



**Clackmannanshire
Council**

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

SCRUTINY COMMITTEE

THURSDAY 1 DECEMBER 2011

Committee start time: 9.30 am

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

All meetings of the Council, Committees and Sub-Committees are open to the press and public except where the press and public are excluded because of the nature of the business. However, unless there has been prior agreement, neither can make comment on any issue during the meeting or attempt to take part in the discussion.

Contact Finance and Corporate Services, Clackmannanshire Council, Greenfield, Alloa, FK10 2AD
Tel 01259 452106/452004 Fax 01259 452230 Email customerservice@clacks.gov.uk www.clacksweb.org.uk

Date	Time
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Scheme of Delegation: Duties and Responsibilities Delegated to Committees

The Scrutiny Committee Role

The Scrutiny Committee, subject to the Council's approved policies, has responsibility for:

- (1) Monitoring the performance of services against agreed standards, targets and budgets.
- (2) In accordance with Following the Public Pound, monitoring the performance of arms-length and external organisations that receive funds from the Council to provide important services to the public, or to provide social benefits.
- (3) Promoting internal control by the systematic appraisal of the Council's risk management processes.
- (4) Initiating or undertaking reviews as approved by the Council.
- (5) Receiving periodic reports which review the position against the standards and targets set out in documents such as the Corporate Plan and the annual budget.
- (6) Receiving the following reports and accompanying analysis:
 - draft annual public performance reports prior to their publication.
 - external audit reports and action plans resulting from such
 - internal audit update reports and action plans resulting from such
 - balanced scorecards (key performance indicator reports)
 - performance indicators submitted annually to Audit Scotland
 - summary reports of all comments and complaints, and
 - internal audit results of investigations
- (7) Considering and monitoring the operational and strategic internal audit plans and reviewing internal audit performance.
- (8) Monitoring and reviewing actions taken on internal and external audit recommendations.
- (9) Monitoring progress on service inspection action plans
- (10) Agreeing an annual scrutiny plan (approved by the Council) that includes service and policy review proposals being:-
 - items or issues identified by the Scrutiny Committee
 - items referred to the Scrutiny Committee by the Administration and/or Opposition
 - items referred by the Council directly to the Scrutiny Committee
 - items referred to the Scrutiny Committee from other stakeholders such as partner agencies.
- (11) Reports on review will be submitted to the Scrutiny Committee who may refer them to the Council for further consideration.

22 November 2011

A MEETING of the SCRUTINY COMMITTEE will be held within the Council Chamber, Greenfield, Alloa, FK10 2AD, on THURSDAY 1 DECEMBER 2011 at 9.30 am.



NIKKI BRIDLE
Director of Finance and Corporate Services

B U S I N E S S

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1. Apologies	--
2. Declaration of Interests 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 Minute of meeting held on Thursday 20 October 2011 (Copy herewith)	01
4. Scrutiny Committee Action Plan (Copy herewith)	07
5. External Audit Report - 2010-11 Audit - report by Director of Accountancy Manager (Copy herewith)	09
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9. 2011/12 Half Year Risk Management Progress Report - report by Director of Finance and Corporate Services (Copy herewith)	95

SCRUTINY COMMITTEE MEMBERS

Councillors

Councillor Donald Balsillie (Convener)

Councillor Gary Womersley (Vice Convener)

Councillor John S Biggam

Councillor Alastair Campbell

Councillor Mark English

Councillor Harry McLaren

Provost Derek Stewart

Vacancy

Wards

2 Clackmannanshire North SNP

3 Clackmannanshire Central SNP

2 Clackmannanshire North SLD

5 Clackmannanshire East CON

4 Clackmannanshire South SNP

5 Clackmannanshire East LAB

3 Clackmannanshire Central LAB



**Clackmannanshire
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**MINUTE OF MEETING of the SCRUTINY COMMITTEE held within the Council Chamber,
Greenfield, Alloa, on THURSDAY 20 OCTOBER 2011 at 9.30 am.**

Present

Councillor Donald Balsillie (Convener) (In the Chair)
Councillor Gary Womersley (Vice Convener)
Councillor Alastair Campbell
Councillor Mark English
Councillor Harry McLaren
Provost Derek Stewart

In Attendance

Nikki Bridle, Director of Finance and Corporate Services
Elaine McPherson, Chief Executive (Items 6-8)(10.35-11.25 am)
John Gillespie, Head of Community and Regulatory Services
Stuart Crickmar, Strategy and Performance Manager
Martin Dunsmore, Accounting and Budgeting Manager
Aileen Littlejohn Business Support Manager (Clerk to the Committee)
Linda Melville, Service Manager Older People Care Service
Lisa Simpson, Governance Manager

SC(11)31 APOLOGIES

Apologies for absence were received from Councillor John Biggam.

