



**Clackmannanshire
Council**

www.clacksweb.org.uk

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

Audit and Finance Committee

16 March 2017 at 10.00 am

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

Date	Time
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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.

8 March 2017

A MEETING of the AUDIT AND FINANCE COMMITTEE will be held within the Council Chamber, Kilncraigs, Greenside Street, Alloa FK10 1EB, on THURSDAY 16 MARCH 2017 at 10.00 am.

**NIKKI BRIDLE
Depute Chief Executive**

B U S I N E S S

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1. Apologies	--
2. Declarations of Interest Elected Members are reminded of their obligation to declare any financial or non-financial interest which they may have in any item on this agenda in accordance with the Councillors' Code of Conduct. A Declaration of Interest form should be completed and passed to the Committee Officer.	--
3. Confirm Minutes of Meeting held on 19 January 2017 (Copy herewith)	05
4. External Auditor: Planning Report 2017/18 – report by the Depute Chief Executive (Copy herewith)	09
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Audit and Finance Committee – Committee Members (Quorum 4)

Councillors

Wards

Councillor	Archie Drummond (Chair)	2	Clackmannanshire North	SNP
Councillor	Bobby McGill (Vice Chair)	2	Clackmannanshire North	LAB
Councillor	Donald Balsillie	2	Clackmannanshire North	SNP
Councillor	Janet Cadenhead	4	Clackmannanshire South	LAB
Councillor	Alastair Campbell	5	Clackmannanshire East	CONS
Councillor	Tina Murphy	1	Clackmannanshire West	SNP
Councillor	Les Sharp	1	Clackmannanshire West	SNP
Councillor	Jim Stalker	1	Clackmannanshire West	LAB



MINUTES OF MEETING of the AUDIT AND FINANCE COMMITTEE held within the Council Chamber, Kilncraigs, Greenside Street, Alloa, FK10 1EB, on THURSDAY 19 JANUARY 2017 at 10.00 am.

PRESENT

Councillor Janet Cadenhead, Chair (In the Chair)
Councillor Alastair Campbell
Councillor Archie Drummond
Councillor George Matchett, QPM (S)
Councillor Tina Murphy
Councillor Jim Stalker

IN ATTENDANCE

Nikki Bridle, Depute Chief Executive
Stephen Coulter, Head of Resources and Governance
Stuart Crickmar, Head of Strategy and Customer Services
Celia Gray, Head of Social Services (Items 1-5)
Ahsan Khan, Head of Housing and Community Safety (Items 1-4)
Gordon McNeil, Head of Development and Environment (Items 1-4)
Anne Pearson, Chief Education Officer (Items 1-4)
Jim Robb, Assistant Head of Service (Adult Care) (Items 1-5)
Jason Ross, Internal Audit Officer
Murray Sharp, Service Manager (Strategy and Revenues) (Items 1-4)
Lindsay Sim, Chief Accountant (Items 1-6)
Andrew Wyse, Acting Legal Services Manager (Clerk to the Committee)

Asif Haseeb, Audit Scotland (Observer)

AF(17)15 APOLOGIES

Apologies for absence were received from Councillor Bobby McGill, Councillor Gary Womersley and Councillor Craig Holden.

Councillor George Matchett, QPM, attended as substitute for Councillor McGill.

AF(17)16 DECLARATIONS OF INTEREST

None

AF(17)17 MINUTES OF MEETING HELD ON 17 NOVEMBER 2016

The minutes of the meeting of the Audit and Finance Committee held on 17 November 2016 were submitted for approval.

Moved by Councillor Janet Cadenhead. Seconded by Councillor Alastair Campbell.

The minutes of the meeting of the Audit and Finance Committee held on 17 November 2016 were agreed as a correct record of proceedings and signed by the Chair.

AF(17)18 COUNCIL FINANCIAL PERFORMANCE 2016/17 – OCTOBER OUTTURN

A report was submitted by the Chief Accountant which provided the Committee with an update on the financial performance of the Council in respect of both revenue and capital spend for the current financial year 2016/17. The report summarised the financial position of the Council and consolidated all of the detailed service financial data to provide a corporate position.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Janet Cadenhead. Seconded by Councillor George Matchett, QPM.

Decision

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

- (i) The draft General Fund revenue underspend for the year of £0.687m.
- (ii) Progress on delivering 67% of the planned savings in the year.
- (iii) The draft favourable outturn of £0.626m on the Housing Revenue Account.
- (iv) The draft underspend in General Services capital of £3.035m of which £0.425m are savings in delivery of programme with the remainder carried forward to 2017/18.
- (v) The draft underspend on HRA capital of £5.272m of which £2.563m is additional income from house and land sales and £0.336m are savings in delivery of programme with the remainder carried forward to 2017/18.

AF(17)19 SOCIAL SERVICES FINANCE REPORT

A report was submitted by the Head of Social Services which provided the Committee with an update on the financial performance of Social Services to date. The report focused on revenue spend for the current financial year 2016/17 and set out projected outturns up to March 2017.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Janet Cadenhead. Seconded by Councillor Jim Stalker

Decision

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

- (i) The Social Services projected overspend of £1.480m and the key reasons for this position (paragraph 3.2 of the report)
- (ii) The Social Services projected overspend is a reduction of £0.684m to the £2.164m reported to the November Committee.
- (iii) The key pressures in Child and Adult Care Services which contribute to the overspend forecast (Sections 4 and 5 of the report respectively)
- (iv) The updated pressures to that reported to the Committee in November 216; specifically

- The impact of increased home placements for older people of £435k.
 - The impact of increased demand on In-House Reablement Service of £195k
- (v) The updated recovery plan which aims to minimise the level of forecast overspend in 2016/17 (Appendix 2 of the report).

AF(17)20 CONSORTIUM AUDIT ARRANGEMENTS

A report was submitted by the Head of Resources and Governance which informed the Committee about the development of a joint Internal Audit arrangement (“Consortium Audit Arrangement”) with Falkirk Council. The report sought approval to continue to develop these arrangements with the aim to produce a 2017/18 Internal Audit Plan for presentation to Committee in March 2017.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Janet Cadenhead. Seconded by Councillor George Matchett, QPM.

Decision

The Committee agreed to endorse the development of consortium Internal Audit arrangements with Falkirk Council and to remit this matter to Council for approval.

The Committee also agreed that a 2017/18 Internal Audit Plan be prepared for consideration and approval at its meeting on 16 March 2017.

Action

Head of Resources and Governance

**Councillor George Matchett, QPM, and Councillor Alastair Campbell withdrew from the meeting at this point in the proceedings (1210 hrs). Four members remained present.*

AF(17)21 CORPORATE RISK AND EXTERNAL AUDIT ACTIONS

A report was submitted by the Head of Strategy and Customer Services which provided the Committee with the 2016/17 half year update on Clackmannanshire Council’s Corporate Risk Log and progress on actions assigned by the Council’s external auditors (Deloitte UK).

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Janet Cadenhead. Seconded by Councillor Jim Stalker.

Decision

Having commented on and challenged the report, the Committee agreed to note the information set out in the report entitled ‘Corporate Risk and External Audit Actions’.

AF(17)22 INTERNAL AUDIT AND FRAUD PROGRESS REPORT

A report was submitted by the Internal Audit and Fraud Team Leader which provided the Committee with an update on work completed from the Internal Audit and Fraud Annual Plan for 2016/17 which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Janet Cadenhead. Seconded by Councillor Jim Stalker.

Decision

Having commented on and challenged the report, the Committee agreed to note the information set out in the report and the progress made on the Internal Audit and Fraud Annual Plan for 2016/17.

Ends 1230 hrs.

Report to Audit & Finance Committee

Date of Meeting: 16 March 2017

Subject: External Audit: Planning Report 2017/18

Report by: Depute Chief Executive

1.0 Purpose

- 1.1 The purpose of the attached external audit planning report (Appendix A) is to set out the planned audit activity in respect of the audit of the financial year 2016/17.

2.0 Recommendations

It is recommended that the Committee.

- 2.1. Discusses and notes the proposed external audit plan for the 2016/17.

3.0 Considerations

- 3.1 Audit Scotland was appointed by the Accounts Commission as the external auditor for Clackmannanshire Council for the five year period commencing 2016/17. The attached planning report sets out the activity in relation to the risks and planned audit work and the scope and timing of the audit.
- 3.2 The audit for 2016/17 and future audits will include the use of a new framework introduced by the Accounts Commission in June 2016 to audit Best Value. The audit of Best Value will be integrated into the wider scope of the annual audit.
- 3.3 Each year the external auditor prepares an annual plan which is submitted to the Audit and Finance Committee. The Depute Chief Executive discusses and agrees the plan and the associated audit fee level. The Committee is encouraged to discuss the plan and associated assessments and rationale with the external auditor as appropriate.
- 3.4 Due to the statutory basis of the work of the external auditor, the audit planning report should be presented to the Audit and Finance Committee. Thereafter, all external audit activity undertaken against this plan is formally reported to the Committee.

4.0 Conclusions

4.1 The Council's external auditors, Audit Scotland, are in the first year of their five year appointment to Clackmannanshire Council. The attached report sets out details of their planned work for the 2016/17 audit.

5.0 Sustainability Implications

5.1 N/A

6.0 Resource Implications

6.1 *Financial Details* - there are no implications for the Council's budgets arising from this report

6.2 *Staffing* - there are no implications for the Council's establishment arising from this report

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 | <input type="checkbox"/> |
| Our communities are more cohesive and inclusive | <input type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer | <input type="checkbox"/> |
| Vulnerable people and families are supported | <input type="checkbox"/> |
| Substance misuse and its effects are reduced | <input type="checkbox"/> |
| Health is improving and health inequalities are reducing | <input type="checkbox"/> |
| The environment is protected and enhanced for all | <input type="checkbox"/> |
| The Council is effective, efficient and recognised for excellence | <input checked="" type="checkbox"/> |

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

N/A

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".

External Audit Planning Report

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)

CIPFA Audit Committee Principles in Local Authorities in Scotland

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Nikki Bridle	Depute Chief Executive	2030

Approved by

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

Clackmannanshire Council

Annual Audit Plan 2016/17



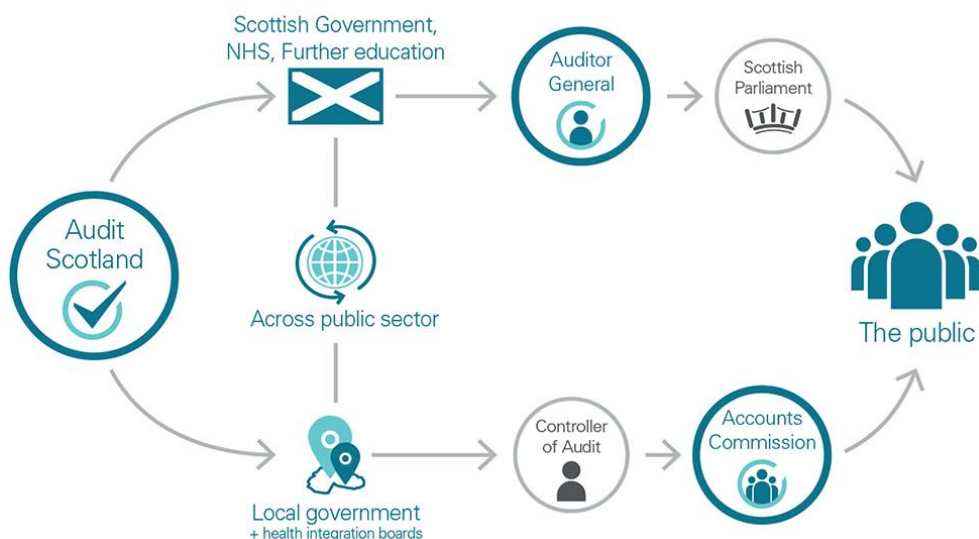
 AUDIT SCOTLAND

Prepared for Clackmannanshire Council
February 2017

Who we are

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

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



About us

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

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

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

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit of Clackmannanshire Council ("the council") and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit, including the new approach to Best Value. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with management, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable. 	<ul style="list-style-type: none"> Detailed testing of journal entries. Focused testing of accruals and prepayments. Review of significant management estimates and evaluation of the impact of any variability in key assumptions. Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of fraud over income</p> <p>The council receives around £22m from Council Tax, £23m from housing income and another £22m from other fees and charges. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud that requires an audit response.</p>	<ul style="list-style-type: none"> Effective budget monitoring by management. The council participates in the NFI scheme. 	<ul style="list-style-type: none"> Audit work on the National Fraud Initiative (NFI) matches. Confirmation of property and housing numbers and bandings to independent sources. Analytical procedures on income streams. Detailed testing of revenue transactions focusing on the areas of greatest risk.
<p>3 Risk of fraud over expenditure</p> <p>Practice Note 10: Audit of</p>	<ul style="list-style-type: none"> The council participates in the NFI scheme. 	<ul style="list-style-type: none"> Audit work on the National Fraud Initiative matches.

Audit Risk	Management assurance	Planned audit work
<p>financial statements of public sector bodies in the United Kingdom and the Code of Audit Practice require consideration of risk of fraud over expenditure (excluding payroll costs which are already a core part of all annual audits). The council incurs significant expenditure on benefits and grants which require audit coverage.</p>	<ul style="list-style-type: none"> • There are a range of measures in place to prevent and detect fraud, including Standing Financial Instructions, Standing Orders and a Code of Conduct for Staff which incorporates both whistleblowing and fraud policies. 	<ul style="list-style-type: none"> • Specific audit work on benefits and grants. • Evaluation of the effectiveness of internal controls for expenditure recognition and recording.
<p>4 Estimation and judgements</p> <p>There is a degree of subjectivity in the measurement and valuation of the material account areas of non current assets, provisions and pension liabilities. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Effective budget monitoring by management. • Professional advice from valuers. • Annual valuation of pension liability by a professional actuary. 	<ul style="list-style-type: none"> • Completion of 'review of the work of an expert' for the professional valuer. • Focused substantive testing of non current assets. <p>Review of the work of the actuary and the pension assumptions used.</p>
<p>5 Consolidation of Health and Social Care costs: Integration Joint Board (IJB)</p> <p>The IJB transactions will be consolidated into the accounts of the council for the first time in 2016/17.</p> <p>The council needs to agree a timetable and approach to obtaining the IJB figures for consolidation, and assurances required for the group governance disclosures. As this is the first year, there is a risk that the timetable may not be achieved. There is also an increased risk of errors in accuracy and disclosure.</p>	<ul style="list-style-type: none"> • Finance officers are liaising with their health board colleagues regarding the timetable for draft accounts. 	<ul style="list-style-type: none"> • Consider the timetable and process for consolidation of the group accounts. • Consider the assurances obtained by the council's S95 officer for the group governance disclosures. • Agree the consolidation adjustment is accurate and correctly disclosed. • Confirm that any balances relating to IJBs have been agreed by the partner bodies.
<p>6 Implementation of new financial ledger system</p> <p>The council is implementing the new system during 2016/17 to replace its existing system. The opening balances were journalled into the new system in December 2016.</p> <p>There is a risk that the information from the new system used to prepare the financial statements may contain errors.</p>	<ul style="list-style-type: none"> • Internal audit has undertaken reviews of the project progress during 2016/17. 	<ul style="list-style-type: none"> • Review of internal audit's work on the project's progress. • Walk through testing of the ledger and controls testing of reconciliations and journals. • Focused substantive testing on opening balances. • Substantive testing of ledger transactions and balances through the audit work on income, expenditure and balance sheet items.
Wider dimension risks		
<p>7 Financial sustainability</p> <p>The council's 2016/17 Financial Plan identified a budget gap of £7.5m to be addressed by</p>	<ul style="list-style-type: none"> • Effective budget monitoring by management, Audit and Finance Committee and 	<ul style="list-style-type: none"> • Review financial monitoring reports and the financial position. • Undertake specific audit work

Audit Risk	Management assurance	Planned audit work
<p>efficiency measures. The November 2016 financial monitoring report highlighted that this gap had reduced to £2.5m, with almost 50% of the gap in social services.</p> <p>Delivering recurring efficiency savings is increasingly challenging and represents a risk to the financial sustainability of the council.</p>	<p>by Council.</p> <ul style="list-style-type: none"> The achievement of savings monitored through reports to the council. 	<p>on financial planning and governance. This will include assessing the robustness of longer term financial planning.</p>
<p>8 Transformation of services</p> <p>The Local Area Network reported in 2016 that the council's transformation programme has been slower than anticipated and was not sufficient to meet the objectives, financial challenges and reestablishment of stand alone education and social work services. It concluded that Best Value audit work is required on the council's leadership, governance and financial sustainability.</p>		<ul style="list-style-type: none"> The scope of the Best Value audit work is under discussion. A Best Value Assurance Report will be published in early 2018.
<p>9 Members</p> <p>Council elections are to be held in May 2017 and there are indications that a number of elected members are or may be standing down. This will represent a loss of skills experience amongst members. To ensure members fully understand their roles and have the necessary skills to make informed decisions and provide effective scrutiny, appropriate development and training will be required.</p>	<ul style="list-style-type: none"> Training and support for current members is available and they are reminded regularly of opportunities and support available from officers. Seminars are organised on relevant topics on a regular basis and individual requests are taken into consideration and appropriate support provided. Training and induction will be provided to new members. 	<ul style="list-style-type: none"> Monitor the council's arrangements for developing members and preparations for inducting newly elected members.

