓	✓	✓	✓
Stock Properly Accounted For	✓	✓	✓	✓	✗	✓
Stock Levels	✓	✓	✓	✗	✗	✓

3.2 Overall there are good stock controls in operation over the areas reviewed with the lack of written stock procedures being the most common weakness in 3 of the 6 sections. However there are standard procedures in place for each stock area and the written procedures in place at the 3 sections cover the majority of stock held. Where stock control issues have been identified these are mainly concentrated at Waste and Roads Sections Further details as to the operation of stock controls in the 6 sections can be seen in paragraphs 3.3 to 3.16.

3.3 We can provide significant assurance that stores procedures are operated in accordance with the Council's Financial Regulations with particularly good practice followed by the Property Contracts Unit (PCU), who hold 44% per value of the Council's stock.

3.4 Stock Certificates, confirming that stock records are complete and accurate are received from services that hold stock at year-end. It was also verified that the stock balances at year-end were valued in accordance with the relevant accounting standards.

Stock Control Instructions / Procedures

3.5 Accountancy Services send out instructions for the year-end annual stock take along with the pro-forma Stock Certificates. PCU, CES and Catering have additional documented stock procedures, which include stock taking. The PCU procedures also cover stock issues, returns and goods received, the Catering procedures include stock rotation, storage of the stock and the CES procedures include procedures for orders, payments, and delivering, maintaining and writing-of the equipment. Fleet, Roads and Waste do not have documented stock procedures. (Finding 5.1)

Stock Control Systems

3.6 We can provide reasonable assurance that stock control systems are efficient. In particular, PCU, Roads and CES maintain a full stores master file record. Waste Services does not record receipts of stock in FLARE, the Waste IT system, with no ongoing record of actual stock. (Finding 5.2)

Checking Stock In and Out

3.7 Any stock adjustments and write-offs are authorised by a senior manager and entered into the relevant IT systems by an independent employee. Stock records are held securely with access restricted to authorised employees only and access to write-of fields further restricted.

3.8 In general, receipts are supported by an authorised order and delivery note, which is checked to the actual goods received. In addition, PCU complete goods received notes on-line. Delivery lines for vehicle parts are being checked to the order by Fleet but are not being passed to Business Support to

match to the invoice. It is acknowledged that this is a transition period for Fleet with new contracts started and Fleet does not have a designated store person. (Finding 5.3)

Ordering, Receiving and Paying for Stock

3.9 In general, there is an adequate separation of duties between ordering, receiving and paying for goods. However, it was identified that a Business Support Administrator, who is not an authorised signatory, was authorising orders for CES. The implementation of the new Finance System will now prevent this. Write-offs of obsolete or damaged stock are authorised by an independent senior officer. There were no recent significant write-offs or surplus stock disposed off.

3.10 On an individual basis the departments' stock systems are relatively efficient for managing stock. However, given the number of disparate stock control systems in place consideration should be given to introducing a corporate stock control system. (Finding 5.4) IT Senior Management have advised that the recently introduced Corporate Finance System has an asset management module which could potentially be developed into a corporate system for stock control.

Stock Held Securely / Stock Properly Accounted For

3.11 We can provide significant assurance that stock is held securely and is properly accounted for. Good practice was found for CES stock. Any stock differences identified at the year end stock take relate to processing delays with stock still to be written off and these are corrected prior to the final year end valuation. In addition, sample testing of six physical stock items agreed to the number recorded in the CES system. Any discrepancies found at the PCU year-end stock take are all double-checked by independent senior officers. There were no sample checks carried out on PCU van imprest stock (small stock of miscellaneous items required to carry out routine property repairs) due to savings required for the overtime worked at the stock check. Property Services Management have taken the decision to manage this risk with van imprest stock only 20% of the overall PCU Maintenance Stock, and Tradesmen were instructed to check their own stock was up to date. Van Imprest Stock sheets were reviewed and no material discrepancies were identified. In addition Accountancy compare stock levels on the year-end stock certificates with those of the previous years with any significant variations investigated with the Service. We are content with the PCU van imprest stock arrangements in place.