SC(11)32 DECLARATIONS OF INTEREST

None

SC(11)33 MINUTES OF MEETINGS:

The minutes of meetings held on 8 September and 27 September 2011 were submitted for approval.

Moved by Councillor Harry McLaren. Seconded by Councillor Alastair Campbell

(a) Scrutiny Committee - 8 September 2011

Decision

The minutes of the meeting of the Scrutiny Committee held on 8 September 2011 were approved as a correct record of proceedings and signed by the Convener.

(b) **Scrutiny Committee Reconvened Meeting - 27 September 2011**

Decision

The minutes of the reconvened meeting of the Scrutiny Committee held on 27 September 2011 were approved as a correct record of proceedings and signed by the Convener.

SC(11)34 SCRUTINY COMMITTEE ACTION PLAN

A list of ongoing actions from previous Scrutiny Committee meetings was submitted for information. Key issues from the action plan were identified as:

SID2264 - Review of Single Outcome Agreement

A meeting has taken place on issues around the Single Outcome Agreement. The Convener to write to the Chief Executive about progressing recommendations in relation to community engagement and economic development issues.

SID2275 - Internal Audit Update

Update to be provided to the Scrutiny Committee Focus Group on 01/12/11.

SID2266 - 2010-11 Half Year Risk Management Progress Report

A report on risks associated with climate change to be provided to the Scrutiny Committee of 01/12/11.

SC(11)35 GOVERNANCE STRATEGY AND LOCAL CODE OF GOVERNANCE

A report submitted by the Governance Manager presented the Governance Strategy and Local Code of Governance for the Council in draft format, for review and comment as part of a consultation process with both elected members and staff prior to submission to Council for formal approval.

In April 2011, a report was submitted to the Scrutiny Committee giving an overview of the steps the Council would take to move from the Statement of Internal Financial control to the Statement of Internal Control for 2011 as part of the wider process required to enable the Council to issue a formal Governance Statement in March 2012. Within that, an undertaking was given to produce a governance Strategy and Local Code of Governance to further develop and strengthen the Council's governance arrangements.

The Committee heard a presentation from the Governance Manager and had opportunity to put questions to her. Handouts were also made available.

Motion

That Committee reviews and comments on the content of the draft Governance Strategy and Local Code of Governance as part of the consultation process.

Moved by Councillor Donald Balsillie. Seconded by Provost Derek Stewart.

Decision

The Committee agreed to review and comment on the content of the draft Governance Strategy and Local Code of Governance as part of the consultation process. Key points were:

- Clarification of the role of elected members within the governance framework.
- Meaningful consultation
- Arms length external organisations/how a governance culture applies to other bodies.
- Openness and transparency and best practice.

- Summary background information being available
- Governance Strategy and Local Code of Governance being fit for purpose and part of a more streamlined process.
- To include mention of shared services

Action

Governance Manager

SC(11)36 BUDGET STRATEGY - INVEST TO SAVE FUND

A report submitted by the Director of Finance and Corporate Services informed the Scrutiny Committee of progress made to date in terms of the Invest to Save Fund. On 12 August 2010, as part of the Budget Strategy, the Council approved the principle of an Invest to Save Fund of up to £1m to be resourced from reserves. Detailed criteria for its operation was approved by Council on 23 September 2010.

Motion

That Committee notes and comments on the information set out in the report.

Moved by Councillor Donald Balsillie. Seconded by Councillor Alastair Campbell.

Decision

The Committee agreed to note the information set out in the report and commented on:

- (1) Invest to Save applications approved to date.
- (2) the proposal to seek Council approval for the policy change required to implement the Council Tax Discounts Regulations.
- (3) Arrangements for reporting future approved applications; and
- (4) Implementation monitoring arrangements

The Committee also requested that reports come forward on those projects that do not gain approval because of the lack of potential council-wide benefits and reward for services.

Action

Director of Finance and Corporate Services

SC(11)37 GENERAL FUND BUDGET MONITORING

A report submitted by the Accountancy Manager detailed General Fund revenue spend for the current financial year 2011/12, up to the end of August 2011. The projected outturn for each service up to March 2012 was also set out in the report.

The budget outturn position reflected in the report was based on a rigorous review of service spending activity which was undertaken through budget challenge sessions conducted by senior management in early October.

Motion

That Committee notes the recommendations set out in the report.

Moved by Councillor Donald Balsillie. Seconded by Provost Derek Stewart.

Decision

The Committee agreed to:

- Comment on the current financial position and related forecast for the year and management actions.
- Note the ongoing work to realign budgets and the significant impact that the timing of the Council's ongoing service redesign process has on budget monitoring processes and the delivery of the Council's approved savings

SC(11)38 GENERAL SERVICES CAPITAL PROGRAMME 2011/12

A report submitted by the Accountancy Manager updated the Committee on the General Services Capital Programme which was approved by the Council at a Special Meeting on 10 February 2011. At that meeting, the Council also approved the financial limit placed on capital investment for 2011.12 in implementing the Council's Investment Strategy.