3. There are a number of issues which auditors will discuss with officers during the period before the financial statements work begins:

- Preparedness for Highways Network Assets implementation (the delay to year 2017/18 noted)
- Revised Financial Statement formats
- Loans fund revised regulations.

The latter two do both apply to 2016/17 and we will assess the finance department's capacity to implement new regulations and formats accurately and in time for the production of financial statements according to the schedules agreed.

4. The Charities Accounts (Scotland) Regulations 2006 specify the accounting and auditing requirements for Scottish registered charities. The council administers four trusts with charitable status where the council is sole trustee with total assets of £38,000. We will perform the audit of these trusts in parallel with the audit of Clackmannanshire Council's financial statements. There are no specific risks for these audits which we require to bring to your attention. The council is planning to reduce the number of trusts and is aiming to retain them no further than 31st March 2017.

Reporting arrangements

5. Audit reporting is the visible output from the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other reports on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy.

7. We will provide an independent auditor's report on the financial statements to Clackmannanshire Council and the Accounts Commission. We will also provide an annual audit report. This will contain observations and recommendations on significant matters which have arisen during the course of the audit. We expect all audit outputs to be considered by the council's Audit and Finance Committee and other committees depending on the scope of the reports.

8. Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement for the authority's audited accounts to be published by 31st October each year.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Audit and Finance Committee Date
Interim Management Report	30 June 2017	To be confirmed
Signed Independent Auditor's Report	30 September 2017	To be confirmed
Annual Audit Report, including ISA 260 requirements to communicate significant findings from the audit to those charged with governance	30 September 2017	To be confirmed
Grants (various)	31 July to 30 November 2017	To be confirmed
WGA assurance statement	2 October 2017	N/A

Audit fee

9. The agreed audit fee for the 2016/17 audit of Clackmannanshire Council is £199,000 (2015-16, £203,000). The fee for the audit of the four charitable trusts is £4,000 (2015-16, £5,000). In determining the audit fee we have taken account of the audit risks for Clackmannanshire Council and the management assurances in place. Our audit approach assumes receipt of the unaudited financial statements and a complete working papers package by 30 June 2017.

10. Where our audit cannot proceed as planned through, for example late receipt of unaudited financial statements, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit and Finance Committee and Management

11. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

12. The audit of the financial statements does not relieve management or the Audit and Finance Committee, as those charged with governance, of their responsibilities.

Appointed auditor

13. Our responsibilities as independent auditor are established by the 1973 Local Government (Scotland) Act and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

14. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

15. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Clackmannanshire Council and the associated risks which could impact on the financial statements
- obtaining assurances from the outgoing auditors for the opening balances in the financial statements
- completing initial key system evaluations to enhance our understanding and assessing the operation of the key controls
- identifying major transaction streams, balances and areas of estimation and understanding how the council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements, and the impact of consolidation of the Integration Joint Board for Stirling/Clackmannanshire into the group accounts
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement including exploring the use of data analytics.

16. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the council and its expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
- whether the information which comprises the management commentary is consistent with the financial statements.

Materiality

17. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Clackmannanshire Council are set out in [Exhibit 3](#).



Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ending 31 March 2016 (the latest audited accounts).	£1.7 Million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of planning materiality.	£0.85 million
Reporting threshold - We are required to report to those charged with governance all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality rounded to a memorable metric.	£0.20 million

18. We also set separate materiality levels for the four trusts with charitable status. We have also taken these to be 1% of gross assets for planning, 90% of this for performance as there are no known issues, and for reporting threshold we have rounded to the nearest practicable amount.



19. We review and report on other information published with the financial statements including the performance report, remuneration report and annual governance statement. Any issues identified will be reported to the Audit and Finance Committee.

Timetable

20. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. A proposed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit and Finance Committee dates.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Depute Chief Executive	XX September 2017 (tbc)
Agreement of audited unsigned financial statements; Issue of Annual Audit Report, including significant issues to be reported under ISA 260 to those charged with governance	By 30 September 2017
Independent auditor's report signed	By 30 September 2017

Internal audit

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

Adequacy of Internal Audit

22. We reviewed the internal audit plan and work to assess if we can place reliance on internal audit to support our audit opinion. We found that the council has not identified an "internal audit executive," which does not meet Public Sector Internal Audit Standards (PSIAS). The work carried out or planned on key financial systems does not cover the key controls that we would require to be covered to enable us to reduce our own testing on the material financial systems. As a result, we do not plan to place formal reliance on internal audit's work, in terms of International Statement of Auditing 610 (Considering the Work of Internal Audit), for any of our financial statements audit work.

23. In respect of our wider dimension audit responsibilities we plan to consider other areas of internal audit work which have been reported or which are in progress, including:

- Annual Assurance Report
- Social Media
- Housing Revenue Accounts
- Implementation of the new Finance System
- Housing Benefit (impact of Vanguard system)
- Asset Management
- Fraud reporting
- Insurance
- Stock.

Audit dimensions

24. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Financial sustainability

25. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the financial sustainability in the medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on the following in 2016/17:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and longer term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

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

- the arrangements in place to ensure systems of internal control are operating effectively
- whether the council can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how assurance has been gained that the financial capacity and skills are appropriate
- whether appropriate and effective arrangements for the prevention and detection of fraud and corruption have been established.

Governance and transparency

27. 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. These include:

- whether Clackmannanshire Council can demonstrate that the governance arrangements in place are appropriate and operating effectively

- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.

28. In 2016/17 Audit Scotland will conduct a follow up of the national report on the Role of Boards which was published in September 2010. We will be conducting a review of local arrangements at the council.

Value for money

29. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the council can provide evidence that it is demonstrating value for money in its achievement of performance targets.

Best Value

30. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincides with the new five year audit appointments. As such, auditors will use the framework for their audit work from October 2016.

31. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five year audit appointment, both through the on-going annual audit work, and also through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council that will provide a rounded picture of the council overall
- an Annual Assurance and Risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council annual audit reports
- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five year period.

32. Clackmannanshire is one of the first six councils on which a BVAR will be published during the first year of the new approach are listed in [Exhibit 6](#) below. Reports will be considered by the Accounts Commission in the period between May 2017 and March 2018.

Exhibit 6

2016/17 Best Value Assurance Reports

Clackmannanshire Council	Orkney Islands Council
East Renfrewshire Council	Renfrewshire Council
Inverclyde Council	West Lothian Council

33. We are currently discussing the scope of the council's Best Value Assurance Report with council officers. The report is due to be considered by the Accounts Commission in early 2018.

Independence and objectivity

34. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

35. The engagement lead for Clackmannanshire Council is Fiona Mitchell-Knight, Assistant Director of Audit. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Clackmannanshire Council.

Quality control

36. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

37. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

38. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Clackmannanshire Council

Annual Audit Plan 2016/17

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Report to: Audit and Finance Committee

Date of Meeting: 16 March 2017

Subject: Internal Audit and Fraud Progress Report

Report by: Internal Auditor

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	1	5
Onsite/On going	2	10.5
Draft Report Issued	2	10.5
Final Report Issued	7	37
Deferred / Not Required	7	37
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:

- Progress of the New Housing System
- Housing Benefit and Council Tax Processes (The Vanguard Impact)
- Procurement

Final Reports - Assurance

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

- Land and property Asset Management (**Appendix C**)
- Integrated Joint Board Corporate Governance – Presented for Information. Approved by IJB on 16 February 2017 (**Appendix D**)

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 the 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 is progressing well. There are two phases of the exercise with Phase 1 being data extract and upload and Phase 2 being investigation (**Appendix E**). The National Fraud Initiative (NFI) Data matches were issued by Audit Scotland at the end of January 2017. A plan covering the investigation of data matches has been issued to all relevant officers and progress will be reported to future Committee meetings.

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 F** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

- 3.8. Work on the 2016/17 plan is progressing. 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 2016/17 Internal Audit and Fraud Annual Plan

Appendix B - Terms of Reference

Appendix C – Land and property Asset Management

Appendix D – Integrated Joint Board – Corporate Governance

Appendix E - National Fraud Initiative 2016-17

Appendix F - Progress of Follow Up



11.0 Background Papers

- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)
Yes (please list the documents below) No

Author(s)

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Jason Ross	Internal Auditor	226226

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	On Going
Assurance				
Governance- Council, Committees and Executive	5	2016-17	Corporate	Deferred – action ongoing by Head of R&G to review key documents
Social Media	5	2016-17	Corporate and Strategy and Customer Service	Final Report issued
Corporate Governance	3	2016-17	Integrated Joint Board	Final Report Issued
Housing Revenue Accounts	4	2016-17	Housing and Community Safety	Final Report Issued
Validation of Climate Change Submission	2	2016-17	Development and Environment	Final Report Issued
H&S Management Systems	5	2016-17	Development and Environment.	Not Required due to external report being commissioned from Council's insurers, Gallacher Basset
Education- 1	4	2016-17	Education	Deferred – due to review by Council's insurers
Education- 2	4	2016-17	Education	As for Education -1
Budget Management and Monitoring	4	2016-17	Social Services	Deferred – pending review commissioned by Scrutiny Committee
Social Services	4	2016-17	Social Services	Deferred – scope was to be determined post shared services. New H of S recently in post and requirements not yet established
R&G Performance Management	5	2016-17	Resources and Governance	Final Report Issued
Progress of the New Housing IT System	4	2016-17	Housing and Community Safety	1 st Interim Draft Report Issued

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2016/17

APPENDIX A

Audit	Audit Weeks	Annual Plan	Service	Progress
Project				
Housing Benefit (Vanguard Impact)	4	2016-17	Housing and Community Safety	On site / On going
Implementation of the new Finance System.	5	2016-17	Resources and Governance and Corporate	Deferred as New Finance System Project not fully completed.
Insurance	4	2016-17	Resources and Governance	Final Report Issued
Stock Control	5	2016-17	Corporate	Final Report Issued
Land and Property Asset Management	5	2016-17	Resources and Governance and Development and Environment.	Draft Report Issued
ICT Strategy Implementation	4	2016-17	Resources and Governance	To Be Commenced
Procurement	4	2016-17	Resources and Governance and Corporate	On site / On going
Fraud				
Fraud and Error Prevention and Detection	23	2016-17	Internal Audit and Fraud	Ongoing
Whistleblowing	4	2016-17	Corporate	Ongoing
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: Housing and Community Safety

AUDIT AREA: Progress of the New Housing IT System Project

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

In September 2015 The Corporate Management Team 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 Tech One who are also the provider of the 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 September 2016.

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.

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.

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

RISKS

The following risks could prevent the achievement of the New Financial System Project objectives:

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

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: HB and Council Tax Processes (The Vanguard Impact)

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

In September 2014 a 2 year contract was awarded to Vanguard to redesign Housing and Community Safety Services Processes. The scope of this contract was to carry out an overall assessment of procedures and processes, to identify processes that are less than optimal and put measures in place for improvement. The redesign of less than optimal processes to allow resources to focus on adding value, reducing waste and duplication of effort will improve efficiency and performance.

Vanguard is a management consultancy and training organisation that develop live improvement programmes, to change culture and train contracted suppliers staff to ensure continuous improvement.

In 2014 DWP expressed concerns regarding Housing Benefit (HB) Administration. The time taken to process HB new claims and changes deteriorated during 14/15 and was significantly below the Scottish Average.

Revenues Services were incorporated into Housing and Community Safety in 2015 and Senior Management decided to carry out a review Vanguard review of Council Tax Processes to improve efficiencies and collection rates.

The scope of our audit will be to review the Vanguard impact on Housing Benefit and Council Tax processes to assess whether efficiencies, improved performance and best value have been achieved.

RISKS

The following risks could prevent the achievement of the objectives of the Vanguard Project for improving the processes in place for Housing Benefit and Council Tax, or result in the non-achievement of the objectives, and have been identified within scope for this audit:

- Not improving performance and achieving value for money;
- Practices identified not incorporated into new procedures and continuous improvement not included;
- Potential for Vanguard to improve other operations across the Council not explored.

AUDIT OBJECTIVE: Our audit work will be designed to evaluate whether the Vanguard approach has been effective at engaging managers to review and improve systems in order to mitigate the risks identified above.

**INTERNAL AUDIT TERMS OF REFERENCE****SERVICE:** Resources and Governance**AUDIT AREA:** Procurement**AUDIT YEAR:** 2016/2017**INTRODUCTION AND SCOPE**

Procurement is the process by which an organisation manages the acquisition of all its goods, services and works, either by lease, rental or purchase. It includes the identification of need, consideration of options, the actual procurement process and the subsequent management and review of the contracts.

Clackmannanshire Council Contract Standing Orders state that 'The purpose of Contract Standing Orders is to set clear rules for the procurement of goods, works and services for the Council. The rules should ensure that the Council is fair and accountable in its dealings with contractors and suppliers. Contract Standing Orders protect the interests of the Council and they also protect the interests of Council Officers who are involved in procurement. It is the Council's duty to secure best value in its arrangements, and therefore efficient use of resources is an imperative. The Contract Standing Orders provide a commercial, legal and operational framework to procurement activity on behalf of the Council'.

In 2012 the Corporate Management Team agreed to a central approach to procurement activity supplemented by Service representatives who will help drive forward business improvements with estimated annual savings in the region of £500k pa. The initial business case for central procurement activity include advantages that "services will benefit from savings achieved through a consistent and corporate approach to procurement", the "council will be achieving Best Value for Money" and "a corporate approach to procurement will deliver savings that will assist the council to operate within the reduced funding levels in future years".

The public sector is facing unprecedented challenges to provide higher quality services with significantly less funding to do so. Efficient and effective procurement is critical for ensuring that the Service maximises the resources at its disposal.

The scope of this review is to consider whether procurement activity is achieving budget savings across the Council.

RISKS

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

- Procurement activity not achieving budget savings and value for money;
- Responsible officers not proactively identifying areas for procurement review;
- Expenditure and procurement activity management information and reporting is inadequate.

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.

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Land and Property Asset Management. 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 Asset management was identified by the Scottish Government’s “Efficient Management” agenda as one of the main strands where Councils could improve performance to result in the best achievable performance from present and future investment. High performance in the use and management of property is driven by effective business processes. The most effective processes will deliver better property outcomes and consume less resource. After payroll costs, the largest outlay for the public sector is the amount spent on the ownership and upkeep of premises.

1.3 Good asset management is a vital part of an organisation being able to demonstrate that it is providing Best Value. It can generate resources through income from the sale of surplus assets, which will also generate long-term revenue savings because those assets are no longer consuming resources. Improved management of assets can also lead to service improvements and lower long-term revenue costs.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review the arrangements for recording, maintaining and leasing land and property assets. The audit concentrated on the Councils Non-Operational portfolio.

2.2 Internal Audit, in conjunction with the Development Services Manager, identified the key risks relating to the audit. Property Review reports are presented to Council and we found clear and effective recording of property information. However, we found weaknesses relating to insurance premiums not charged to tenants and a lack of rent reviews. It is our opinion that we can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Land and Property Asset Management Policies and Procedures, roles and responsibilities are poorly defined leading to non compliance with standards and inefficient or an ineffective land and property resource.	Reasonable
A lack of evidence showing all properties and land owned; rents payable; tenants and their details.	Significant
The Council’s property portfolio is not utilised to full effectiveness.	Reasonable
Full market rent not being achieved from rental income from Council properties.	Limited

3. FINDINGS

3.1 We can provide reasonable assurance that Land and Property Asset Management policies and procedures are well defined. The 2010-15 Property Asset Management Plan (PAMP) is out of date; however Property Review Reports are acting as an interim Property Asset Management Plan. (Finding 5.1)

3.2 An annual Property Review report is presented to Council which provides an overview of the acquisition of properties and disposal of surplus properties for the current financial year. Additional reports on specific properties may be reported to Council as necessary throughout the year. Procedures are followed to ensure that disposals of properties are fully transparent with no hidden subsidies in properties. Any proposal by third sector organisations to bid for council properties must be supported by a detailed business case with their bid considered along with any other bids for the property.

3.3 A standard lease for letting the majority of properties is used which can be adapted to circumstances with a comparative principle used for the valuation of rents. The leases for commercial properties oblige the tenant to pay for insurance premiums incurred by the Landlords. The audit found that Insurance premiums have not been recharged to tenants for the past three years. A total of £33,531 was due to be recharged for 2016/17 with a total of £75,081 not charged since 2014. (Finding 5.2)

3.4 We can provide significant assurance over the recording of information relating to council properties and land owned. It was verified that council holdings apart from council houses are recorded on the Uniform system maintained by Asset Management with the information up to date. The non operational properties rented out by the council are extracted onto a spreadsheet and issued regularly to the Estate Surveyor, Asset Manager and Quality Officer along with a spreadsheet recording the full list of properties. Additional information relating to properties including leases and emails is held on Uniform.

3.5 The full property list from Uniform is sent to Corporate Accounting each year to provide cross checks with the Fixed Asset Register. The Asset Manager, Estate Officer, Development Manager also reviews the Fixed Asset Register along with the Technician and Assets Compliance Officer to identify any anomalies i.e. to ensure that disposals and additions have been updated on the Fixed Asset Register. The Estate Officer advises the Asset Manager and Corporate Accountancy when properties are sold in order that the property is removed from the Fixed Asset Register. He also sends a list of updates to property values such as when capital repairs programmes have increased the value of a property. It was found that all significant properties within the Fixed Asset Register were recorded in Uniform.