Stock Levels

3.12 Catering Supervisors carry out regular stock takes with the Catering Manager ensuring that these are being carried out. Senior Catering Officers also carry out audits at all catering locations twice a year with the locations targeted where it is thought that there is some wastage of food. PCU Storemen review their own stock every two months where they also review reorder levels. Driver/Technicians review the CES stock every two weeks and identify stock requiring to be reordered. Weekly dipstick readings are taken of diesel for reordering purposes.

3.13 The Roads Storeman only carries out a check on stock when handing over to a Relief Storeman. A spot check of stock items to the system at Services found a number of differences with Roads Contracts and Roads Lighting stock. (Finding 5.5) Items booked out for out of hours work within Roads is not always notified to the Roads Storeman. Higher value items are to be moved to a more secure store within Forthbank. A Storeman is called out for any emergency issues for Property Maintenance repairs.

3.14 All stock areas were found to be secure with authorised employees only having access to stores and alarms. Suitable arrangements are in place for storing and handling goods. The only goods not delivered into stores are stair lifts which are fitted by the supplier. CES check before paying the invoice that the stair lift was delivered and fitted correctly.

3.15 We can provide reasonable assurance that appropriate stock levels are held. Servitor, the Property Services costing and stock system, requires minimum, maximum and reorder levels to be set for PCU stock. Management set and review these levels to ensure stock levels are consistent and meet demand. Stock levels are set within CES but not used currently for budget reasons with a low stock level being maintained. This means that stock now requires to be ordered on a fortnightly basis rather

than monthly as it was previously. Roads and Waste can set stock levels in their IT systems but these are not used with manual estimates used for reordering stock. (Finding 5.6) Waste has had recent issues over not ordering stock in good time. If the receipts of stock orders were input and the stock levels set in FLARE, a system prompt would alert when stock required to be reordered.

3.16 PCU is aware that they have slow moving stock, which requires to be reviewed and written off if appropriate. The service is waiting for a new Housing Management system to be put in place before reviewing the slow moving stock. This new system is expected to be implemented during 2016/17. (Finding 5.7) Fleet are aware that they require to review stock levels for vehicle parts when the new contracts are embedded with the aim of streamlining the stock held.

3.17 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	-
Priority 3	7
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Roads, Fleet and Waste do not have documented stock procedures in place.	Employees may not be aware of the correct procedures to follow.	3	**ROADS:** Roads Contracts employees will be reminded of the procedure for drawing (or returning) stock items (through Tool-Box Talk. A flow-chart will be drawn up and issued to any temporary storeman stating the procedure which should be followed. **WASTE:** Documented procedures for stock control will be introduced and employees made aware of the procedure. **FLEET:** Documented procedures for stock control will be introduced and employees made aware of the procedure.	Technical Support Officer, Environment Manager Team Leader Waste Services and Streetcare Interim Fleet Team Leader	31 August 2016
5.2	Waste does not record receipts of stock in their IT system with no ongoing record of stock.	A lack of stock records which show the value of Waste stock at any given time. It would not be possible to easily ascertain what items were held.	3	**WASTE**. Waste Services does not have an IT system for stock control. Access to a corporate IT stock control system would be advantageous across a number of fronts. As an interim measure Waste Services will maintain manual, spreadsheet records, of stock receipts (separate from GRN/ Invoice / Receipting which is in place).	Team Leader Waste Services and Streetcare	31 August 2016 in conjunction with 5.1
5.3	Delivery lines for vehicle part stocks are being checked by a Mechanic. However, the delivery lines are not being passed to Business Support to match to the invoice.	A lack of adequate documentation supporting all payments for stock purchases. An incorrect invoice could be paid.	3	**FLEET**: The audit took place during the transition to a new parts supplier and the new One Council system. Agreement with the parts supplier will lead to consolidated invoices showing reconciliation of delivery/return and goods used.	Interim Fleet Team Leader	31 August 2016