The current outturn indicates that whilst there is slippage in the current year's spend, the Council's approved Capital Programme is on target to be delivered over this year and next and the annual net borrowing across the two years is expected to be within the levels set by the strategy.

Motion

That Committee notes the recommendations set out in the report.

Moved by Councillor Donald Balsillie. Seconded by Councillor Gary Womersley.

Decision

The Committee agreed to:

- Note the latest General Services Capital position and the projected borrowing for 2011/12
- Comment on the current project status in the 2011/12 General Services Capital Programme

SC(11)39 BUDGET MONITORING - HOUSING REVENUE ACCOUNT

A report submitted by the Accountancy Manager detailed spend on the Housing Revenue Account for the current financial year 2011/12 as at the end of August 2011 together with a forecast spend for the year. The appendix to the report set out the annual budget for each main area of spend.

Budgeted and actual spend for the five months to 31 August 2011 were shown together with projected outturns for the full year.

Motion

That Committee notes the recommendations set out in the report.

Moved by Councillor Donald Balsillie. Seconded by Councillor Gary Womersley.

Decision

The Committee agreed to review the report and to comment on the current position within each of the constituent areas of the Housing Revenue Accounts and related forecast for the year.

SC(11)40 CARE COMMISSION INSPECTION OF CENTRE SPACE (PREVIOUSLY ALLOA CENTRE) AND WHINS ADULT DAY RESOURCE CENTRE AND FEEDBACK FROM ISO QUALITY REACCREDITATION VISIT

A report submitted by the Head of Joint Social Services advised the Committee of the outcomes of an announced inspection process by the Care Commission that took place in 2010/11.

In July 2011, the Service was also subject to annual external reaccreditation audit of its ISO Award. This evaluation was undertaken by external consultants SGS Yardsley. The external consultant report by SGS Yardsley regarding ISO reaccreditation audit was made available to members as a background paper.

Motion

That the Committee notes the recommendations set out in the report.

Moved by Councillor Donald Balsillie. Seconded by Provost Derek Stewart.

Decision

The Committee agreed unanimously to note:

- (i) the positive inspection outcomes for both the Whins Adult Day Resource Centre and Centre Space and the input of all staff and service users to these outcomes.
- (ii) the final Care Commission Report (Appendix 1 of the report) and the Service's Action Plan (Appendix 2) in response to the inspection by the Care Commission.

ENDS 11.45 am.

Ongoing Actions from Scrutiny Committee

Between Review Dates: 01/01/11 And 31/12/11

Service with Overall Responsibility: Finance and Corporate Services

Subject

SID: 2264

Source Date: 21/10/2010
REVIEW OF SINGLE OUTCOME AGREEMENT 2009-10

Review Date: 30/10/2011

Requested by ☐
Councillor

Councillor Name:

Recommendation

Recommendation from the Scrutiny Committee of 02/12/10 that Council considers a policy on how individual or groups of communities can develop community plans that link to the community planning process or the Local Development Plan.

Action required

Within 12 months, Council to consider a policy on how individual or groups of communities can develop community plans that link to the community planning process or the Local Development Plan.

Progress

Head of Strategy and Customer Services to provide report to a future meeting on how groups/communities engage in the community planning process. Scrutiny Committee Convener to write to the CEO about progressing recommendations in relation to community engagement and economic development issues.

Member of Staff with overall responsibility:
Nikki Bridle
To be actioned by:
Elaine McPherson
Service:
Finance and Corporate Services

Member of Staff with overall responsibility:
Nikki Bridle
To be actioned by:
Elaine McPherson
Service:
Finance and Corporate Services

Consider any council activity which may be required in relation to achieving outcomes.

Head of Strategy and Customer Services to convene meeting with Clacks Alliance to discuss economic development issues. A meeting has taken place on issues around the Single Outcome Agreement.

Source Date: 21/10/2010
SID: 2264
REVIEW OF SINGLE OUTCOME AGREEMENT 2009-10

Review Date: 30/10/2011

Requested by ☐
Councillor

Councillor Name:

To consider the role of economic development in discussion with the Alliance

Discussion on options for Internal Audit to be continued to the Scrutiny Committee Focus Group on 24 February 2011; Revenues and Payments Manager and the Director of Finance and Corporate Services to attend.

Issue for Focus Group on 24/02/11.

Update to be provided to the Scrutiny Committee Focus Group on 01/12/11

Update report re options appraisal to be prepared for October 2011 - update to be provided to Focus Group.