3.6 We can provide reasonable assurance that the Council's property portfolio is utilised to full effectiveness. The target of raising £1 million of capital receipts from selling surplus properties was achieved in 2015/16 with over £2 million income due to be generated during 2017/18 from sales of surplus property assets and development sites.

3.7 An exercise was carried out by Development and Environmental services over the past two years to withdraw leases on buildings being used by services for storage, in order that they become available for rental income. There are now only three units being used by services. Properties are marketed on ClacksWeb in addition to a Sale/Lease Board at the property, when it becomes vacant with only one office, 14 Bank Street being vacant for a substantial time i.e. since 2011. It is noted that the rates revaluation in 2017 and a corresponding change in legislation, will potentially result in additional rates expenditure for empty council buildings.

3.8 It was identified in the audit that there are at least ten council properties let to subsidised tenants on a zero rent. (Finding 5.3)

3.9 As a consequence of 3.8 above, we can only provide limited assurance that full market rent is being achieved from rental income from Council properties. In addition, rents are not regularly reviewed to reflect current market values. There is an action under the Making Clackmannanshire Better (MCB) initiative for 2016/17 to increase income by £15,000 through additional rental income from Council properties where full market rent is not currently being achieved.

3.10 In November / December 2015 Graham and Sibbald carried out a review of the Council's leased properties. They provided an opinion on the market rent compared to actual rent, the condition of the properties as well as identifying properties where disposal is an option. Their review identified that some rent values did not reflect the true and fair rental value. Of these the most significant rent, is £16,800 below market rent. This particular property was leased at a low with a lease in place until 2018. The reason given for the low rent was that it was a listed building and would have been expensive to repair. In addition, the Council own all properties in the area the property is located and aspire to keep open options for a medium to long term investment.

3.11 Other rents below market rent in the Graham and Sibbald review include four units in Castle Street. This is primarily due to the tenants being in these units for some time and no rent reviews being undertaken. Graham and Sibbald report that the units were originally constructed by Central Regional Council and are over forty years old. The report notes that only half the units are fully wind and watertight with major investment required over the next few years to retain the structural viability and safety of the units. The report states that it would be inequitable to expect tenants to meet major capital charges such as roof replacement or electrical rewiring and the Council only has a limited repairs budget. Graham and Sibbald note that the units would be a reasonable secondary investment. (Finding 5.4) It is noted that there was minimal differences for the rents charged for the other council properties within the Graham and Sibbald review.

3.12 During 2016-17 financial year the major implementation of the new finance system had led to a change in financial process and gaps emerging in information being provided to the Development Manager on rent arrears. Joint action between Accountancy and the Development Manager has led to the issue being identified and resolved. Rents charged to tenants by Revenues were agreed to the amount recorded on Uniform for a sample of rents.

3.13 A report was produced for this audit showing outstanding debt of just under £38,000 for commercial rent. This included a balance of £4,350 arrears for a small unit in Castle Street. The report of outstanding debt will now be regularly produced for the service by Accountancy Services.

3.14 Prospective tenants are vetted before being considered for a property. If a new tenant has no track record of running a business and it is a new venture they are referred for assistance to Economic Development. If an established business, then references including bank references are asked for. Tenant responsibilities are clearly defined under standard leases issued to them.

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	2
Priority 3	2
Priority 4	-

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.

The priorities relating to Internal Audit recommendations are defined as follows:

Priority 1 recommendations are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention.

Priority 2 recommendations relate to important issues and may also give rise to material financial loss or error.

Priority 3 recommendations are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.

Priority 4 recommendations these are recommendations that improve the efficiency and effectiveness of controls. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The 2010-15 Property Asset Management Plan (PAMP) is out of date.	Lack of effective property asset management.	3	The PAMP 2010 – 2015 was due to be updated to 2016 – 2020 but delays including the school estates review and the recent changes to the Council Investment Strategy which feed into the PAMP has meant that the 2017 - 2020 PAMP will now be in place for 1 April 2017. Annual report on surplus and vacant properties in the interim.	Asset Manager	1 April 2017
5.2	Insurance premiums totalling £75,081 since 2014 have not been recharged to tenants for the past three years.	The council is incurring costs that are not being recouped.	2	The insurance charges will now be added to the rent invoices starting from April 2017.	Revenues Supervisor	1 April 2017
5.3	There are a number of properties let to tenants on a zero rent.	Loss of potential rental income. The MCB action to increase income by £15,000 in 2016/17 through additional rental income is unlikely to be achieved.	3	A report will be prepared for CMT identifying properties leased to community groups on a subsidised rent or no rent basis.	Development Services Manager	31 March 2017
5.4	Rents are not being reviewed. In addition it has been identified that the rent charged for some units in Castle Street is below market rent with only half of the units fully wind and watertight. The Council only has a limited repairs budget with these units being a reasonable secondary investment.	Loss of potential rental income. The MCB action to increase income by £15,000 in 2016/17 through additional rental income is unlikely to be achieved.	2	Assets have commissioned a condition survey for all council properties. A cost benefit appraisal will be undertaken for all leased properties to identify any repairs required to optimise property retention as an investment or if properties would be better to market for sale.	Asset Manager / Development Services Manager	31 March 2017

INTRODUCTION

This report details the findings of the Internal Audit review of the Integrated Joint Board (IJB) Corporate Governance arrangements which was carried out in collaboration with Stirling Council as per the IJBs agreed terms of reference. This report was approved by the IJB on 16 February and is presented to Clackmannanshire Audit and Finance Committee for information.

1. Executive Summary and Audit Opinion

Audit Opinion	Risks & Recommendations					
	<u>Critical</u>	<u>High</u>	<u>Medium</u>	<u>Low</u>	<u>Advisory</u>	
Substantial Assurance	Risks identified	-	-	3	2	-
	Recommendations	-	-	4	3	-

The table above sets out the number and classification of risks identified in the course of our audit, as well as the number and importance of agreed improvement actions arising from those risks. It should be noted that there may be more than one agreed action in respect of any given risk and, where that is the case, the additional action(s) may not necessarily be of the same significance as the underlying risk itself.

Background

- 1.01 We performed a review of the Integration Joint Board’s (IJB) Corporate Governance arrangements as part of the programme of work approved in the Annual Internal Audit Plan 2016/17.
- 1.02 The IJB and the Health and Social Care Partnership are governed by an Integration Scheme that has been subject to statutory approval under the Public Bodies (Joint Working) (Scotland) Act 2014, which requires Health Boards and Local Authorities to integrate planning for, and delivery of, certain adult health and social care services. The Integration Scheme is a legally binding agreement between the partners, describing what the parties will do to enable the IJB to meet its responsibilities.
- 1.03 IJB members are accountable to the public for the provision of quality services, for establishing the policy framework and for decisions taken at IJB meetings. Members are also responsible for making decisions about services and budgets.
- 1.04 This report addresses elements of the following Partnership priorities and risks:

National Health & Wellbeing Outcomes	9. Resources are used effectively and efficiently To deliver Best Value and ensure scarce resources are used effectively and efficiently in the provision of health and social care services
Strategic Risk Register	HSC002 Leadership, Decision Making and Scrutiny [including effectiveness of governance arrangements and potential for adverse audits and inspections] This risk relates to the establishment of effective governance structures and to implement them effectively. The potential

	effect is failure to: <ul style="list-style-type: none"> • comply with legislation; • deliver Strategic Plan outcomes; • satisfy audit and external inspection bodies; and, • avoid associated reputational damage.
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Assurance Opinion

- 1.05 Generally, from the findings of our review, we can provide **substantial assurance** that the corporate governance arrangements are appropriate and are operating effectively. A definition of this assurance category is set out at Appendix 1 to this report.
- 1.06 Governance Policies and Procedures have been developed and approved and the roles and responsibilities of IJB members have been defined and meetings are taking place regularly. However, while there is evidence of performance and financial scrutiny, arrangements for those areas are still being developed to ensure they are more efficient, and more clearly linked to key priorities and the Strategic Plan.

Summary of findings

- 1.07 We did not identify any critical or high risk findings during our review. We have, however, identified 3 medium, and 2 low risk findings, and made recommendations to help strengthen the corporate governance arrangements.
- 1.08 The table below summarises our findings in respect of the specific risks addressed by our review (see Scope & Objectives in section 2 of this report).

	Risks	Findings
1	Governance policies and procedures, and related roles and responsibilities, are not clear and comprehensive.	We found that that appropriate key policies and procedures have been developed and approved, and are largely clear and comprehensive. We recognise that the IJB is still at an early stage of development, and noted that development and improvement has continued throughout 2016/17.
2	Monitoring reports in respect of the Strategic Plan fail to comply with the Performance Management Framework and do not provide a clear link between money spent, outputs and the outcomes delivered.	The process of providing a formal Performance Report to the IJB was implemented from the November 2016 meeting onward, in a format that is cognisant of the Outcomes and Indicators that are set-out in the Strategic Plan and the Performance Management Framework. The Performance Report is continuing to evolve, and a first Annual Performance Report, including specified information, must be published by 31 July 2017. We also note that, while monitoring and other reports were linked to the Strategic Plan, the nature of such links could be set out more clearly.
3	There is inadequate oversight of services commissioned from the partners.	While the IJB has had proper oversight of commissioning proposals, and the delivery of commissioned services is covered to an extent within the Performance Report, there is scope to further develop the reporting of services commissioned from within the Partnership and from third parties.
4	Monitoring reports are not timely or of appropriate quality.	We found that the monitoring reports produced were timely and of appropriate quality. We recommend that the suite of monitoring reports is extended to Locality Plans once those are in place.

	Risks	Findings
5	Monitoring reports are not subject to appropriate scrutiny and challenge.	The membership of the IJB is notably large, largely due to its unique nature, which could hinder effective governance. However, observation and review of minutes has provided evidence that proper scrutiny and challenge has occurred. The IJB should regularly review its structure, including membership levels. The IJB has taken initial steps to help ensure that members have the skills, training and confidence to provide effective scrutiny and challenge. The approved development recommendations for the period 2016 to 2018 should be subject to monitoring to ensure that they are properly taken forward.
6	Integration Joint Board decisions are not transparent and are not turned into action.	The agenda and minutes of the IJB, setting out decisions taken, are made public. The effect of those decisions can be seen in subsequent reports, publications and actions.

1.09 We have made recommendations to the Chief Officer and the Chief Finance Officer in respect of each of our findings. The Chief Officer and the Chief Finance Officer have accepted all of those recommendations without significant amendment.

Management response

1.10 The Chief Officer and Chief Finance Officer accept the findings of this report, and will work closely with the partners address the recommendations that have been made.

**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:
 - personal data is protected against unauthorised access or misuse;
 - paper records containing personal data are stored securely in a locked cabinet or cupboard;
 - electronic records containing personal data are controlled by limited access to designated individuals;
 - computers are password-protected when unattended;
 - documentation removed from the office when, for example, working from home, is treated in the same way as in the office;
 - documentation containing personal data is disposed of securely by shredding or placing in confidential waste sacks;
 - personal data is kept strictly confidential;
 - personal data is stored in a suitable location, e.g., fireproof, damp proof etc.; and
 - 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.

Phase 1- Proposed Timetable			
	Action	Date	Date Completed
1.	Confirm list of Datasets ("DFU") by Internal Audit and Fraud	Friday, 26 August 2016	22 August 2016
2	Fair Processing Notice	Friday, 30 September 2016	22 August 2016
3.	Due date for data submission back to IT staff member	Friday, 16 September 2016	25 November 2016
4.	Completion of Fair Processing Compliance by Internal Audit and Fraud	Friday, 16 September 2016	22 August 2016
5.	Data passed to IT staff member for uploading	Friday, 30 September 2016	25 November 2016

Internal Audit & Fraud Progress Report: All services

Key to symbols	
	Overdue
	Check Progress
	In Progress, on track
	Completed

Audit Name	Finding Priority				Actions status
	1	2	3	4	
Absence Management			1	1	
Adult Care - Commissioning of Care		1	2		
Budget Management & Monitoring			2		
		4	2		
Capital Project Management		2	2		
Cash Collection & Handling			5		
			1		
Compliance with IT Security Standards			1		
			4		
Consultancies and Agency Workers			1		
			1		
		3	1		
Debt Recovery			9		
Delegated Financial Approval Authority		1			
Fleet Management		1	4	1	
Funding applications including European			1		
		1			
General Ledger		2	1	1	
Housing Benefit & Council Tax Reduction			2		
		1			
Housing Revenue Account		1			
		1	3		
ICT Asset Management Plan & Contract Management		1	1		
		5	1		
			1		

PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS

APPENDIX F

Audit Name	Finding Priority				Actions status
	1	2	3	4	
Income Collection & Cash Receipting			2		
Information Governance		3			
	1	4	1		
Insurance		2	2		
iTrent Project Implementation		1			
		1	2	1	
JALG Decision Making			2		
		2			
Leisure Income			2		
			1		
			2		
Mobile Phone Usage			1		
		1			
			3		
Payroll & HR			1		
PPC action plan			1		
		1			
		5	5		
Progress of new Finance System Project		1		1	
Resources & Governance Performance Management		1	3		
Savings and Efficiencies - Overtime			1		
		2	5		
Social Media			1		
			1		
Stock Control			9		
Travel and Subsistence		1			
		1	2	1	
Treasury Management				1	

Report to: Audit and Finance Committee

Date of Meeting: 16th March 2017

Subject: Internal Audit Plan 2017/18

Report by: Internal Audit Manager

1.0 Purpose

- 1.1. This report presents an Internal Audit Plan for 2017/18.

2.0 Recommendations

- 2.1. The Committee is asked to:
- 2.11 note the resources available to Internal Audit, within the context of the consortium audit agreement with Falkirk Council;
- 2.12 approve planned Internal Audit coverage for 2017/18; and
- 2.13 note that progress will be reported to Audit and Finance Committee on an ongoing basis.

3.0 Considerations

- 3.1. The Public Sector Internal Audit Standards 2013 (PSIAS) require the Internal Audit Manager to prepare a risk based Internal Audit Plan (the Plan) setting out the section's annual work programme. The Plan should take account of the Council's risk and performance management arrangements, and detail the resources available to Internal Audit.
- 3.2. The Internal Audit Plan (the Plan) for 2017/18 will be delivered via a consortium arrangement with Falkirk Council. The Head of Internal Audit at Falkirk will fulfil the role of Head of Internal Audit in Clackmannanshire. The Plan also recognises the need for the new team to familiarise itself with key financial systems and controls.
- 3.3. The Internal Audit Manager will have overall responsibility for ensuring delivery of all planned assignments. Clackmannanshire Council's Internal Audit Officer will work closely with various members of Falkirk Council's Internal Audit Team to deliver audit work, in line with the Internal Audit Charter and Manual. Brief resumes of the Falkirk Council staff who will be engaged in the delivery of audit work have been made available.

- 3.4. The priority for 2017/18 will be the completion of all planned work, to allow Internal Audit to provide a robust, evidence based, opinion on the Council's arrangements for risk management, governance, and control. To do this, the team's time will be allocated as follows:

Activity	Planned Days
Planned Assignment Time	331
Ad Hoc / Consultancy Work	40
Work on Recommendations Outstanding	10
Total Direct Internal Audit Activity	381¹

- 3.5. Details of individual assignments are set out at **Appendix 1**.
- 3.6. For each of the assignments listed, a more detailed Terms of Reference will be agreed with the relevant Chief Officer prior to the commencement of fieldwork. This will set out key risks, and the scope of work to be undertaken.
- 3.7. On completion of each review, Internal Audit will issue a draft report to the relevant manager. In most instances, this will include an opinion on the adequacy of risk management, governance, and control arrangements in the area under review, and an action plan setting out any recommendations for improvement. The assurance will be provided in line with the definitions set out at **Appendix 2**.
- 3.8. In some cases no overall assurance will be provided. This may be the case where, for example, Internal Audit undertake work in relation to a developing system and issue a Position Statement rather than a full report (although recommendations may still be raised), or where we are involved as part of a longer term workstream.
- 3.9. Where Internal Audit do make recommendations, Service managers will be required to provide formal responses (including action dates). The report and completed action plan will then form the final record of the assignment, with the implementation of recommendations monitored and managed via the corporate Covalent system.
- 3.10. Progress with completing the 2017/18 Internal Audit Plan will be reported to Committee throughout the year. Progress Reports will summarise findings arising from each completed assignment, as well as recommendations that remain outstanding beyond their agreed implementation date.
- 3.11. On an annual basis, an Internal Audit Annual Assurance Report will be presented to Committee. This will give an overall opinion on the Council's risk management, governance, and control arrangements, based on the work Internal Audit has carried out over the course of the year.

¹ Including provision of Internal Audit service to Central Scotland Valuation Joint Board and Clackmannanshire and Stirling Integration Joint Board.