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.4	There are a number of disparate stock control systems in place across the Council. Consideration should be given to introducing a corporate stock control system.	Duplication of effort and inefficient stock control systems.	3	Within the Tech One project currently being implemented the Assets and inventory modules are being considered by the Project Board	IT Service Manager	31 December 2016
5.5	No regular stock checks are undertaken at Roads. A spot check carried out during the audit identified a number of differences between the actual stock and the stock records.	Possible errors/losses/thefts of road stock.	3	Desirable or expensive items have been moved to a new - much more secure - internal store. A secure external storage area has been created to stock larger or low value items. Storeman will be instructed to carry out ad-hoc stock checks throughout the year, particularly on return from leave. Technical Support Officer will carry out ad-hoc checks to insure compliance Matter will be discussed at tool-box talk in order everyone is aware of responsibilities.	Technical Support Officer	31 August 2016
5.6	Roads and Waste do not use minimum, maximum and reorder level and only reorder when stock going low. Waste has had problems with not ordering stock in good time as over estimated the level of stock held.	Inappropriate levels of stock may be held with items out of stock.	3	**ROADS:** MISC has the ability to set min/max/reorder levels, but Roads Contracts chooses not to set them. Stock levels are closely monitored and stock is not just reordered when stocks get low. The storeman is aware of which items are fast-moving and which are slow. The stores controller is also aware and orders stock on a regular basis prompted by an 'order' from the storeman. There is minimal overstocking of any stores item and very rarely is there a shortage. **WASTE**: This relates to the supply of	Technical Support Officer Team Leader Waste Services and	N/A WASTE: 31 August 2016

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
				food waste bags, which due to an unexpected surge in demand ran short. Delivery lead times are lengthy; maybe 12 weeks because the bags are biodegradable, therefore keeping contingency stock is not an option. Stock was ordered on time for normal consumption rate but was overtaken by a surge in demand. Informal reciprocal contingency arrangements with neighbouring councils allow food waste bags to be sourced from their stock to meet short-term demand. Minimum re-order levels will be reviewed and flexibility in supply-chain explored to reduce the possibility of shortage.	Streetcare	
5.7	Property Maintenance is aware that they have slow moving stock, which requires to be reviewed and potentially written off as obsolete.	Accumulation of slow-moving/obsolete stock.	3	As part of the implementation of the new Housing Management System slow moving stock will be reviewed and potentially written off as obsolete before migration to new system.	Purchasing Officer	31 January 2017

Clackmannanshire Council
National Fraud Initiative 2016-17
Plan for Exercise

Roles and Responsibilities

Internal Audit and Fraud are responsible for co-ordinating the NFI exercise and reporting the progress of investigations to Audit Scotland. Internal Audit and Fraud will also liaise with services and provide guidance, where necessary.

Responsible Officers are responsible for the data extract and upload and for investigating data matches and forwarding comments and outcomes of investigations to Internal Audit on a timely basis.

There are two phases of the exercise with Phase 1 being data extract and upload and Phase 2 being investigation.

- **Responsible Officers** are reminded of their data protection, confidentiality and security obligations when handling data. Information provided to Local Authorities through the data matching process can be personal and/or sensitive and therefore covered by the Data Protection Act 1998.
- All contracts of employment state that all official information provided to employees in the course of their duties is confidential and must not be disclosed to third parties except as required by law or by express authority of Clackmannanshire Council. This is not just a contractual responsibility but also a requirement of the Data Protection Act 1998. To comply with this, Responsible Officers should ensure that all:
  o personal data is protected against unauthorised access or misuse;
  o paper records containing personal data are stored securely in a locked cabinet or cupboard;
  o electronic records containing personal data are controlled by limited access to designated individuals;
  o computers are password-protected when unattended;
  o documentation removed from the office when, for example, working from home, is treated in the same way as in the office;
  o documentation containing personal data is disposed of securely by shredding or placing in confidential waste sacks;
  o personal data is kept strictly confidential;
  o personal data is stored in a suitable location, e.g., fireproof, damp proof etc.; and
  o personal data is removed from all computers before disposal.