Member of Staff with overall responsibility:
Nikki Bridle
To be actioned by:
Susan MacKay
Service:
Finance and Corporate Services

THIS PAPER RELATES
TO ITEM 4
ON THE AGENDA

Source Date: 27/09/2011
 Review Date: 31/01/2012
 Requested by Councillor ☐
 Councillor Name:

SID: 2286
 EXTERNAL AUDIT; INTERIM AUDIT REPORT 2010/11

That a report on progress of service level agreements with external organisations which identifies any potential gaps to be submitted to the Scrutiny Committee.

Report on progress of service level agreements to be submitted to a future meeting of the Scrutiny Committee

Member of Staff with overall responsibility:
 Nikki Bridle

To be actioned by:
 Nikki Bridle

Service:
 Finance and Corporate Services

Service with Overall Responsibility: Services to Communities

Recommendation

The Committee agreed that officers will review how the risks associated with climate change are reflected in the risk register.

Within 12 months, Services to Communities and Finance and Corporate Services to review.

Report on risks associated with climate change to be submitted to the Scrutiny committee of 01/12/11

Progress

Member of Staff with overall responsibility:
 Garry Dallas

To be actioned by:
 John Gillespie

Service:
 Community and Regulatory Services

Source Date: 27/09/2011
 Review Date: 31/01/2012
 Requested by Councillor ☐
 Councillor Name:

SID: 2287
 COUNCIL HOUSING: WINTER MAINTENANCE AND MALICIOUS DAMAGE

That a report on front line services on lessons learned, particularly in relation to comments about boarding up houses be submitted to a future Scrutiny Committee.

Report on front line services to be submitted to a future meeting of the Scrutiny Committee.

Member of Staff with overall responsibility:
 Garry Dallas

To be actioned by:
 John Gillespie

Service:
 Services to Communities

Report to Scrutiny Committee

Date: 1 December 2011

Subject: External Audit Annual Report - 2010-11 Audit

Report by: Accountancy Manager

1.0 Purpose

- 1.1. This report brings to the Council the annual report by our external auditors Grant Thornton on the audit activity performed by them in respect of 2010-11 in accordance with their Audit Plan which was presented to Scrutiny Committee on 23rd June. Their report is included as an Appendix to this covering report. It gives an overview of the Council's financial position and financial statements for 2010/11, and also covers Governance and Performance issues examined over the year.
- 1.2. It should be noted that the 2010-11 audit is the final year of Grant Thornton's five year appointment as external auditors of the Council.

2.0 Recommendations

- 2.1. That the Committee reviews this annual report to members from our external auditors and agrees the key findings highlighted therein.
- 2.2. Scrutiny Committee recognises the External Audit contribution over the last 5 years.

3.0 Considerations

- 3.1. The audited accounts for the year ended 31st March 2011, together with the external auditors report on those accounts were approved by Council at its meeting on 29th September 2011.
- 3.2. Grant Thornton were appointed as our external auditors for a five year period with effect from 2006/07, and this is their final annual report. This report covers their key findings from the 2010/11 audit in the context of the Financial Statements, Governance, and Performance. The auditors key findings from the 2010/11 audit are summarised as follows:

Table 1: Extract from External Audit Annual Report 2010-11

	Summary
<ul style="list-style-type: none"> ▪ Financial position 	<ul style="list-style-type: none"> • The Council reported a surplus for the year of £46.1 million, and the general fund balance increased by £1.16 million. • The General Fund balance as at 31 March 2011 was £9.129 million, with the un-earmarked balance at £5.505 million (2.95% of net operating expenditure), which is in line with the approved Finance Strategy. • The Council's net worth increased by £46.1 million to £96.3 million as at 31 March 2011 mainly due to changes in assumptions for calculating pensions benefits. • The Council's Budget Strategy and associated Invest to Save Fund are in place to prepare and plan for the impact of the financial climate.
<ul style="list-style-type: none"> ▪ Financial statements 	<ul style="list-style-type: none"> • During the year, the Council's Finance Team successfully implemented IFRS. This was a major change to the way that the financial statements are prepared and presented, and therefore represents a significant achievement. We issued an unqualified report on the Council's financial statements for the year to 31 March 2011. • The Council's trading organisations also achieved their statutory target of breaking even over the three year period to 31 March 2011.
<ul style="list-style-type: none"> ▪ Governance 	<ul style="list-style-type: none"> • The Council's proposed governance strategy is innovative in Scotland and we believe builds well on the improvements that have already been made in recent years. • A Governance Improvement Plan is in place to support the move to a best practice Annual Governance Statement. Actions include supporting risk management development within services, and developing internal audit arrangements. • The Council's shared services with Stirling Council for education and social work services continue to develop. Each council has agreed appropriate management and governance structures for services to be shared and senior appointments have been made to key roles.
<ul style="list-style-type: none"> ▪ Performance 	<ul style="list-style-type: none"> • The Council has extended the Clackmannanshire Improvement Model (CIM) and performance management system to its Community Planning Partners ensuring consistency of approach to performance improvement. • All services are currently undertaking a revised Public Sector Improvement Framework (PSIF) assessment, which will provide key data on the impact of the CIM in improving performance by March 2012. Strong progress has also been made in services achieving Customer Service Excellence accreditation. • Our review of performance information from the SOA and SPIs found that the Council's current performance is strong and largely improving across key services. The Council is performing well in equal opportunities, waste management and planning services. • During the year we reviewed the Council's arrangements to respond to Audit Scotland's national reports. We noted that while services are aware of the reports and make use of them to improve, there is no clear process to ensure that elected members are aware of the reports. • Our follow up reviews of national studies noted that Clackmannanshire continues to perform well in relation to strategic waste management, with the highest recycling rate of any Council in Scotland, and plans to improve. Procurement practices have also improved during the year and the Council falls within Scotland Excel's "conformance" banding.