4.0 Sustainability Implications

4.1. None noted

5.0 Resource Implications

5.1. *Financial Details*

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

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

5.4. *Staffing*

6.0 Exempt Reports

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

7.0 Declarations

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

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

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

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

8.0 Equalities Impact

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

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 – Assignments Planned for Period April 2017 to March 2018
- Appendix 2 - Definition of Internal Audit Assurance Categories

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)

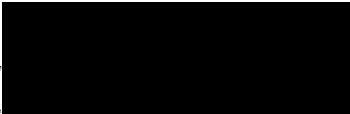

Yes (please list the documents below) No

- Joint working agreement between Falkirk Council and Clackmannanshire Council For Internal Audit Services 2017– 2018
- Details of Falkirk Council staff engaged in Clackmannanshire's Internal Audit Work

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Gordon O'Connor	Internal Audit Manager	01324 506 339

Approved by

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

ASSIGNMENTS PLANNED FOR PERIOD APRIL 2017 TO MARCH 2018

No.	Service	Purpose and Scope of Assignment
A1	All Services	<p>Pensions Transactional Testing Internal Audit will review arrangements for joining, opting out of, and leaving the pension scheme.</p> <p>In addition, pension calculation, communication, administration, and payment arrangements will be reviewed for a sample of Clackmannanshire Council employees.</p>
A2	Resources and Governance / All Services	<p>Payroll Transactional Testing The focus of this work will be on the testing of the processing of a sample of new starts, payroll related changes, and leavers.</p> <p>This will include the accuracy and timeliness of processing, as well as the authorisation of payroll related changes and the adequacy of management information.</p>
A3	Resources and Governance / All Services	<p>Recruitment and Selection This review will cover the recruitment of permanent, temporary, and casual staff, from identification of need through to signing of contract of employment.</p> <p>The sample reviewed will include individuals recruited both internally and externally, and will consider the arrangements that have been established to undertake pre-employment checking.</p>
A4	Housing and Community Safety / All Services	<p>Sundry Debtors We will review arrangements for the identification, invoicing, and collection of sundry debts.</p> <p>This will focus on the framework of policies and procedures that govern the Council's approach to debt management, collection, monitoring, and write off, as well as transactional testing to assess the effectiveness of these arrangements.</p>
A5	Resources and Governance / All Services	<p>Procurement / Contract Monitoring Internal Audit will undertake a review of the Council's procurement governance arrangements, encompassing roles, responsibilities, policies, and procedures. We will identify and assess controls established to ensure that these are reflected in operational practice.</p> <p>In particular, we will focus on systems for the ongoing monitoring of contracts, and for dealing with, and reporting on, any mid contract variations that arise.</p>

No.	Service	Purpose and Scope of Assignment
A6	Resources and Governance	<p>Cyber Security Internal Audit will assess controls established to manage cyber security risks.</p> <p>This will include review of policies, security standards, and associated procedures and guidance; cyber security roles and responsibilities; arrangements for communicating risks to staff; systems for the monitoring of, and reporting on, attempted cyber security attacks; and continuity and recovery plans should the Council fall victim to a cyber security breach.</p>
A7	Social Services	<p>Public Protection (Children and Adults) - Governance Internal Audit will review Public Protection governance arrangements. This will include strategy, policy and procedures, and arrangements for ensuring their practical application.</p> <p>In particular, we will review arrangements for partnership working (for example through information sharing protocols) and for the provision of meaningful management information and reports.</p>
A8	Social Services / Education Services	<p>Social Care and Education Transport This review will cover the arrangements established to transport users of social work services to and from their care setting and pupils with Additional Support Needs to and from school.</p> <p>We will focus on the process for procuring transport, and for the subsequent monitoring of service delivery. This will include arrangements established to assess the efficiency and effectiveness of service provision, as well as the extent to which transport provision meets the needs of service users.</p>
A9	All Services	<p>Cash and Income Collection Internal Audit will undertake a programme of visits to cash-handling sites across Council Services, with a view to ensuring that appropriate systems of control have been established to protect Council and client funds and valuables, and the staff responsible for handling these.</p>
A10	To Be Confirmed In Year	<p>To Be Confirmed In Year Rather than fully commit all available Direct Audit Days at the outset, resource will be set aside to plan and undertake a review in response to any change in the Council's risk profile that arises over the course of the year.</p> <p>This will also help the Internal Audit team target resource following an initial period of familiarisation (given the move to a consortium audit approach to the delivery of Internal Audit services).</p>

No.	Service	Purpose and Scope of Assignment
A11	All Services	<p>Follow Up of Internal Audit Recommendations All recommendations made by Internal Audit will be uploaded to the Covalent system, with responsibility for implementing each recommendation allocated to the relevant manager.</p> <p>While Internal Audit will not follow up on the implementation of all recommendations, we have allocated time to the targeted follow up of a sample of these.</p>
A12	All Services	<p>Ad hoc / Consultancy Work The Internal Audit Charter is clear that the provision of ad hoc consultancy and advice to Services is a key element of Internal Audit's role.</p> <p>This time will be used to work closely with Services on things like: involvement in corporate projects and working groups; the provision of advice on guidance and controls; short term assignments requested by Services; and input into the investigation of actual or alleged irregularities.</p>
A13	All Services	<p>National Fraud Initiative The National Fraud Initiative (NFI) is a bi-ennial counter fraud exercise using data matching to identify potential fraud and error. In Scotland, the NFI is administered by Audit Scotland, with the results of the data matching exercise made available to individual Councils via a secure website.</p> <p>The Head of Resources and Governance is 'key contact' for Clackmannanshire Council. The Internal Audit Manager will assist with the co-ordination and management of the NFI process for Clackmannanshire Council.</p>
A14	All Services	<p>Continuous Auditing The purpose of continuous auditing work is to consider, review, and test transactional systems on an ongoing basis.</p> <p>For 2017/18 this will focus on the testing of payments to suppliers of goods and services, to identify and recover any duplicate amounts paid.</p>
A15	Clackmannanshire and Stirling Integration Joint Board	<p>Clackmannanshire and Stirling Integration Joint Board Stirling Council's Audit Manager is fulfilling that role for the Integration Joint Board (IJB) for the three years from 01 April 2016. He will present an Internal Audit Plan for 2017/18 to the IJB Audit Committee in due course.</p> <p>Clackmannanshire Council's Internal Audit Team will provide resource to support the IJB Audit Manager in discharging his duties.</p>
A16	Central Scotland Valuation Joint Board	<p>Central Scotland Valuation Joint Board To be determined and agreed with Board management.</p>

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
Substantial Assurance	Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited Assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No Assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

Report to Audit and Finance Committee

Date of Meeting: 16 March 2017

Subject: Council Financial Performance 2016/17 – December 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 underspend for the year of £0.570m.

2.1.2 Progress on delivering planned savings in the year.

2.1.3 The draft favourable outturn of £1.017m on the Housing Revenue Account.

2.1.4 The draft underspend in General Services capital of £3.347m of which £0.393m are savings in delivery of the programme with the remainder carried forward to 2017/18.

2.1.5 The draft underspend on HRA capital of £5.723m of which £2.601m is additional income from house and land sales and £0.388m are savings in delivery of programme with the remainder carried forward to 2017/18.

3.0 Background

- 3.1. This report summarises the financial position of the Council. This report consolidates all of the detailed service financial data to provide a corporate position. The report also provides detail of individual Service positions showing the overall variance and the movement from the previous reported projected outturn. 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 underspend of (£0.570m) for the year ended 31st March 2017. This is a reduction of £0.117m on the previously reported outturn of (£0.687m) reported in January.
- 4.3 Although most Services are reporting an underspend there is an overspend in Social Services of £1.527m which is an increase of £0.049m to the previous reported overspend. Adult Services is reporting an overspend of £1.016m primarily due to unachievable savings of £0.469m, Reablement service staffing of £0.323m with the balance relating to the high level of activity in care at home and long term placements. Residential schools overspend of £0.554m has reduced by £0.141m since last reported. A separate report to this Committee details the overspend and progress on the 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 2016/17	Projected Over/(under spend) at 31 st March 2017	Previous reported over/(under) spend at August	Movement
Resources & Governance	£22.644m	(£0.621m)	(£0.559m)	(£0.062m)
<p>Resources and Governance is projecting a net underspend of (£0.621m) resulting in a movement of (£0.062m) since last outturn. The underspend and material movements are explained as follows:</p> <p>Accountancy is reporting an underspend of (£0.163m) resulting in movement of (£0.053m). The underspend and movement is attributable to the non filling of staff vacancies.</p> <p>Asset Management is forecasting an overspend of £0.067m, movement of £0.032m. The overspend is largely due to unachievable savings on rental income. However, this overspend is reduced by cash saving within staffing.</p> <p>Catering is reporting underspend of (£0.401m), movement £0.016m. This underspend is mainly attributable to efficiencies in staff and food purchases for P1-P3 free school meals. The movement is caused by reduction in meals uptake within Central Catering and Primary School meals. A related budget saving is being put forward for consideration by D&E who are now operationally responsible for the Service for 17/18.</p>				

IT is projecting an overspend of £0.133m resulting in a movement £0.110m. Within this, Central IT is forecasting an overspend of £0.148m primarily due to higher than budgeted software and Licence costs. However this is offset by an underspend (cash saving) of (£0.015m) due to secondments, reduced hours and staff absence.

Governance is projecting an underspend of (£0.002m), movement of £0.093m. The overspend and movement is largely due to a proportion of staff costs in relation to the iTrent system that was initially thought to be able to be capitalized but has subsequently been moved to revenue as the project ended and moved into a business as usual phase.

Property Maintenance is projecting an overspend of £0.249m, movement of £0.103m. The overspend is mainly due to unachievable savings that were based on renegotiation of employee's terms and conditions, wind and water tight maintenance of properties, retirement, vacation of some properties that are still in use and uplift in costs due to winter maintenance. The movement is caused by changes in rates, janitorial and cleaning services estimates.

Corporate Training is projecting an underspend of (£0.06m).

Schools PPP is forecasting an underspend of (£0.443m) resulting in a movement of (£0.238m). The underspend is a partial cash saving largely due to an Insurance rebate of £0.230m and estimates of agreed deductions.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31st March 2017	Previous reported over/(under) spend at October	Movement
Strategy and Customer Services	£5.684m	(£0.101m)	(£0.075m)	(£0.026m)

The service is forecasting a net underspend of (£0.101m) compared to the previous forecast underspend of (£0.075m). This is mainly due to having more information regarding Leisure payroll forecasts. There has also been an increase in the amount of income projected to be received in Leisure.

There is an underspend in Business Support (£0.109m) due to salary variations with the main underspend in Business Support Adult Care (£0.047m). Business Support Child Care also has an underspend of (£0.035m) which is a proposed budget saving for 17/18 (£0.019m). There are other underspends in salaries as a result of vacancies not being filled on a temporary basis, reduction in hours related to the budgeted family friendly saving for 16/17 and flexi retirement

Strategy & Performance is reporting an overspend of £0.034m due to an unachieved saving from targeted VR. There is a slight movement from the last forecast of £0.002m mainly due to updated forecasts for Advertising in Strategy & Partnership.

Customer Services/Leisure is forecasting an underspend of (£0.029m) and movement of (£0.035m) made up as follows:

The Customer Services function is reporting an underspend of (£0.052m) as a result of salary underspends arising from a delay in filling vacancies and increased income projections. This underspend has remained the same since the last forecast despite a decrease in Scottish Certificates income forecast due to a drop in the number of orders being placed. This loss in income has been offset by various staff savings.

Leisure is reporting an overspend of £0.023m, which is a movement of (£0.035m) from the previous forecast. The overspend is mainly a result of a historic £0.095m unallocated saving. A marketing plan is being developed in partnership with Stirling University to increase usage of the leisure facilities, and the service has continued to pursue a range of actions to reduce costs whilst increasing income.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31st March 2017	Previous reported over/(under) spend at August	Movement
Development & Environment Services	£11.099m	(£0.458m)	(£0.505m)	£0.047m

D&E is reporting a net underspend of (£0.458m) resulting in an adverse movement of £0.047m since last quarter.

Roads & Transportation is forecasting underspend of (£0.117m) in the year, resulting in adverse movement of £0.005m. This relates to cash savings and is as a result of cost control within Street Lighting Maintenance and staff savings due to vacancies. Adverse movement is due to increase in projected costs as a result of higher anticipated costs in last quarter of year.

Environmental Services is reporting underspend of (£0.267m), resulting in adverse movement of £0.111m. The projected underspend and movement is mainly due to reduction in forecast payments to contractors, reduction in fuel price, reduction in anticipated income and vacancies within staffing. Whilst these are expected to be budget savings, budget realignments within the service may be required to offset 17/18 pressures.

Regulatory Services is projecting underspend of (£0.048m), resulting in a movement of (£0.023). The underspend is a cash saving mainly due to temporary vacancies. Revision of miscellaneous forecasts within Environmental Health also contributed to the projected underspend.

Development Services is forecasting an underspend of (£0.028m), resulting in a movement of (£0.046m). The underspend and movement is due to accrued 2015/16 income and Earmarked Reserves used to offset historic income budget.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31st March 2017	Previous reported over/(under) spend at October	Movement
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Social Services	£27.743m	£1.527m	£1.478m	£0.049m
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Social Services is forecasting an overspend of £1.527m. This is an increase of £0.049m compared to the last report.

The number of high cost Children's External Placements has reduced by 2 since the previous report resulting in a reduction in the projection of (£0.141m).

The Child Care projection has increased by £0.078m since the previous report. This is primarily due to 2 family placements for 10 children with the Lilius Graham Trust in order to prevent admission to care.

The projection for Adult Services has increased by £0.115m. This mainly relates to revised financial projections as more accurate information became available.

The full detail of the Social Services overspend is provided in the Finance Report also on the agenda of this Committee.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31 st March 2017	Previous reported over/(under) spend at October	Movement
Education	£37.223m	(£0.232m)	(£0.098m)	(£0.134m)

The Service is forecasting an underspend of (£0.232m) which is £0.133m more than previously forecast.

Business Management is currently forecasting an underspend of (£0.063m). This is mainly due to majority of shared services staff ending in December 2016 with a couple of posts due to end in March 2017. The forecast also includes two new posts within Chief Education resulting in a net underspend of (£0.056m).

Early Years Non Devolved is forecasting to overspend by £0.141m, movement of £0.188m. The underspend and movement from the previous forecast is mainly attributable to updated staffing costs.

Primary Non Devolved is projected to overspend by £0.333m of which £0.080m relates to supply cover and £0.053m relating to additional expenditure incurred by primary schools. Staffing costs are forecasted to overspend by £0.037m due to unachievable FSW savings and teacher refresh costs. Assistance to pupils transport is projected to overspend by £0.026m. This is offset by teachers flexibility projected underspend of (£0.531m) due to schools receiving their correct per capita budgets and secondary schools receiving the correct teaching budget. The movement from the previous forecast of (£0.494m) is attributable to a reduction in teachers flexibility, additional supply cover costs and transfer of surplus staffing balances from secondary schools.

Primary Devolved and ASN Devolved are projected to overspend by £0.168m due to staffing costs being projected at current levels. This has resulted in a movement of £0.194m from the previous forecast as staffing costs were forecasted to budget.

Secondary Non Devolved is projecting an underspend of (£0.199m) of which (£0.234m) relates to secondary supply cover and (£0.007m) relating to curriculum for excellence. There are also small net underspend of (£0.004m) within this area. This is offset by an overspend of £0.046m due to unachievable savings relating to HSLO posts.

ASN Non Devolved is overspent by £0.134m mainly due to overspends on assistance to pupils transport, insurance, agency payments, accessibility strategy and ASN primary teaching staff totalling £0.215m. This is offset by underspends of (£0.081m) relating to staffing in Learning Support, Learning Assistants and Primary Inclusion Support.

Sports Development is forecasting an underspend of (£0.037m) which includes a mixture of staffing and non-staffing underspends.

Youth Services was previously outturned to budget but more accurate forecasting has resulted in a projected underspend of (£0.017m) which is also the movement.

There are small underspends within Education Psychology Service, School Crossing Patrols and Adult Services totalling (0.024m).

Service	Annual Budget 2016/17	Projected Over/(underspend) at 31st March 2017	Previous reported over/(underspend) at October	Movement
Housing	£2.964m	(£1.057m)	(£1.338m)	£0.281m

The service is forecasting an underspend of £1.057m. This is £0.281m less than previously forecast. This is in line with the final outcome for last financial year where an underspend of £0.987m was recorded which due to the timing of the income being confirmed this was not able to be included in the 2016/17 budget process.

The main reason for the reduction in the underspend is in respect of the income receivable for the Homeless Units. The forecast income is now £0.203m less than previously reported. The rental income in these units is paid by benefit and at the start of the year there were 118 claims while recently this has reduced to 88. The number of claimants who have been impacted by the Benefit Cap has increased as has the amount capped from the start of the year. In addition to the number of homeless occupants reducing, the length of stay has reduced as Void HRA properties become available people are able to be move to mainstream properties earlier.

The main reason for the underspend continues to be in the Rent Allowances of £0.024m and Rent Rebates of £0.886m. This has reduced from the last forecast as examination of the expenditure and associated grant income with Rent Allowances has resulted in reducing the percentage of grant income received in respect of payments made. The previous forecast had higher income than expenditure, this has now been reduced to reflect the anticipated grant income due in line with the mid year estimate return.