Managers are responsible for ensuring their staff receive appropriate and adequate data protection training and for making them aware of the requirements for confidentiality.

Phase 1 - Data Export and Upload

The data extracts will be exported by the responsible officers within the relevant services and are to be passed to ICT Development Officer, IT. Where appropriate test data can be exported in advance and passed to IT staff.

Required Data Sets	Responsible Officer
Payroll	Payroll Supervisor, Payroll Staff and HR System Officer
Current Tenants	Performance and Information Officer
Housing Waiting Lists	Performance and Information Officer
Tenants (right to buy)	Performance and Information Officer and House Sales Officer
Blue Badges	Technician, Roads and Transportation (this Data Set will be provided on a national basis by Northgate)
Residents' Parking	Technician, Roads and Transportation
Private Supported Care Home Residents	Business Support Team Leader supported by ICT Development Officer
Personal Budget Direct Payments	Business Support Team Leader supported by System Liaison and Project Coordinator
Trade Creditors payments history	Team Leader Accountancy
Trade Creditors standing data	Team Leader Accountancy
Taxi Drivers Licence Holders	Licensing Administrator
Marker Traders Licences	Licensing Administrator
Personal Licences for Supply of Alcohol	Licensing Administrator
Personal Injury Insurance Claims	Insurance Officer (Providers are to submit the insurance data in place of councils)
Council Tax Reduction Scheme	Revenues Controller

Note that other datasets will be provided by other organisations i.e. Housing Benefits data by the DWP and pensions by Falkirk Council.

Proposed Timetable for Phase 1

The dates given are the deadlines we are proposing.

	Action	Date	Date Completed
Phase 1- Proposed Timetable			
1.	Confirm list of Datasets ("DFU") by Internal Audit and Fraud	Friday, 26 August 2016	
2	Fair Processing Notice	Friday, 30 September 2016	
3.	Test data to be forwarded to IT staff member.	Friday, 9 September 2016	
4.	Due date for data submission back to IT staff member	Friday, 16 September 2016	
5.	Completion of Fair Processing Compliance by Internal Audit and Fraud	Friday, 16 September 2016	
6.	Data passed to IT staff member for uploading	Friday, 30 September 2016	

A plan for the investigations process of data matches from the data sets will be forwarded towards the end of the calendar year.

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Internal Audit & Fraud Progress Report: All services

Key to symbols	
🔴	Overdue
🔺	Check Progress
▶	In Progress, on track
✅	Completed

Audit name	Priority				Status
	1	2	3	4	
Absence Management			1	1	▶
Adult Care - Commissioning of Care		1	2		🔴
Budget Management & Monitoring			2		🔴
		1			▶
		3	2		✅
Business Continuity Planning		3	1		🔴
Capital Project Management			1		✅
Cash Collection & Handling			3		▶
Compliance with IT Security Standards			1		🔴
Consultancies and Agency Workers			1		▶
		3	1		✅
			1		🔴
Debt Recovery			9		🔴
Delegated Financial Approval Authority		1			▶
Funding applications including European		1	1		🔴
General Ledger		1		1	▶
		1	1		✅
Housing Benefit & Council Tax Reduction		1	2		🔴
Income Collection & Cash Receipting			1		🔴
			1		▶
Information Governance	1				✅
		7	1		🔴
iTrent Project Implementation		1	1		▶
JALG Decision Making			2		🔴
		2			✅

PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS   APPENDIX M

Audit name	Priority				Status
	1	2	3	4	
Leisure Income			3		🟥
Mobile Phone Usage		1	4		🟥
Payroll & HR			1		🟥
PPC action plan		1	1		▶
		5	7		✅
Progress of new Finance System Project				1	✅
		1			▶
Savings and Efficiencies - Overtime		2	5		✅
			1		▶
Travel and Subsistence		2			🟥
			2	1	✅
Treasury Management				1	🟥