- 3.3 It is the intention of Grant Thornton to attend this Committee meeting to give members the opportunity to ask questions on their report.

4.0 Conclusion

- 4.1 The Auditors have completed their annual programme of activity and have not raised any significant concerns.
- 4.2 This is the last year of Grant Thornton's appointment and Council and management would like to thank the team for the positive contribution they have made over the last five years.

5.0 Sustainability Implications

- 5.1 N/A.

6.0 Resource Implications

6.1 Financial Details

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

6.3 Staffing - none

7.0 Exempt Reports

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

8.0 Declarations

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

(1) Our Priorities 2008 - 2011 (Please tick ☒)

- | | |
|--------------------------------------------------------------------------|--------------------------|
| 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 | ✓ |

(2) Council Policies (Please detail)

9.0 Equalities Impact

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

Yes ☐ No ☒

10.0 Legality

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

11.0 Appendices

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

Annual Report to Members and the Controller of Audit - Grant Thornton

12.0 Background Papers

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

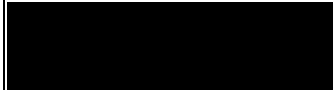

Yes ☒ (please list the documents below) No ☐

External Audit Report on Statement of Accounts 2010/11 and Audited Statement of Accounts 2010/11 – report by Director of Finance & Corporate Services to Council meeting, 29th September 2011.

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Martin Dunsmore	Accountancy Manager	2041

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director of Finance and Corporate Services	
Elaine McPherson	Chief Executive	

Clackmannanshire Council

Annual Report to Members and the Controller of Audit

November 2011

Draft for discussion



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1 Introduction

Scope

- 1.1 The Accounts Commission for Scotland appointed Grant Thornton UK LLP as auditors of Clackmannanshire Council (the Council) under the Local Government (Scotland) Act 1973 (the 1973 Act) for the period of 2006-07 to 2010-11. This is therefore the final year of our appointment. This document summarises our responsibilities as external auditors for the year ended 31 March 2011 and our approach to issues impacting the Council's activities in that year.
- 1.2 We carry out our audit in accordance with our statutory responsibilities under the 1973 Act and in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB) and the wider responsibilities embodied in Audit Scotland's Code of Audit Practice (the Code).

Summary of findings

- 1.3 We planned and performed our 2010-11 audit in accordance with our Audit Plan issued in March 2011. The Code objectives and key findings arising from the audit are summarised in Exhibit 1 below.

Exhibit 1 - Key findings from the 2010-11 audit

	Summary
Financial position	<ul style="list-style-type: none"> The Council reported a surplus for the year of £46.1 million, and the general fund balance increased by £1.16 million. The General Fund balance as at 31 March 2011 was £9.129 million, with the un-earmarked balance at £5.505 million (2.95% of net operating expenditure), which is in line with the approved Finance Strategy. The Council's net worth increased by £46.1 million to £96.3 million as at 31 March 2011 mainly due to changes in assumptions for calculating pensions benefits. The Council's Budget Strategy and associated Invest to Save Fund are in place to prepare and plan for the impact of the financial climate.
Financial statements	<ul style="list-style-type: none"> During the year, the Council's Finance Team successfully implemented IFRS. This was a major change to the way that the financial statements are prepared and presented, and therefore represents a significant achievement. We issued an unqualified report on the Council's financial statements for the year to 31 March 2011. The Council's trading organisations also achieved their statutory target of breaking even over the three year period to 31 March 2011.