An underspend of £0.344m is forecast within staffing as the Service continues to examine all vacancies in line with the ongoing restructure in conjunction with Housing Revenue Account. All vacant posts have now been forecast not to be filled this financial year.

An underspend of £0.312m in Billing & Assessment is forecast. This is £0.013m greater than previously reported and is as a result of examination of the grant income.

The Scottish Welfare Fund received an additional in year allocation of £0.150m to cover an increase in the number of awards being made. The service also undertook mitigating action on the overspend and this has resulted in the service only projecting to use £0.100m of the in-year demand pressure.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31st March 2017	Previous reported over/(under) spend at October	Movement
Executive Team	£0.432m	£0	£0	£0m

The Executive Team are projecting spend in line with budget.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31st March 2017	Previous reported over/(under) spend at October	Movement
Corporate Adjustments	(£0.348m)	£0.524m	£0.563m	(£0.039m)

There is an overspend in the Corporate Budget of £0.524m which is a favourable movement of £0.039m compared to the variance reported in the previous report.

The overall overspend relates to the unachievement of savings, including Review of the working week £0.513m and Review of General Fund Debtors £0.046m.

The overspend also includes the Corporate VS saving of £0.400m which is shown within Service projections.

This overspend is offset by an underspend on the Universal Credit budget of (£0.400m) due to delays in full implementation of the scheme by the DWP.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31st March 2017	Previous reported over/(under) spend at October	Movement
Non Distributed Costs	£1.215m	£0	£0	£0

The Service is projecting spend in line with budget.

Service	Annual Budget 2016/17	Projected Over/(under spend) at 31 st March 2017	Previous reported over/(under) spend at October	Movement
Total	£108.656m	(£0.018m)	(£0.534m)	(£0.516m)

- 4.5 Appendix A also highlights a number of non-service expenditure and income areas of the Council budget (not detailed in Table 1). Additional income of £0.214m due to redeterminations of Revenue Grant adds to the underspend in the above table.
- 4.6 The above projections for Education and Social Services include estimates of the cost of decoupling which are yet to be finalised with Stirling Council.
- 4.7 The 2016/17 budget incorporated approved savings of £7.501m. 66% are forecast to be achieved in the year. Table 2 below sets out the position 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 and Reason for Variance
Resources & Governance	1,532	1,213	(319)	Under-achievements of TVR savings and delay in vacating properties partly offset by PPP Service reductions.
Strategy and Customer	839	714	(125)	Under-achievement of TVR savings.
Development & Environment	1,126	1,140	14	Under-achievements have been covered through over-achievement of other approved savings.
Social Services	2,025	857	(1,168)	Progress has been made on a number of savings however, a significant proportion of savings are not expected to be achieved.
Education	611	301	(310)	A number of small savings are deemed not to be achievable within the year.
Housing	417	420	3	All savings are forecast to be

				achieved.
Corporate	951	263	(688)	Underachievement in relation to: Corporate severance, review of working week and pursuit of debtors.
Total	7,501	4,908	(2,593)	

4.8 Of the £7.501m savings approved by Council, £4,908m are forecast to be achieved. Appendix E provides further detail of the unachievable savings within each service.

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 £5.935m which is £1.017m greater than budgeted. This is an increase of £0.391m from that previously forecast.

5.2 Repairs and Maintenance are forecasting an underspend of £657k. This is an increase of £194k from that previously forecast. The main reason for this is an underspend of £475k for the Property Contracts element which includes reduced charge for Central Support and increased Income from charges. The forecast of expenditure on Private Contractors and Voids is now £172k less than budget as the Service continues to examine all work that is placed with external firms. This underspend has increased from that previously forecast as expenditure continues to reduce.

5.3 Supervision & Management is forecasting an underspend of £487k, this is £86k more than previously forecast. There is an underspend of £303k forecast in staffing costs, vacancies have now being filled in line with the revised structure but a delay in this process taking place has resulted in the forecast underspend increasing. Central Support is forecasting an underspend of £101k as the revised basis of allocation is less than HRA had initially allowed in the budget.

5.4 There has been a spike in void numbers, resulting in a forecast overspend on void rent loss of £180k. This has reduced from the last forecast as Void numbers are falling again. The budget had been significantly reduced reflecting last year's performance. The current cost of Special Uplifts is now forecasting an overspend of £27k.

5.5 There is now projected a small increase in Rental Income of £19k. Although the number of house sales still remains the same they have actually been sold late in the year. This has led to the Rent being continued to be due for the majority of the year. Examination of the current level of debt has led to the forecast contribution to the bad debt provision being £41k less than the budget.

6.0 Capital

6.1 General Services

6.2 Appendix C to this paper details progress on the General Services capital programme for the period ended 31st December 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 £3.347m against the £11.325m gross budget, of which £2.954m is expected to be carried forward to 2017/18 due to revised timing of project expenditure. Overall there is a movement of £0.312m from the previous reported underspend projected as at October of £3.035m. This is mainly due to Street lighting improvements, Village and Town Centre Initiative (Tullibody) and Schools works that have been committed now forecast to be completed in April 2017.

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 31st March 2017 (£000)	Over / (under) Spend (£000)	Comments
Community Investment Strategy	6,026	3,783	(2,243)	Land in Dollar to settle before development can commence £0.3m, Ongoing review of school estate and early years strategy £1.5m
Property	1,040	31	(1,009)	Childcare Residential Unit – Concept design to identify potential sites has been completed. Ongoing further assessments required.
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 .
IT	800	705	(95)	Due to staff reprioritisation in other digital transformation projects, projects delayed into 17/18.
Total Capital Programme	11,325	7,978	(3,347)	

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 £11.754m. The expenditure forecast is £6.031m showing a projected underspend of £5.723m, £2.601m of which relates to additional income from house and land sales and £0.388m project savings. It is also anticipated that £2.734m will be required to be carried forward to future year's Capital Programme.
- 6.7 Of this carry forward, £0.727m relates to Roof and Render where significant delays are forecast where the work involves private owners and landlords, £0.828m relates to the new build at The Orchard, Tullibody, where a final decision regarding this site has still to be confirmed, but will now be in the 2018/19 financial year.
- 6.8 The forecast carry forward in respect of £0.637m for Off the Shelf Purchase and Refurbishment has reduced from that previously approved. This budget was identified to maximise spend on the affordable housing grant programme. An additional eight units have been acquired. Since the last forecast a bungalow has been acquired as it fulfilled the needs of a family who have been looking for more suitable accommodation. As well as this it could be the case that another four properties could be acquired if deemed suitable. Any underspend is proposed to be carried forward to allow for ongoing support for the Strategic Housing Investment Plan if required and for the refurbishment of any units that are bought later in the year.
- 6.9 Delays in the Bowmar Community Energy Savings Project has resulted in a requirement for a carry forward of £0.183m while the Service works towards finding a long term solution. Within the Kitchen renewal programme, less Kitchens have been completed than expected with a carry forward of £0.116m. Delays in other projects have resulted in the need for an increased carry forward required from that previously notified.
- 6.10 The significant projects that contribute to the savings underspend of £2.99m 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	(94)	Less expenditure on Asbestos as programme moves away from Kitchens & Bathrooms
Roads & Footpaths	(30)	Less projects identified than budget
Construction Design Management	(15)	Delay in procuring contract
Fairfield School New Build	(122)	Project now handed over to Housing with less costs than expected.
Tillicoultry Community Centre	(134)	Project now handed over to Housing with less costs than expected.
Income from Sale of Council Property & Land	(2,601)	More sales materialised than predicted. The deadline for applying has now passed.

7.0 Conclusions

- 7.1 General Services revenue spend is anticipated to record an underspend of £0.570m.
- 7.2 Of the £7.501m approved savings, £4.908m is expected to be achieved in the year.
- 7.3 The Housing Revenue Account is anticipating an underspend of £1.017m.
- 7.4 The current review of the capital programme indicates a projected underspend in the year (including carry forwards) of £3.347m on General Services Capital. Detail on each project is shown in appendix C.
- 7.5 The HRA Capital Programme indicates an underspend of £5.723m, including additional income from house & land sales £2.601m and in year savings of £0.388m. A carry forward of £2.734m is also proposed.

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

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

Author(s)

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Approved by

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



	Annual Budget 2016/2017	Forecast to March 2017	Variance Forecast to Budget	Previous Variance	Variance Movement
Resource & Governance	22,644	22,023	(621)	(559)	(62)
Strategy & Customer Services	5,684	5,583	(101)	(75)	(26)
	28,328	27,606	(722)	(634)	(88)
less allocated to non general fund	(1,305)	(1,305)	0	0	0
	27,023	26,301	(722)	(634)	(88)
Executive Team	432	432	0	0	0
Development & Environmental	11,099	10,641	(458)	(505)	47
Education Service	37,223	36,991	(232)	(98)	(134)
Housing & Community Safety	2,964	1,907	(1,057)	(1,338)	281
Social Services	27,743	29,270	1,527	1,478	49
Corporate Services	(348)	176	524	563	(39)
Misc Services - Non Distributed Costs	1,215	1,215	0	0	0
Services Expenditure	107,351	106,934	(417)	(534)	117
Add Requisitions from Joint Boards					
Central Scotland Valuation	321	321	0	0	0
	107,672	107,255	(417)	(534)	117
Add/Deduct					
Interest on Revenue Balances	(52)	(52)	0	0	0
Loans Fund Contribution	9,401	9,462	61	61	0
Contribution to Bad Debt Provision	200	200	0	0	0
	117,221	116,865	(356)	(473)	117
Sources of Funding					
General Revenue Funding/Non-Domes	(90,603)	(90,817)	(214)	(214)	0
Council Tax	(18,758)	(18,758)	0	0	0
Council Tax Reduction Scheme	(3,520)	(3,520)	0	0	0
Contribution from Reserves	(1,523)	(1,523)	0	0	0
Application of unapplied Capital receipt	0	0	0	0	0
Contribution from Earmarked Reserve	0	0	0	0	0
Contribution from Uncommitted Reserves	(2,817)	(2,817)	0	0	0
	(117,221)	(117,435)	(214)	(214)	0
Projected (Surplus)/Shortfall	0	(570)	(570)	(687)	117
Contribution to (from) Reserves			(3,770)	(3,268)	(502)

HRA Budget v Forecast
As at December 2016

APPENDIX B

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 restructuring of the roles and responsibilities of the staff members is progressing during this year.

	Budget 16-17 £'000	Forecast 16-17 £'000	Variance 16-17 £'000	Previous Forecast 16-17 £'000	Forecast Variance £'000
Housing Revenue Account	-4,918	-5,935	-1,017	-5,544	-391
Private Contractors - continued less expenditure placed with outside firms.	295	134	-161	178	-44
Void Houses	42	31	-11	36	-5
General Maintenance - Income in respect of rechargeable repairs help offset costs.	-13	-35	-22	-15	-20
Property Factors -Income now generated charging for common repairs	-25	-12	13	-19	7
Gas Contract	11	11	0	11	0
Property Contracts - Reduction in Central Support allocation and increased income from charges	5,464	4,988	-476	5,120	-132
Service Manager -Reduced costs for Central Support from that included in original budget	1,392	1,275	-117	1,288	-13
Tenancy & Estate Management - Restructuring has identified need for extra staff in this area. Appointment of these staff now complete.	810	1,026	216	1,014	12
Housing Business Management - Vacant posts has resulted in staffing saving.	307	217	-90	231	-14
Housing Options -Vacant post identified as resource for restructuring. Increased allocation of staff to VPR and transfer of staff to Tenancy	474	215	-259	227	-12

HRA General Staff - Vacant posts identified as resource for restructuring. Dely in filling vacant posts.	179	61	-118	109	-48
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	258	-95	269	-11
Community Engagement - Lower cost on Tenants Survey.	49	23	-26	24	-1
Housing Capital -	3,130	3,128	-2	3,128	0
Tenancy Overheads - Now predicting an overspend on Void Rent Loss of £180k as levels of Voids have increased. Reduced provision made for contribution to bad debt provision.	1,102	1,251	149	1,271	-20
Rents - Increased prediction in the number of house sales results in shortfall of income	-18,488	-18,506	-18	-18,416	-90
	<u><u>-4,918</u></u>	<u><u>-5,935</u></u>	<u><u>-1,017</u></u>	<u><u>-5,544</u></u>	<u><u>-391</u></u>