	Summary
Governance	<ul style="list-style-type: none"> • The Council's proposed governance strategy is innovative in Scotland and we believe builds well on the improvements that have already been made in recent years. • A Governance Improvement Plan is in place to support the move to a best practice Annual Governance Statement. Actions include supporting risk management development within services, and developing internal audit arrangements. • The Council's shared services with Stirling Council for education and social work services continue to develop. Each council has agreed appropriate management and governance structures for services to be shared and senior appointments have been made to key roles.
Performance	<ul style="list-style-type: none"> • The Council has extended the Clackmannanshire Improvement Model (CIM) and performance management system to its Community Planning Partners ensuring consistency of approach to performance improvement. • All services are currently undertaking a revised Public Sector Improvement Framework (PSIF) assessment, which will provide key data on the impact of the CIM in improving performance by March 2012. Strong progress has also been made in services achieving Customer Service Excellence accreditation. • Our review of performance information from the SOA and SPIs found that the Council's current performance is strong and largely improving across key services. The Council is performing well in equal opportunities, waste management and planning services. • During the year we reviewed the Council's arrangements to respond to Audit Scotland's national reports. We noted that while services are aware of the reports and make use of them to improve, there is no clear process to ensure that elected members are aware of the reports. • Our follow up reviews of national studies noted that Clackmannanshire continues to perform well in relation to strategic waste management, with the highest recycling rate of any Council in Scotland, and plans to improve. Procurement practices have also improved during the year and the Council falls within Scotland Excel's "conformance" banding.

Acknowledgements

- 1.4 We would like to take this opportunity to thank the staff who have been involved in the 2010-11 audit for their assistance and co-operation.
- 1.5 This report is part of a continuing dialogue between the Council and Grant Thornton and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in the Council's systems and work practices.
- 1.6 The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it.

2 Financial position

Comprehensive Income and Expenditure Account

- 2.1 The Council reported total net comprehensive income and expenditure for 2010-11 of £46.1 million (restated 2010 deficit: £62.3 million). The net cost of services was £89.1 million (2010: £143.2 million).

Table 1: Financial results for 2011 and 2010

	2011 £'000	2010 £'000
Net Cost of Services	89,133	143,260
Other operating income and expenditure	(812)	(360)
Financing and investment income and expenditure	11,813	13,101
Taxation and non-specific grant income	(121,674)	(121,224)
Surplus on the provision of services	(21,540)	34,777
Other comprehensive income and expenditure	(24,552)	27,485
Total Comprehensive Income and Expenditure	(46,092)	62,262

Source: Clackmannanshire Council 2010-11 financial statements

- 2.2 The main movements in the Comprehensive Income and Expenditure Account relate to pension movements resulting from two changes to the actuarial assumptions used to calculate the Council's liabilities in the Falkirk Pension Fund, and to an impairment exercise undertaken in 2010.
- 2.3 The first change has arisen as a result of the change in the index used to measure pension inflation from the Retail Price Index (RPI) to the Consumer Price Index (CPI). Although both indices measure the average change in the cost of a basket of retail goods and services, CPI is calculated using the geometric average whereas RPI is calculated using the arithmetic average. As such CPI is generally lower than RPI and by switching to CPI for measuring pension inflation, the value of pension liabilities is reduced. The impact of the change is that a past service gain of £21.246 million is recognised in the 2010-11 accounts and this has been credited to Non-Distributed Costs within Net Cost of Services.
- 2.4 The assumption for salary increases has also changed in 2010-11 to take into account the Government's public sector pay freeze for all but those earning less than £21,000 per annum. This change to the salary increase assumption has led to a reduction in the value of active members' liabilities in the year. This change to the salary increase assumption has led to a reduction in the value of active members' liabilities in the year. This has contributed to actuarial gains on the Council's share of the Fund of £24.5 million (2010: an actuarial loss was recorded of £54.9 million resulting from a change in the discount rate).

- Performance against budget
- 2.5 The Council reported a surplus of £0.65 million against budget (before the impact of audit adjustments), which represents both good financial management, and a significant improvement in budget forecasting throughout the year. The underspend primarily relates to higher than anticipated savings achieved through vacancy management. Other savings such as a reduction in rateable values, and energy costs, efficiencies made through waste management, and less expenditure on homelessness costs have been offset by additional foster care costs and additional spending on winter maintenance.

Balance sheet

- 2.6 The total net worth of the Council at 31 March 2011 was £96.3 million (2010 restated: £50.2 million).

Table 2: Balance sheet as at 31 March 2011 and 2010

	31 March 2011 £'000	31 March 2010 £'000
Long term assets	314,125	324,991
Current assets	44,082	30,669
Current liabilities	(22,532)	(21,690)
Long term liabilities	(239,347)	(283,734)
Total assets less liabilities	96,328	50,236
Unusable reserves	82,833	36,563
Usable reserves	13,495	13,673
Total reserves	96,328	50,236

Source: Clackmannanshire Council 2010-11 financial statements

- 2.7 The movement in net worth reflects the significant fall in the Council's share of pension liabilities in the Falkirk Pension Fund. The pension liability within the Balance Sheet was reduced from £105 million to £61.6 million as a result of changes outlined in sections 2.3 and 2.4.

General Fund

- 2.8 For the year ending 31 March 2011, the Council had a total general fund reserve balance of £9.129 million, of which £5.505 million was earmarked for specific purposes, leaving £3.624 million available for new expenditure or to meet the costs of contingencies and unforeseen events. Table 3 below provides a breakdown of general fund balances at 31 March 2011.

Table 3: General Fund balances as at 31 March 2011 and 2010

	31 March 2011 £'000	31 March 2010 £'000
Secondary Schools PPP	2,613	1,656
Service Improvement Contracts	1,005	815
Implementation of Single Status	943	1,769
Modernising Government	164	164
Zero Waste Fund	134	134
Adult Care carry forward scheme	370	59
Public Sector Housing/Homeless	50	-
Homeless Assessment Centre	120	160
Pre Fives	106	-
Devolved management within schools		235
Earmarked	5,505	4,992
Unearmarked	3,624	2,974
Total General Fund	9,129	7,966

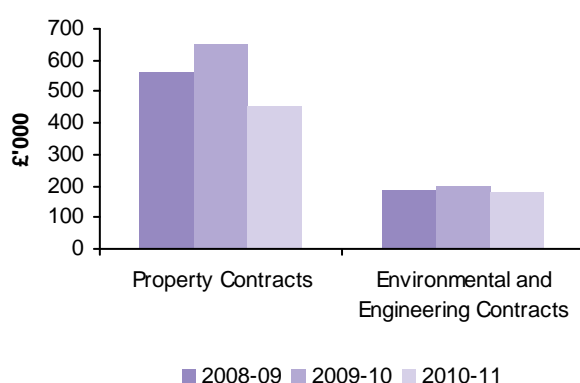
Source: Clackmannanshire Council 2010-11 financial statements

- 2.9 The unearmarked proportion of the general fund at 31 March 2011 is 2.95% of the Council's budgeted net expenditure for 2011-12, which is in accordance with the Council's Financial Strategy. The Council's reserves have been increasing over recent years in reflecting the Council's greater focus on improving financial management. It is essential that the Council maintains sufficient reserves to enable it to minimise the impact on front line services and to enable it to respond flexibly and effectively to financial pressures emerging from the recent Comprehensive Spending Review.

Trading accounts

- 2.10 The Council maintains two trading accounts: Property Contracts and Environmental and Engineering. Section 10 of the Local Government in Scotland Act 2003 requires that local authorities' significant trading organisations break even over a three year rolling period. Figure 1 below highlights the performance of the Council's two trading accounts over the three year period.

Figure 1: Surpluses achieved by the Council's Significant Trading Organisations



Source: Clackmannanshire Council Annual Accounts 2010-11

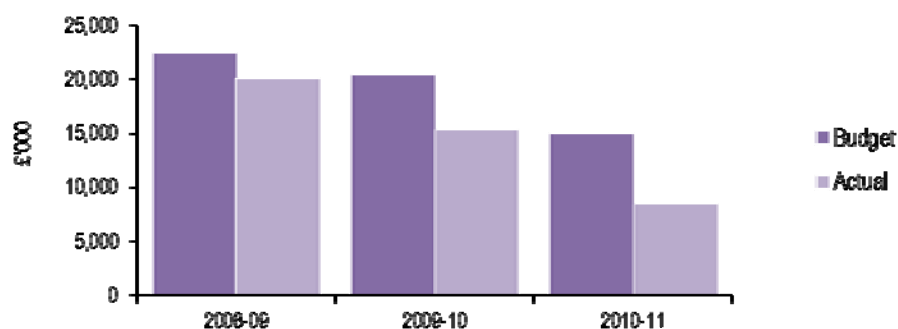
- 2.11 Under the terms of the Act, the identification of significant trading operations is the responsibility of individual authorities, but we noted in our 2009-10 report that the Council had not reviewed these arrangements for some time. The Council has recently commenced a review of the status of each of the STOs by applying a number of tests to determine the trading status of each activity and its level of significance. During 2011, the Council has also reviewed the performance of the STOs to ensure that they remain competitive. Benchmarking information from APSE has been used to confirm that costs are in line with comparators. We also note that surpluses are reallocated to services in line with the proportion of charges levied.

Capital expenditure

- 2.12 During 2010-11, the Council reported significant underspends against both the Housing and General Services capital budgets. This continues the trend of underspends against the Council's capital budget in recent years (refer to Figure 2). Total capital expenditure in the year was £8.5 million versus a budget of £15 million, an underspend of £6.5 million (over 43%).