	(A)	Community Investment Strategy :			Amended Budget 16/17 £	Expenditure as at 24.02.17 £	Income as at 24.02.17 £	Net Expenditure as at 24.02.17 £	Projection of estimated total capital spend to 31.3.17 £	(Under) / Over spend as at 31.3.17 £	October Out-turn £	Movement from October out-turn £	Notes	Saving in 16/17 £	C/fwd to future years £	(Under) / Over spend as at 31.3.17 £	
Project coo Alloa Cluster																	
10000	A1	Schools ICT Replacement	Alloa Academy	I.T.	46,000	43,712	0	43,712	46,000	0	46,000	0	Project complete - Final invoices only			0	
10010	A11	Kilncraigs	Alloa	Property	16,230	3,653	0	3,653	16,230	0	16,230	0				0	
10006	A3	Park Primary School	Alloa	Property	270,980	130,761	0	130,761	140,000	(130,980)	173,000	(33,000)	Lighting programmed into 17/18 due to ongoing other works in 16/17. Works committed in 16/17 to be completed early in 17/18		(130,980)	(130,980)	
10005	A6	Park, Play Area & Open Space Improvements	Alloa	Land	50,000	6,816	0	6,816	50,000	0	50,000	0	On target for completion in 16/17			0	
10116	A7	3-12 School Development	Alloa	Property	24,000	1,487	0	1,487	2,000	(22,000)	2,000	0	Park Primary Fire Alarms re-programmed to 17/18 due to ongoing other works in 16/17.		(22,000)	(22,000)	
10008	A9	Heritage Improvements	Alloa	Land/Property	40,200	14,240	(580)	13,659	40,200	0	40,200	0	Project complete - Final invoices and retention only			0	
10133	A46	ALLOA SECONDARY SCHOOL SUPPORT	Alloa	Property	103,000	93,063	0	93,063	103,000	0	103,000	0	Project complete - Retention only			0	
10021	A48	Sunnyside Primary School	Alloa	Property	27,000	0	0	0	13,500	(13,500)	27,000	(13,500)	50% of works complete to be completed in April 17		(13,500)	(13,500)	
10136	A51	Regeneration Speirs Centre	Alloa	Property	88,760	16,948	0	16,948	88,760	0	88,760	0	Working towards completion in 16/17 but due to re-tendering of the project there may be a delay into 17/18			0	
10137	A53	Alloa Town Hall	Alloa	Property	55,440	45,139	0	45,139	55,440	0	55,440	0	Project complete - Retention only			0	
10150	A54	Bowmar Area Enhancements	Alloa	Property	23,270	113,403	0	113,403	23,270	0	23,270	0	Final invoices due. Project completed. £100K grant funded.			0	
10138	A55	Kelliebank	Alloa	Property	0	(1,062)	0	(1,062)	0	0	0	0	Final invoices due. Project completed			0	
10144	A56	Redwell Primary School	Alloa	Property	0	(62,819)	0	(62,819)	0	0	0	0	Final invoices due. Project completed			0	
TOTAL Alloa Cluster					744,880	406,240	(580)	405,660	578,400	(166,480)	624,900	(46,500)		0	(166,480)	(166,480)	
Lornshill Cluster																	
10011	A12	Schools ICT Replacement	Lornshill Academy	I.T.	47,000	49,036	0	49,036	47,000	0	47,000	0	Project complete - Final invoices only			0	
10012	A13	Sauchie Hall Locality Hub	Sauchie	Property	81,000	0	0	0	-	(81,000)	-	-	Project on Hold pending Councillors decision		(81,000)	(81,000)	
10122	A14	Deerpark Primary School Roof	Sauchie	Property	54,050	48,446	0	48,446	60,000	5,950	54,050	5,950	Cladding work yet to be completed		5,950	5,950	
10127	A17	St Serfs Primary School	Tullibody	Property	202,060	92,325	0	92,325	20,000	(182,060)	30,060	(10,060)	Due to high risk asbestos, Heating project £105k and other works are unlikely to commence in 17/18. Tender being prepared for tender for works in the summer.		(182,060)	(182,060)	
10017	A18	School Estate - Tullibody South Campus	Tullibody	Property	125,000	0	0	0	125,000	0	125,000	0	Spend dependant on Council decision			0	
10018	A19	Village and Small Town Initiative including safer routes to communities	Tullibody	Land/Property/ Roads	391,750	177,615	(22,795)	154,820	290,000	(101,750)	391,750	(101,750)	Cost of Cambus/Tullibody cycle route of £155K is grant funded £80K from Sustran. Tender out in October for other works with works being completed November - March. There is a delay in works which will be carried forward to 17/18		(101,750)	(101,750)	
10126	A22	3-12 School Development	Tullibody / Sauchie	Property	60,000	8,252	0	8,252	60,000	0	60,000	0				0	
10024	A25	Clackmannan Primary School Refurbishment/Locality Hub	Clackmannan	Property	623,000	80,035	0	80,035	200,000	(423,000)	200,000	0	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		(423,000)	(423,000)	
10149	A57	Clackmannan Regeneration Project	Clackmannan	Corporate	0	64,368	0	64,368	410,000	410,000	410,000	0	£2M Fully funded Clackmannan Regeneration Project which will be fully committed by end of March. Spend anticipated in 17/18			0	
10149 B	A57 B	Clackmannan Regeneration Project Grant Funding	Clackmannan	Corporate	0	0	0	0	(410,000)	(410,000)	(410,000)	0				0	
TOTAL Lornshill Cluster					1,583,860	523,720	(22,795)	500,925	802,000	(781,860)	907,860	(105,860)		(75,050)	(706,810)	(781,860)	
Hillfoots Cluster (Alva/Tillicoultry/Dollar)																	
10030	A27	Village and Small Town Initiative including safer routes to communities	Tillicoultry	Land/Property/ Roads	70,000	0	0	0	-	(70,000)	-	-	Unable to resource project in 16/17. Project delayed to future years		(70,000)	(70,000)	
10026	A28	Hillfoots Glen - Upgrading	Tillicoultry	Land	300,000	251,508	0	251,508	290,000	(10,000)	275,000	15,000	Project cost estimated to be lower than budgeted		(10,000)	(10,000)	
10027	A29	Allotment Extension	Tillicoultry	Land	12,000	1,255	0	1,255	1,800	(10,200)	1,800	0	Due to unexpected soil contamination, works on hold for further investigation, expected completion in 17/18		(10,200)	(10,200)	
10028	A30	Flood Prevention Generator	Tillicoultry	Roads	25,000	0	0	0	20,000	(5,000)	20,000	0	Completion in 16/17		(5,000)	(5,000)	
10029	A31	Street Lighting Improvements	Tillicoultry / Alva	Roads	1,375,000	360,059	0	360,059	1,225,000	(150,000)	1,375,000	(150,000)	Works committed and will be completed in April 17		(150,000)	(150,000)	
10031	A32	Schools ICT Replacement	Alva Academy	I.T.	47,000	41,132	0	41,132	47,000	0	47,000	0	Project complete - Final invoices only			0	
10032	A33	Alva Community Campus/Locality Hub/ Primary school	Alva	Property	240,000	107,425	0	107,425	240,000	0	240,000	0	Completion in 16/17			0	
10121	A38	Menstrie Primary School	Menstrie	Property	56,000	5,982	0	5,982	40,000	(16,000)	56,000	(16,000)	Works to be completed in early 17/18		(16,000)	(16,000)	
10038	A39	New Cemetery	Dollar	Land	200,000	0	0	0	-	(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.		(200,000)	(200,000)	
10039	A40	Village and Small Town Initiative including Playing field development & Temporary Changing facilities	Dollar	Land/Property/ Roads	125,000	0	0	0	25,000	(100,000)	25,000	0	Land to settle before development can commence.		(100,000)	(100,000)	
10114	A41	3-12 School Development	Hillfoots	Property	64,000	57,267	0	57,267	64,000	0	64,000	0	Completion in 16/17			0	
10119	A47	Strathdevon Primary	Dollar	Property	770	26,976	0	26,976	770	0	770	0	Completion in 16/17 - From 3 yr old monies		0	0	
10135	A52	Demolition of Alva Pool	Alva	Property	94,360	96,177	0	96,177	96,200	1,840	94,360	1,840	Completion in 16/17		1,840	1,840	
TOTAL Hillfoots Cluster (Alva/Tillicoultry/Dollar)					2,609,130	948,682	0	948,682	2,049,770	(559,360)	2,198,930	(149,160)		0	(13,160)	(559,360)	
All Clackmannanshire Areas - not seperated into a Cluster																	
10041	A42	Schools ICT Replacement - All primaries	All Clackmannanshire	I.T.	100,000	24,394	0	24,394	100,000	0	100,000	0	Full programme being reviewed to re-align to other agreed capital works. The applications process for Community Matters funding is well underway, with applications form due back by the year end, at which time we will be in a better place to forecast outturns. Successful projects will be awarded funding in January 2017.		(10,000)	(10,000)	
10042	A43	Community Empowerment	All Clackmannanshire	Corporate	113,000	73,260	0	73,260	103,000	(10,000)	103,000	0				0	
10043	A44	2yr Old School Development	All Clackmannanshire	Property	540,550	311	0	311	100,000	(440,550)	100,000	0	Further review of early year strategy ongoing. Budget will be agreed per project.		(294,000)	(294,000)	
10044	A45	3yr Old School Development	All Clackmannanshire	Property	294,000	2,239	0	2,239	0	(294,000)	0	0				0	
10147	A50	Free School Meal Equipment	All Clackmannanshire	Property	40,860	32,371	0	32,371	50,000	9,140	40,860	9,140	Works on site scheduled for completion by Year End. Additional costs due to moving utility cable.		9,140	9,140	
TOTAL All Clackmannanshire Areas - not seperated into a Cluster					1,088,410	132,575	0	132,575	353,000	(735,410)	343,860	9,140		(294,860)	(440,550)	(735,410)	
Total (A) Total Community Investment Strategy					6,026,280	2,011,217	(23,375)	1,987,842	3,783,170	(2,243,110)	4,075,550	(292,380)		0	(383,070)	(1,860,040)	(2,243,110)
(B) Property Asset Management Strategy :																	
10045	B1	Statutory Compliance DDA Schools	All Clackmannanshire	Property	20,000	13,909	0	13,909	20,000	-	20,000	0	Projected as fully spent in 16/17			0	
10046	B2	Compliance - Asbestos Removal (Schools)	All Clackmannanshire	Property	20,000	0	0	0	0	(20,000)	20,000	(20,000)	St Serfs Primary School works commencing in 17/18. Delay due to QS being required for project		(20,000)	(20,000)	

10047	B3	Childcare Residential Unit	tbc	Property	1,000,000	22,000	0	22,000	11,000	(989,000)	11,000	0	Strategic Design brief agreed with Social Services. Concept design to identify potential sites completed. Using a site assessment matrix a quantitative assessment is now being undertaken to narrow down the number of potential sites identified. Qualitative assessment will then be undertaken by Social Services. Spend will therefore not be in 16/17	(989,000)	(989,000)
Total (B) Total Property Asset Management Strategy :					1,040,000	35,909	0	35,909	31,000	(1,009,000)	51,000	(20,000)	0	(1,009,000)	(1,009,000)
(C) Roads Asset Management Strategy :															
10048	C1	- A907 Braehead	Alloa	Roads	50,000	50,000	0	50,000	50,000	-	50,000	0	Project Complete		0
10049	C2	- Flood Prevention	All Clackmannanshire	Roads	104,000	77,841	0	77,841	104,000	-	104,000	0	Works Programmed for 16/17. Contribution to be paid towards larger drainage project with Scottish Water in Jan/Feb		0
10050	C3	- Cycle Routes	All Clackmannanshire	Roads	65,000	64,696	0	64,696	65,000	-	65,000	0	Works carried forward from 15/16 to be completed in 16/17.		0
10051	C4	- Carriageways	All Clackmannanshire	Roads	1,459,000	1,261,990	0	1,261,990	1,459,000	-	1,459,000	0			0
10052	C5	- Footways	All Clackmannanshire	Roads	100,000	100,000	0	100,000	100,000	-	100,000	0			0
10053	C6	- Surface Treatment	All Clackmannanshire	Roads	100,000	102,510	0	102,510	100,000	-	100,000	0			0
10054	C7	- Bridge Improvements	All Clackmannanshire	Roads	96,000	32,362	0	32,362	96,000	-	96,000	0			0
10055	C8	- Road Safety	All Clackmannanshire	Roads	264,710	412,997	(77,098)	335,899	264,710	-	264,710	0			0
10056	C9	- Lighting Replacement	All Clackmannanshire	Roads	265,000	83,489	0	83,489	265,000	-	265,000	0			0
10057	C10	Road & Footpath Improvements	All Clackmannanshire	Roads	154,000	106,379	0	106,379	154,000	-	154,000	0			0
10058	C11	Road Safety (Claremont/Kellie Place)	Alloa	Roads	45,000	6,103	0	6,103	45,000	-	45,000	0			0
Total (C) Total Roads Asset Management Strategy :					2,702,710	2,342,606	(77,098)	2,265,508	2,702,710	-	2,702,710	0	0	0	0
(D) Lands Asset Management Strategy :															
10061	D1	SWF/Wheeled Bins	Various	Lands	30,000	26,595	0	26,595	30,000	-	30,000	0	Fully committed in 16/17		0
Total (D) Total Lands Asset Management Strategy :					30,000	26,595	0	26,595	30,000	-	30,000	0	0	0	0
(E) Fleet Asset Management Strategy :															
10145	E2	Electric Vehicles	N/A	Fleet	0	0	(950)	(950)	0	-	0	0	Fully Grant Funded		0
10062	E1	Vehicle Replacement	N/A	Fleet	726,000	111,186	(26,243)	84,943	726,000	-	726,000	0	Dependant on the outcome of the fleet review & replacement plan with Alternative procurement models - Lease v Purchase.		0
Total (E) Total Fleet Asset Management Strategy :					726,000	111,186	(27,193)	83,993	726,000	-	726,000	0	0	0	0
(F) IT Asset Management Strategy :															
10064	F1	IT Infrastructure	tbc	I.T.	160,000	145,880	0	145,880	160,000	-	160,000	0	Programme on target for completion in 16/17		0
10065	F2	Telecare	tbc	I.T.	75,000	(6,000)	0	(6,000)	75,000	0	75,000	0			0
10066	F3	Social Services Integrated System	N/A	I.T.	25,000	0	0	0	0	(25,000)	0	0	Project on Hold pending Management decision. Underspent Budget transferred to CCTV Kelliebank as approved at Council on 15th Dec 16	(25,000)	(25,000)
10067	F4	Digital Transformation	N/A	I.T.	135,000	45,307	0	45,307	50,000	(85,000)	50,000	0	Due to staff reprioritisation of resources, projects for Roads & Leisure Systems have been delayed into 17/18	(85,000)	(85,000)
10068	F5	e-Building Standards	N/A	I.T.	20,000	2,047	0	2,047	15,000	(5,000)	15,000	0	Project costs less than originally estimated	(5,000)	(5,000)
10069	F6	Managed Wi-fi	N/A	I.T.	140,000	159,858	0	159,858	160,000	20,000	160,000	0	Phase One costs higher than expected. This will be offset by reduced costs in Phase three in 18/19.	20,000	20,000
10070	F7	Financial Management System Replacement	N/A	I.T.	185,000	157,187	0	157,187	185,000	-	185,000	0			0
	F8	CCTV - Kelliebank	N/A	I.T.	60,000	0	0	0	60,000	-	60,000	0			0
Total (F) Total IT Asset Management Strategy :					800,000	504,279	0	504,279	705,000	(95,000)	705,000	0	(10,000)	(85,000)	(95,000)
TOTAL CAPITAL PROGRAMME					11,324,990	5,031,791	(127,666)	4,904,125	7,977,880	(3,347,110)	8,290,260	(312,380)	(393,070)	(2,954,040)	(3,347,110)

C/fwd from 15/16 (301,000)
Grant (4,737,000)
2,924,880

Housing Capital Programme 2016-17 Period to March 2017	16-17 Net Budget	Gross Expenditure to 31/12/16	Income to 31/12/16	Net Expenditure to 31/12/16	Forecast as at 31/03/17	Budget to Forecast Variance	October Forecast	Movement from October Forecast	Comment	C/F to 2017-18
SCOTTISH HOUSING QUALITY STANDARD										
TACKLING SERIOUS DISREPAIR										
PRIMARY BUILDING ELEMENTS										
Structural Works										
Asbestos Testing for Council Houses 2013-17	25,000	5,979		5,979	18,000	(7,000)	20,000	(2,000)	Less work now being carried out as Capital Programme moves away from Kitchens & Bathrooms	
Asbestos Removal Works for Council Houses 2013-17	125,000	15,403		15,403	38,000	(87,000)	50,000	(12,000)		
Structural Works	150,000	21,382	0	21,382	56,000	(94,000)	70,000	(14,000)		
SECONDARY BUILDING ELEMENTS										
Damp/Rot										
2013-17 Damp & Rot Works	100,000	36,703		36,703	100,000	0	100,000	0	Investigation currently on going as to work required to be undertaken in Alva this financial year.	
Damp/Rot	100,000	36,703	0	36,703	100,000	0	100,000	0		
Roofs / Rainwater / External Walls										
2014-17 Roof & Render Upgrading Works	2,527,000	827,470		827,470	1,800,000	(727,000)	2,000,000	(200,000)	Programme on going in Hutton Park. Extra work required from previously thought this year to put Canopies over sills and extra roofing as investigation has discovered water ingress in roofs.. As always weather dependent.	727,000
Roofs / Rainwater / External Walls	2,527,000	827,470	0	827,470	1,800,000	(727,000)	2,000,000	(200,000)		
Doors										
External Door Replacement 2014-18	10,000	0		0	10,000	0	10,000	0	Property Contracts currently working on this.	
Window & Doors	10,000	0	0	0	10,000	0	10,000	0		
Windows										
Window Replacement 2014-18 Sidey	1,011,400	756,253		756,253	1,011,400	0	1,011,400	0	Contractor likely to be finised on Site in January. 75 completed out of 229 in programme.	
Window Replacement 2014-18 PCU	807,600	232,970		232,970	807,600	0	807,600	0		
Windows	1,819,000		0	989,223	1,819,000	0	1,819,000	0		
Secondary Building Elements										
	4,456,000	864,173	0	1,853,396	3,729,000	(727,000)	3,929,000	(200,000)		
ENERGY EFFICIENCY										
Full/Efficient Central Heating										
2013/16 Central Heating Replacement	1,854,000	1,170,521		1,170,521	1,854,000	0	1,854,000	0	390 houses completed 300 still to do. Grant applied for against those houses in areas of Multiple Deprivation where house currently does not meet EESH. Budget carried forward as Service works towards finding a long term solution. This project will be on site soon in Clackmannan & Hawkhill. Support for current HEEPs project.	183,000
Bowmar Community Energy Savings Programme (CESP)	183,000	0		0	0	(183,000)	183,000	(183,000)		
Home Energy Efficiency Programme Area Based 2015-16 (HEEPS)	355,000	332,226		332,226	356,000	1,000	356,000	0		
Energy Efficiency Works	250,000	0		0	250,000	0	250,000	0		
Full/Efficient Central Heating	2,642,000	1,502,747	0	1,502,747	2,460,000	(182,000)	2,643,000	(183,000)		
	2,642,000	1,502,747	0	1,502,747	2,460,000	(182,000)	2,643,000	(183,000)		

MODERN FACILITIES & SERVICES

Kitchen Renewal

Kitchen Replacement 2014-18

Kitchen Renewal

Bathrooms

2013-16 Bathroom Replacements PCU Team

Bathrooms

HEALTHY, SAFE & SECURE

Safe Electrical Systems / CO Detectors

Safe Electrical Rewire 2013-17

Safe Electrical Systems

Communal Areas (Environmentals)

2011-15 Rep/Up Door Entry Systems

External Works : Fencing, Gates, Paths

Door Entry Upgrade Term Contract 2016-20

Communal Areas (Environmentals)

NON-SHS ELEMENTS

PARTICULAR NEEDS HOUSING (CITC)

Conversions & Upgradings

Conversions & Upgradings

Conversions & Upgradings

Disabled Adaptations

Aids & Adaptations 2013-17

Disabled Adaptations

Demolitions

Demolitions - The Orchard

Demolitions

Environmental Improvements

HRA Roads & Footpaths Improvements

MCB Tenant Community Improvement Fund

Fencing Replacement Contract 2015-19

Environmental Improvements

Council New Build Housing (Transforming Communities)

Hallpark New Build

New Build - Fairfield School

New Build - Tilly Community Centre Phase 1a

	263,000	0	0	147,000	(116,000)	263,000	(116,000)	Property Contracts plan to complete 35.		116,000	
	263,000	0	0	147,000	(116,000)	263,000	(116,000)				
	50,000	0	0	50,000	0	50,000	0	Property Contracts completed but not yet invoiced.			
	50,000	0	0	50,000	0	50,000	0				
	313,000	0	0	197,000	(116,000)	313,000	(116,000)				
	300,000	235,806	0	235,806	300,000	0	300,000	0	Amey currently on site. Programme will require increase in future years as requirement to test now every five years.		
	300,000	235,806	0	235,806	300,000	0	300,000	0			
	205,000	49,232	0	49,232	120,000	(85,000)	205,000	(85,000)	New contract will on site with programme in place until year end. Carry forward required.	85,000	
	125,000			0	125,000	0	125,000	0	Currently on site in Clackmannan & Coalsnaughton with work instructed for the year.		
	330,000	49,232	0	49,232	245,000	(85,000)	330,000	(85,000)			
	630,000	285,038	0	285,038	545,000	(85,000)	630,000	(85,000)			
	50,000	1,448	0	1,448	1,450	(48,550)	50,000	(48,550)	To be utilised for Bungalow Conversion in Tullibody.	48,550	
	50,000	1,448	0	1,448	1,450	(48,550)	50,000	(48,550)			
	50,000			0	50,000	0	50,000	0			
	50,000	0	0	0	50,000	0	50,000	0			
	2,000	410	0	410	2,000	0	2,000	0			
	2,000	410	0	410	2,000	0	2,000	0			
	112,000	12,700		12,700	81,500	(30,500)	112,000	(30,500)			
	268,000	67,267	0	67,267	210,000	(58,000)	268,000	(58,000)	Door Entries and Close Refurbishment in Sauchie still to be carried out.	58,000	
	0										
	380,000	79,967	0	79,967	291,500	(88,500)	380,000	(88,500)			
	482,000	81,825	0	81,825	344,950	(137,050)	482,000	(137,050)			
	35,000	2,025		2,025	41,000	6,000	35,000	6,000			
	516,000	337,771		337,771	363,000	(153,000)	363,000	0	Project now completed excluding retention	31,000	
	119,000	147,177		147,177	178,000	59,000	178,000	0	Project now completed		

New Build - Tilly Community Centre Phase 1b/OTSP Refurbishment	193,000	0	0	0	(193,000)	0	0	Phase 1b sold to Kingdom HA	
New Build - Tilly Community Centre Phase 2	20,000	0	0	0	(20,000)	20,000	(20,000)	Land assembly to be completed	20,000
The Orchard	828,000	0	0	0	(828,000)	0	0	Expenditure on hold pending final decision	828,000
								Forecast to acquire 13. Carry forward to support future investment in SHIP and refurbishment of properties acquired late in financial year.	
Off The Shelf Purchase	1,300,000	418,328	418,328	663,000	(637,000)	313,000	350,000		637,000
Off The Shelf Refurbishment	230,000	142,428	0	142,428	230,000	0	230,000		
Council New Build Housing (Transforming Communities)	3,241,000	1,047,729	0	1,047,729	1,475,000	(1,766,000)	1,139,000	336,000	
	3,241,000	1,047,729	0	1,047,729	1,475,000	(1,766,000)	1,139,000	336,000	
Other Costs / HBMS									
Computer Equipment - New (HBMS)	60,000	0	0	0	60,000	0	60,000	0	
Construction Design Management	20,000	720	0	720	5,000	(15,000)	20,000	(15,000)	Delay in procuring contract
Other Costs / HBMS	80,000	720	0	720	65,000	(15,000)	80,000	(15,000)	
	80,000	720	0	720	65,000	(15,000)	80,000	(15,000)	
TOTAL CAPITAL EXPENDITURE	11,994,000	3,803,614	0	4,792,837	8,871,950	(3,122,050)	9,286,000	(414,050)	
Sale of Council Property									
Sale of Council Houses	(240,000)	773	(1,550,130)	(1,549,357)	(2,800,000)	(2,560,000)	(2,800,000)	0	Last year of SOCH scheme. 70 sales forecast.
Sale of Mortgage Rescue	0		(37,500)	(37,500)	(37,500)	(37,500)	0	(37,500)	Sale of one property
Sale of Council Land	0		(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	0	
Sale of Council Property	(240,000)	773	(1,591,130)	(1,590,357)	(2,841,000)	(2,601,000)	(2,803,500)	(37,500)	
NET EXPENDITURE	11,754,000	3,804,387	(1,591,130)	3,202,480	6,030,950	(5,723,050)	6,482,500	(451,550)	2,733,550



Corporate Savings Position

1 February 2017

1.0 Introduction

This document outlines the corporate position in achieving savings approved by Council in February 2016. The revised, approved savings total for 2016/17 is £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 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 impact where appropriate.

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

- The total forecast savings for 2016/17 currently stands at £4,908,017. This is £135,286 less than forecasted at 21 December 2016.
- When compared with the approved 2016/17 Budget, this means £2.6 million of unachievable savings are currently being forecast ('worst case scenario')
- Services have identified £530k of compensating savings in 2016/17
- If all of the compensating savings are delivered, the shortfall in the delivery of planned 2016/17 savings is reduced to £2m (Best Case scenario)
- 5/6 services are forecasting under-achievement of targeted savings in 2016/17
- Social Services is forecasting £1.3million of savings will not be delivered in 2016/17 (highest)
- Corporate savings are forecasted to under-achieve by £700k in 2016/17.

3.0 Approved Council Savings 2016/17

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, Dec 2016	2016/17				
			Forecast savings to 31 March 2017	Difference between target and actual savings to-date	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	£1,125,907	£1,139,951	-£20,217	£0	£14,044	£14,044
EDU	£644,628	£610,863	£301,076	£309,787	£113,000	-£309,787	-£196,787
HCS	£454,430	£417,363	£420,038	£28,985	£0	£2,675	£2,675
R&G	£2,452,721	£1,531,521	£1,212,501	£418,227	£417,000	-£319,020	£97,980
SOS	£1,919,874	£2,024,939	£856,928	£1,337,598	£0	-£1,168,011	-£1,168,011
SCS	£897,741	£839,480	£713,980	£178,932	£0	-£125,500	-£125,500
Corporate Council	£0	£951,185	£263,544	£908,979	£0	-£687,641	-£687,641
Total:	£7,500,858	£7,501,258	£4,908,017	£3,162,291	£530,000	-£2,593,241	-£2,063,241

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	£0
Corporate (RAG)	Corporate Severance	£400,000	Increased from £91,605 to £101,359
Corporate (HCS)	Pursuit of General Fund Debtors	£46,000	£0
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
Education	(NEW) EDU 167 045 Other savings approved for 2016/17 by Council in February 2015.	£95,019	£5,020
Education	(NEW) EDU 167 002 Re-profile ABC Nursery Budget	£30,000	£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	Reduced from £19,353 to £12,807
Education	(NEW) 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	£71,563	£16,363

Savings Position Statement	Status: Active	Version 0.1
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	Coordinator Posts		
Education	EDU 167 029 Home School Liaison and Inclusion Support Worker in Lochies	£49,375	£12,710
Resources and Governance	(NEW) MCB RAG 018 RAG Delivery Model	£447,529	£397,087
Resources and Governance	MCB RAG 067 Assets Review: Cleaning Service	£80,000	£0
Resources and Governance	RAG PST 02n Reduce Cleaning Service by 25%	£100,000	Increased from £36,000 to £79,000
Resources and Governance	RAG 167 010 Realign Property Maintenance costs on active property to reflect 14/15 out-turn	£117,457	£100,000
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	£0
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 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	£416,000	Improved from £220,779 to £223,089
Social Services	MCB 003 Redesign of Intermediate Care	£117,000	£0

Savings Position Statement	Status: Active	Version 0.1
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Social Services	MCB 024 Review of Social Services Equipment	£52,000	Improved from £14,514 to £24,514
Social Services	MCB 050 Review of Commissioning	£131,000	£0
Social Services	MCB SOS 036 Social Services Workforce Strategy Review	£68,000	£0
Social Services	SCS 014 004 Voluntary Organisations' Savings	£51,562	£45,079
Social Services	SOS 167 04a Absorb Complaints Role	£12,833	£0
Social Services	SOS 167 04b Remove Performance and Quality Role	£14,583	£0
Social Services	SOS 167 04d Absorb Team Leader post into long-term team	£15,166	£13,750
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	£1,420
Social Services	SOS 167 24b Reduction in third party payment to Signpost service to FV NHS by 15%	£8,076	£3,823
Social Services	SOS 167 24c Reduction in third party payment to Time4Us service to FV NHS by 15%	£1,500	£710
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 04e Remove Corporate Parenting post	£16,916	£0
Social Services	SOS 167 032 Vacancy Management	£156,000	£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
Strategy and Customer Services	SCS 167 026 Reconfiguration of Customer Services	£61,296	£3,849
Strategy and Customer Services	SCS 167 029 Reduce Establishment – Strategy and Performance	£113,176	Increased from from £24,751 to £24,829

4.1 Forecast Over-recovery of Approved Savings 2016/17

Service	Approved Saving	2016/17 Target Saving	2016/17 Revised Expected Saving
Corporate	Family Friendly Savings	£60,000	Reduced from £94,185 to £80,000
Development and Environment	Total Savings Approved for 2016/17 by Council in February 2015	£309,500	£317,000
Development and Environment	Redesign of Roads traffic Management & Signage Service.	£22,166	£26,325
Development and Environment	Redesign Sustainability Service. Reduce and stop delivery of discretionary elements.	£11,170	£33,638
Education	(NEW) Redesign Sport and Youth Services	£100,000	£101,780
Education	(NEW) Voluntary Organisations' Saving	£1,730	£1,771
Housing and Community Safety	Restructure Grade 8 roles	£15,149	Increased from £15,631 to £17,824
Resources and Governance	PPP service reductions	£0	£160,000
Social Services	(NEW) Combine Adults & Childrens Protection Post	£15,166	£18,807
Social Services	Alloa Family Centre: Reconfiguration of Early Years provision to mainstream Education services.	£0	£90,841
Strategy and Customer Services	Hubs	£41,286	Increased from £60,379 to £60,772
Strategy and Customer Services	Parentpay	£7,576	Decreased from £8,512 to £8,384

5.0 Compensatory Savings for 2016/17

5.1 Compensatory savings not requiring Council approval.

Service	Approved Saving	2016/17 Target Saving	2016/17 Revised Expected Saving
Education	(NEW) Pay for Primary Supply Cover from Permanent Supply Budget and remove budget for Primary Supply Cover	£0	£65,000
Education	(NEW) Increase income budget from early learning and child care spaces available in nursery classes	£0	Increased from £20,000 to £48,000
Resources and Governance	(A one-off cash saving) Catering underspend due to securing Scottish Government funding	£0	Reduced from £425,000 to £417,000

5.2 Compensatory Savings which would require Council approval.

Non-applicable.

Report to Audit & Finance Committee

Date of Meeting: 16 March 2017

Subject: Social Services Finance Report

Report by: Head of Social Services

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 £1.527m and the key reasons for this position (paragraph 2.6)
- 2.3. Note the Social Services projected overspend is an increase of £0.049m compared to the £1.478m reported to the January Committee.
- 2.4. Note the key pressures in Child and Adult Care services which contribute to the balance of the overspend forecast (sections 4 and 5 respectively).
- 2.5. Note the updated pressures to that reported to the committee in January 2017. Specifically:
- Older Person's Day Service MCB 2&3 savings of £469k not achieved.
 - Projected overspend against care home placements of £368k.
 - Impact of increased demand on In-House Reablement Service of £323k compared to the £195k previously reported.
 - Placement with Lillas Graham Trust supporting two families (10 children) in order to prevent an admission to care. Projected cost for 2016/17 is £70k.
- 2.6. Note the updated recovery plan which aims to minimise the level of forecast overspend in 2016/17 (*Appendix 2*).

- 2.7. Note that the estimated loss of income from the cessation of shared Social Service Management with Stirling Council is £0.358m. This is not included in the current projected out-turn.

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 £1.527m (See *Appendix 1* for detailed breakdown). The most significant factors contributing to this position are:

- **Child Care Pressures:** The service has reported widely to Finance and Audit on some of the reasons which are contributing to these difficulties. The service has delivered a reduction in the overspend of external childcare placements from the 2015/16 position (36%) however this continues to be a significant budget pressure. The Head of Service, Assistant Head of Service and Senior Managers are supporting a Children's Services Scrutiny Review.
- **Adult care pressures:** The service is experiencing ongoing demographic pressures that have resulted in a high level of long term placements for older people and in supporting service users with a learning disability in the community.

3.3 Further detail on the issues summarised above is set out in sections 4 and 5.

4.0 Child Care

External Placements Provisions (EPP)

4.1 Child Care External Placements has a projected overspend of £554k, a reduction of £141k on the £695k reported to the January Committee. The combined efficiency from the September to the present committee totals £487k.

4.2 Social Services and Education Managers continue increased scrutiny of External Placements by:

- **Chairing additional reviews.** Service Managers have instructed reviews on all cases associated with the External Provisions budget. In addition, they meet on a fortnightly basis to ensure that financial obligations are closely monitored, whilst ensuring the Council continues to fulfil its statutory obligations to keep the child at the centre of our decisions.

- Ensuring a multi-service approach to financial monitoring continues. Monthly meetings are held with Senior Officers from Education and Social Service where all aspects connected with high cost placements are discussed in detail including considerations of any alternative and less expensive provisions are considered. This ensures that
 - 1) Appropriate governance is in place
 - 2) Decisions are agreed jointly
 - 3) Considerations are made on best value principles
 - 4) The sharing and informing of best practice.
- 4.3 Managers at all levels continue to meet with finance colleagues to maintain rigorous and robust budget management arrangements. The Budget is a set agenda item at all Senior Management Meetings.
- 4.4 Children Services are currently reviewing all their contracts associated with Third Sector providers. This review will ensure that the providers are delivering and achieving contract terms and its outcomes meet, and are in line with best value principles. It also aims to establish:
- 1) The current level of demand following the end of shared services
 - 2) If the current model is still appropriate, is financially viable, and importantly meets quality standards.
 - 3) Decisions on any future arrangements will follow a clear methodology, will be consultative in its nature with providers and will ensure that any risk is evidenced if the service was reduced or withdraw.
- 4.5 The Planning and Commissioning Team have been working with Finance to implement a revised process for ensuring provider uplift requests are part of the normal budget planning process for the future. The new arrangements will require providers to submit their uplift requests at the start of the Council budget setting process.

Looked After Children

- 4.6 Looked After Children has a projected overspend of £31k which an increase of £79k on the underspend of £48k reported to the January committee. The majority of this change relates to funding the Lilius Graham which was supporting 2 families (10 children) and on going outreach support to prevent the children coming into care at a projected cost of £70k for 2016/17.
- 4.7 The external foster placement commitment presently has a projected overspend of £300k. 19 of these placements have permanency orders which will mean that there will be an ongoing pressure on the budget. Internal Foster and Kinship Care are forecasting underspends of £164k and £23k respectively.
- 4.8 Transport costs associated with Looked After Children is currently projecting an overspend of £67K. Predominately this is due to the number of Looked After Children accommodated out with the Local Authority and the subsequent

school and contact arrangements. These costs are presently subject to review by the Service Manager with outcomes from reviews confirmed by the end of January 2017.

- 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. All agency staff placement will be terminated by the end of June 2017.
- 4.10 The approval of the Business Case to redesign Children's Day Services by transferring service provision from Alloa Family Centre to Education Service has resulted in a part year saving of £90k for Social Services. Vacant posts at the Family Centre have resulted in an overall underspend of £160k.
- 4.11 Throughcare and Aftercare (TCAC) is reporting an underspend of £68k on payments to individuals. This is based on the current level of young adults who are receiving support from the Service. Whilst there are a number of children entitled to the financial (TCAC) benefits, at present these children are remaining in foster care placements exercising their right under current legislation.

5.0 Adult Care Service

- 5.1 The Adult Care Service is projecting an overspend of £1,016k which is an increase of £115k to the £901k reported to the January committee.
- 5.2 The overspend relates to high levels of activity in long term placements for older people as a result of demographic and delayed discharge pressures, unachieved savings, and pressure on the reablement service as a result of a lack of capacity with external homecare provision.
- 5.3 Summary of main budget pressures and review activity:
- Long Term residential placements: The projected overspend is £410k which is a reduction of £25k on the £435k in January. This is an equivalent of purchasing an additional 20 placements above the available budget which can fund 253 placements.
 - Care at home expenditure is projecting an underspend of £171k. This is an increase of £153k on the surplus of £18k reported in January.
 - There is an overspend of £469k against MCB002 – the redesign of day services and MCB003 the redesign of intermediate care provision at Menstrie and Ludgate. This is an increase of £96k on the £373k previously reported. The increase is a result of a change to the financial projection as more accurate information became available and not a change in service activity. The day service review has not been achieved in full due to the lack in uptake in voluntary redundancy while the bed reductions have not been implemented in order to sustain care home capacity for the growing demand of older people.

- The in-house reablement service is forecasting a staffing overspend of £323k, an increase of £128k on the £195k reported in January. This increase is a result of a change to the financial projection as more accurate information became available and does not reflect an increase in activity. The overall overspend is due to extra hours being provided to meet the pressure placed on the home care service due to lack of capacity in external care at home provision and the demands of the delayed discharge agenda that promote the expectation of early discharge. This service is presently subject to review with a view to re-modelling and balancing the budget going into the new financial year 2016/17.
- Review activity for the period 1st August to 19th January has been robust with a clear expectation that it continues as normal practice.
 1. High dependency Learning Disability Cases: 63 cases reviewed with an in-year efficiency of £84k which is equivalent to full year efficiency for 2017/18 of £120k.
 2. Older People/Other Adults: 374 reviews completed. This has assisted with the net reduction in home care spend of £177k. However, additional spend on care home placements for older people of £60k has partially negated the overall impact of the review of home care packages.

6.0 Criminal & Youth Justice Services

- 6.1. The Criminal and Youth Justice Services is projecting an overspend of £49k.
- 6.2. A prior year saving of £25k was made against the Section 27 ring fenced grant which cannot be achieved. A demand pressure has been submitted to Council to rectify this in 2017/18.
- 6.3. Youth Justice is projecting an overspend of £25k. This relates to a vacancy management saving of £13k which will not be achieved and an overspend of £14k against the Sacro contract which is no longer shared with Stirling Council.

7.0 Shared Service Decoupling

- 7.1 The estimated net position in relation to the decoupling of shared services has not been included in the projections. The final position is still to be agreed with Stirling Council. However, the estimated loss of income for 2016/17 is £358k. This relates to 28 members of staff who remain on the Clackmannanshire payroll who were previously shared with Stirling. The 2017/18 full year impact of the loss of income is estimated at £619k.

8.0 Management Action

- 8.1 The committee of 15th September 2016 approved a number of key proposals that included the creation of an earmarked reserve of £2 million for Social Service pressures which is funded from General Fund uncommitted reserves

and the development of a robust recovery plan. (See appendix 2 for updated version).

9.0 Sustainability Implications

9.1 None

10.0 Resource Implications

10.1 Financial Details

10.2 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

10.3 Finance has been consulted and has agreed the financial implications as set out in the report. Yes

10.4 Staffing

None

11.0 Exempt Reports

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

12.0 Declarations

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

13.0 Our Priorities (Please double click on the check box)

- 13.1 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

14.0 Council Policies (Please detail)

15.0 Equalities Impact

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

17.0 Legality

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

19.0 Appendices

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

20.1 Appendix 1 – Social Services Revenue Budget

20.2 Appendix 2 - Social Services Recovery Plan


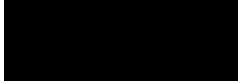
21.0 Background Papers

22.0 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

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
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Irene Muirhead	Accountant - Social Services, Finance & Corporate Services	452074

Approved by

NAME	DESIGNATION	SIGNATURE
Celia Gray	Head of Service, Social Services	
Nikki Bridle	Depute Chief Executive	

Appendix one

Table 1 - Revenue Expenditure as at 31 December 2016

Service	Revised Budget 2016/17 £000	Projected Outturn to 31/03/17 £000	Variance as at 31/12/16 £000	Variance as at 31/10/16 £000	Movement in Variance £000
Adult Service					
Mental Health & Learning Disability	8,004	7,874	(130)	(4)	(126)
Elderly & Physical Disability Care (Commissioned Services)	4,673	4,543	(130)	(5)	(125)
Adult Provision(Internal Services)	2,808	3,826	1,018	745	273
Adult Management	(284)	(26)	258	165	93
Adult Service Total	15,201	16,217	1,016	901	115
Child Care Service					
Child Care Resourcing (Provided & Purchased)	4,552	4,748	196	173	23
Child Care Support	2,206	2,324	118	36	82
Early Years & Families	1,620	1,337	(283)	(256)	(27)
Child Care Service Total	8,378	8,409	31	(47)	78
Other					
Residential Schools (Joint Budget with Education)	3,000	3,554	554	695	(141)
Criminal & Youth Justice Services	191	240	49	11	38
Strategy	538	613	75	72	3
Social Services Management Support	435	238	(196)	(152)	(44)
Total Revenue	27,743	29,270	1,527	1,478	49

Social Services Financial Management Recovery Plan Updated: February 2017

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	February 2017	<p>Transition Projections for 2017/18 to be completed by end of November 2016. Action has been met and projection passed to Corporate Finance as part of the budget preparation for 2017/18.</p> <p>Ongoing Actions:</p> <p>Michaela Porco (Child Care) to meet with Joe Lally (Adult Care) to confirm that initial transition plans are in place to</p>	Full year costs and projections to be managed by Social Services in order that placements are reviewed robustly and accurate projections are presented for budget planning requirements.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
			30 th June 2017	<p>transfer the cases from child care to adult for the financial years 2018/19 and 2019/20 and operational procedure to be updated.</p> <p>Education lead to be identified will be taken forward by Michaela Porco.</p> <p>Cases to be identified by end of June 2017.</p> <p>Updated procedure to be drafted for consideration at SMT by the end of June 2017: Action: Michaela Porco (Child Care) & Joe Lally (Adult Care)</p>	
2. Outstanding debts for services received.	Review charging policy, processes, and levels of performance in relation to debt recovery...	Service Managers, Team Leaders, Service Accountants	28 th February 2017	<p>Review of the debt recovery process with the plan to reinvigorate as of 1st April 2017.</p> <p>A joint approach between Social Services Business Manager and Finance, Governance will address the issue of debt recovery.</p> <p>Charging policy to be</p>	Closely manage 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 and into 2017/18.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				<p>updated and presented as part of the budget process with plan to implement as of 1st April 2017. Policy has been reviewed and considered to be fit for purpose.</p> <p>Policy to be reissued with updated charges as agreed at via the budget process all relevant staff in advance of the new financial year: Action: Jim Robb</p>	
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) / Corporate Finance	February 2017	<p>Income levels to be reviewed as part of the preparation for budget setting for 2017/18.</p> <p>To be completed by end of November 2016. Shiona Strachan, Chief Officer to IJB, has been meeting with the partnership and reports have been going to the Integrated Joint Board (IJB): <u>Completed</u></p> <p>No new income is expected. All resources managed via the IJB</p>	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 remainder of 16/17 and into 2017/18

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
<p>4. Review of all Care packages and targeting overnight living carers' allowances.</p>	<p>Reviewing officers in post to review high cost care packages.</p> <p>Care Managers to review all allocated cases.</p>	<p>Assistant Head of Service – Adults.</p>	<p>31st December 2016</p>	<p><u>Review Activity: 1st August 2016 to 19th January 2017</u></p> <p><u>High dependency Learning Disability Cases:</u></p> <p>63 cases reviewed with an in-year efficiency of £84k which is equivalent to full year efficiency for 2017/18 of £120k.</p> <p><u>Older People/Other Adults:</u></p> <p>374 reviews completed. This has assisted with the net reduction in home care spend of £177k. However, additional spend on care home placements for older people of £60k has partially negated the overall impact of the review of home care packages.</p> <p><u>Child Care:</u></p> <p>All complex care packages in childcare are currently under review. Plan: The complex care strategic group have agreed to go out to</p>	<p>All cases subject to review in order to reduce service activity while maintaining care packages at safe and financially sustainable levels.</p>

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				tender for the 'home care' contract as a Forth Valley initiative to support future planning.	
5. High cost of commissioning external, independent fostering agencies.	Increase recruitment of Foster Carers to offset dependency on external placements.	Assistant Head of Service, Service Manager & Adoption and Fostering Team Leader	February 2017	<p>High cost external placement & 13. Supported carers:</p> <p>The Fostering & Adoption recruitment drive begins March 2017 with leaflet drops and dedicated staff member to promote. The plan is to recruit a variety of carer's short-term, long-term, permanent and supported carers. Communications Team are involved in the advertising processes and we are currently on track to respond to enquiries.</p> <p>Contract negotiations are underway with our external providers in terms of the continuing care agenda. Plan: Continue recruitment process, corporate parenting working group around TCAC involving housing to support</p>	Reduce the high cost of commissioning external, independent fostering agencies.

Financial Pressure	What	Who	When	Met/Not met/Ongoing	Impact
				young people returning form out of area placements.	
6. Financial accounting to Social Services budgets.	Monthly detailed analysis ensuring charges are attributed correctly to Social Services budgets.	Assistant Heads of Service and Finance	End of November 2016 April 2017	Updates monthly to SMT from the last week in November onwards. Revised date: January 2017. Delay due to budget preparatory work for 2017/18 taking priority. Financial management/budget training to be provided for front line managers by service accountant and colleagues in advance of the new financial year.	Increased scrutiny which will result in ensuring budgets are aligned correctly. .
7. Certify financial monitoring by senior managers.	Monthly budgetary meetings by senior mangers and Finance.	Assistant Heads of Service and Finance	End of November 2016	Monthly meetings in place in order to manage budget and to prepare detailed projections for the 2017/18 budget process. <u>Completed</u> . Finance attend SMT.	Senior Managers will ensure financial regulations and governance procedures are in place. .

Financial Pressure	What	Who	When	Met/Not met/Ongoing	Impact
8. Link finance systems to service activities for financial projections	<p>a) Review of current IT systems. Options appraisal to purchase and test new system meets business needs</p> <p>b) Rollout management training for managers and budget holders.</p>	Chief Finance Officer & Head of Social Services	<p>April 17</p> <p>February 2017</p>	<p>Finance and Team Managers working to ensure that they have appropriate knowledge of the new One Council system.</p> <p>Training/Briefings will be provided by Asst Heads of Service and Corporate Finance staff once the budget for 2017/18 has been confirmed and in advance of 1st April 2017.</p>	Link the management of financial and service activity at Team Manager and Service Management level in order to improve the quality of budget management and service planning
9. High cost of residential school placements shared by Social Services and Education	Discussions have taken place between Assistant Heads of each service to review the agreed percentage share of placements in advance of the new financial year 2017/18...	Assistant Head of Service	February 2017	<p>Budget allocation of 50/50 split between Social Services and Education agreed and commitment passed to Corporate Finance as part of the preparation for the 2017/18 budget.</p> <p>Exceptions to this agreement dealt with on a case to case basis.</p>	Future apportionments of financial costs correctly aligned between Education and Social Services.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				<p><u>Residential Schools:</u></p> <p>Monthly meetings are taking to review and monitor all external education placements. All are jointly funded 50/50 with education. AGG has now been replaced as a Clackmannanshire only meeting and named External Resource Group (E.R.G). Finance attend this meeting so current cost and projections are known.</p>	
10. Management of spend by operational Team Managers and Service Managers.	Review current controls and authorisations controls for staff and implement reductions.	Assistant Heads of Service & Finance	Mid November 2016	<p>Financial framework for delegated spend with Social Services to be reviewed and ratified by SMT by mid of November 2016.</p> <p>Copies of the Scheme of Delegation have been circulated for all Service Managers.</p> <p>Note: Adult Care has agreed an interim position for the remainder of 2016/17:</p> <p>1. Community packages of £20k per annum to be</p>	Schemes of delegation to be confirmed and robustly managed.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				<p>authorised by Assistant Head of Service.</p> <p>2. Community packages up to £20k per annum to be authorised by Team Managers</p> <p>3. Residential care home placements for adults to be authorised by Assistant Head of Service</p> <p>4. Residential care home placements for older people to be authorised by the Service Manager Operations.</p> <p>This framework will remain in place until the end of June 2017 when the Asst Head of Service, Adult Care post will be terminated.</p> <p>Training provided by the Asst Head of Service and Corporate Finance for Team Managers and Service Managers that will allow for budget authorisation to be delegated to them will progress from March 17 through to June 2017 once</p>	

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				the budget for 2017/17 has been finalised. Action: Jim Robb(Adult Care) & Irene Muirhead (Finance)	
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	Scrutiny Review Paper which is being led by Corporate Finance is to be presented to the Finance & Audit committee and Service Paper outlining actions will be reported separately to same committee. Adult Care covered by IJB Strategic Plan.	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	December 2016	Negotiations underway with Stirling Council regarding cross charging for foster placements, staffing & learning and development.	Confirm cost for the remainder of 2016/17 and provide detail for budget process for 2017/18.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
13. Develop a range of supported carer's services in order to reduce the cost of external placements.	A short life working group will develop new supporting carers' policy and strategy to recruit carers. This will inform business case.	Service Managers & Team Managers	February 2017	<p><u>Cross reference to paper referred to in section 11.</u></p> <p>Discussions ongoing with Housing colleagues regarding support and accommodation needs of young care leavers. Supported carers policy and procedures are currently being worked on. Future briefing paper will be provided.</p>	This work will support the Children (Scotland) Act 2014. Spend to save authorised of 97K.
14. Manage the potential impact of 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	February 2017	<p>Meetings to be confirmed for the service. Contracts due for review for 17/18 require to be considered by the end of November 2016 in order that the outcome is presented to the council as part of the budget preparation for 2017/18. <u>Action completed.</u></p> <p>Quarterly meetings involving operational and commissioning staff will thereafter progress in order to manage all contracts. Lead Officers: Assistant Heads of Service.</p>	Review of spend for Scotland Excel placements will continue and annual uplift arrangements will fit in with annual budget setting process.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				Uplift for 2017/18: Providers have been asked to confirm any uplift request for 2017/18 by the end of February 2017. This will be progressed subject to the requirements of the Scottish Living Wage and any proposed management uplift being scrutinized and decision being made about each element separately	
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	It has been agreed that the Eligibility Criteria is fit for purpose. Briefing paper has been issued to members and staff. Memo plus eligibility criteria issued 13 th October 2016: Action completed. Additional Operational Practice notes for staff relating to, day services, home care, long term care and respite issued by Friday 19 th November. Action Completed.	This will ensure consistency of assessment criteria applied to all service users across Clackmannanshire.

Financial Pressure	What	Who	When	Met/Not met/Ongoing	Impact
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	February 2017	To continue to work with corporate services to identify efficiency savings for 2017/18. There has been additional efficiencies met from the service for 2016/17 as there has been a review of the family centre which has allowed for a transfer of staff into vacant posts in education identifying £97k saving	Senior Management Team (Social Services) to oversee governance of projects and business cases agreed by council budget setting.
17. Workforce planning review required in relation to staffing capacity and mix of skills to meet service demands	A robust review of the current trends, demands for Social Services.	Head of Service	February 2017	Report to Scrutiny Committee due December 2016 in relation to child care. Process being duplicated for adult care within the Integration Joint Board framework.	This will ensure that the needs of the service are appropriately designed and resourced.
18. Ensure Assessment and Care Management procedures are	Update assessment & care management procedures to focus on appropriate intervention,	Assistant Head of Services	October 2016	Updated procedures developed for the further development of Self Directed Support (SDS) to be presented to SMT for sign off	Managing risk whilst ensuring legislation responsibilities are met.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
robust	managing risk and focussing on managing care packages via reviews.			<p>by the end of November 2016.</p> <p>Revised date of 10th January 2017 for sign off at SMT. SMT considered</p> <p>SMT considered papers however further update required in relation to full Implementation Plan for presentation to SMT by the end of February 2017. Action: Linda Melville.</p>	
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.	Assistant Head of Service Adults	October 16	<p>Additional management capacity has been identified via the decoupling from Stirling and new post is no longer required.</p> <p>Phased move away from current resource panel during November/December moving to Team Managers and Service Managers approving home care packages and residential placements for older people on a day to day basis with a weekly meeting to review delayed discharges</p>	Improved budget management at Team Management level with care packages being implemented in line with the principles of reablement and minimum intervention.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				<p>and the provision of financial updates from Corporate Finance.</p> <p>All community packages and adult residential placements of £20k+ per annum to be approved by Assistant Head of Service(cross reference to no.10)</p> <p>Timescale of end of June 2017 as noted for No.10 Action: Jim Robb(Adult Care & Irene Muirhead(Finance)</p>	
20. Budget impact of Absence	<p>Review of Absence Management:</p> <p>Closer management of absences. Review of return to work interviews and long term absences</p>	Assistant Heads of Service	April 17	<p>Robust information is being presented to SMT to assist with the management of absence by Corporate HR.</p> <p>Absence Management briefings with Operational and Resource Managers being led by Corporate HR during February /March 2017.</p> <p>Absence Management briefing for Adult Care Resource Unit Managers by</p>	Meeting are arranged monthly with Irene Muirhead & Louise Beattie to review the financial impact of Absence Management.

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
				<p>Asst Head of Service Adult care completed 18th January 2017...</p> <p>Absence Management a standard item for all staff meetings across Social Services</p> <p><u>Absence Stats/Social Services:</u></p> <p>20/12/16: 6.77%</p> <p>30/11/16: 9.3%</p> <p><u>Target for 2017/18: 7%</u></p> <p>Within these stats it is notable that Adult Care Resources(Care Home and Day Services & Home Care) are consistently high hence the active targeting of Adult care Resource Managers as noted)</p>	
21. Financial impact of decoupling from Stirling Council	Review staff that become the full responsibility of the service following the decoupling from Stirling Council.	Assistant Heads of Service	Mid November 2016	Decisions relating to the deployment of staff in order to negate the impact of agency staff, acting up arrangements and staff vacancies within the service.	Reduced financial impact of decoupling

Financial Pressure	What	Who	When	Met/Not met/Ongoing	Impact
				<p>Service presently operating within budget subject to further re-design during 2017/18.</p> <p>All agency staff arrangements will be terminated by the end of June 2017 while vacancies filled...</p>	
22. Social Services Financial Budget	The service will participate in a scoping exercise with Vanguard during the week of 7 th November which will inform the efficiency mapping proposal for the service.	Head of Service, Assistant Heads of Service, Service Managers, Corporate Finance & MCB Programme Manager	Week of 7 th November	<p>Meetings took place on 8th, 9th and 11th November.</p> <p>Meetings progressed and costings provided by Vanguard for future work. Further discussions to take place as to whether the service will be commissioned or progress within the service.</p>	To inform the efficiency mapping proposal for the service.
23. Integration Joint Board Budget Recovery Plan	The Chief Officer for the Integration Joint Board(IJB) presently convenes a fortnightly meeting with NHS and Social	Chief Officer, Head of Service & Assistant Heads of Service & Service	Ongoing fortnightly meetings	<p>Monthly meeting have taken place since October 2016. These will continue on an ongoing basis</p> <p>A budget recovery plan for the partnership, consistent</p>	Financial impact equivalent to that reported to Audit & Finance Committee

Financial Pressure	What	Who	When	Met/Not met/ Ongoing	Impact
	Services staff from Clackmannanshire and Stirling Councils which actively manages the process of the Budget Recovery Plan for the IJB which in turns links directly to the Budget Recovery Plan for Social Services in Clackmannanshire	Managers		with the service budget recovery plan, is reported bi-monthly to the Joint Integration Board.	