- 2.13 Table 4 below highlights capital expenditure by funding source versus budget, and the budget position for 2011-12 financial year.

Figure 2: Capital budget underspends



Source: Clackmannanshire Council Capital Programme

- 2.14 A significant proportion of the work planned for 2010-11 has been carried forward to the 2011-12 programme as a result of timing or slippage of projects. Other projects within the capital programme have been amended, for example the vehicle replacement policy has been revised to replace vehicles less frequently following a review by the Head of Facilities Management. This programme was therefore £1m underspent in 2010-11.
- 2.15 The key areas of underspend in the Housing capital programme are in the replacement bathroom programme (£2.1m) and other areas such as the external walls and kitchen programme. These projects have a direct impact on the Council's ability to meet the Scottish Housing Quality Standard. We do, however, note that SPI data places the Council as 3rd most advanced in bringing its housing stock to the SHQS standard. In 2010-11, 84.5% of the Council's houses met the standard, compared to a national average of 53.6%.
- 2.16 The Council's Budget Strategy places a strong focus on the capital programme. As a result, a cross-party Capital Investment Forum has been established to begin work on a Corporate Asset Management Plan. The Forum includes representation from Finance, Facilities Management and the Strategy and Performance Team to ensure co-ordination across strategies and services. Initially, the members will review the existing capital programme to agree priorities for the short and medium term, in advance of the 2012-12 budget.

Three Schools PPP Scheme

- 2.17 The most significant area of expenditure for the Council is the Three Schools PPP Scheme. The original financial model supporting the Council's investment in the Scheme incorporated a number of assumption which have not been borne out since the agreement was signed. For example, the model assumed the cost of the Schools would be partly funded by increases in council tax and also assumed an inflation rate of 2.5%. The current government's policy of freezing council tax has prevented the Council from using that funding stream to fund the PPP Scheme and inflation in the economy is currently exceeding 5% resulting in a higher cost to the Council than anticipated at the outset.
- 2.18 During 2011, the Council therefore reviewed and remodelled its funding plan for the PPP Scheme. The financial model has been revised to a straight repayment basis with a plan to meet the projected funding gap by setting aside future capital receipts to fund future payments.

- 2.19 In 2010-11 the Council transferred £1.470m from the capital receipts reserve to the General Fund for this purpose. The set aside element of reserves for the PPP project (see Table 3) is now £2.613m. PPP costs are therefore fully covered for the next two years without any additional budgetary increase required. Thereafter, current estimates are that £14.4 million will be required over the 7 years from 2013-14 to 2019-20, for which the Council will rely upon achieving capital receipts.
- 2.20 The Council has recently approved the Property Asset Management Plan 2011-15, which includes proposals to rationalise the Council Office accommodation. Other improvements in asset management include partnership working with Alliance partners to review accommodation requirements for the public sector across the area. A risk does, however, remain, that in the current economic climate the Council may not achieve the level of capital receipts required to fully meet the project funding gap for the PPP Scheme. Funding plans will therefore remain a focus for scrutiny in the future.

Treasury management

- 2.21 Local authority capital expenditure and borrowing is regulated by the Prudential Code which requires councils to ensure capital plans are affordable, borrowing is prudent and sustainable, and treasury management arrangements reflect good practice. The Council approved a set of prudential indicators for 2010-11 and managed capital expenditure within these approved limits.
- 2.22 The Council was one of only 4 in Scotland in 2010-11 to reduce their level of net borrowing, principally as a result of underspends in the capital programme, and reflecting the implementation of the Investment Strategy approved in December 2010. The Council has plans to proactively seek to further reduce debt in 2011-12 by exploring opportunities for debt rescheduling and early repayments.

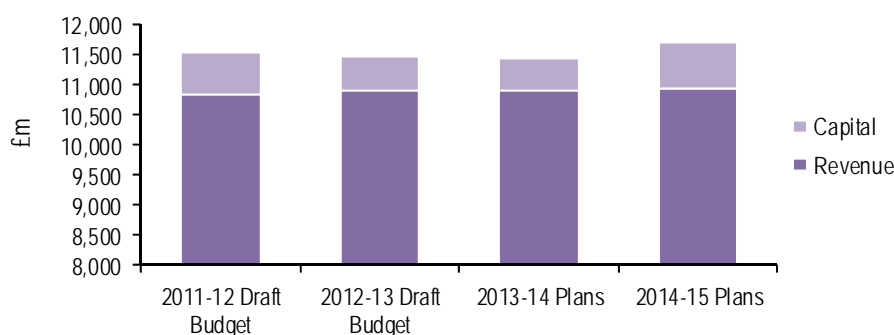
Future financial position

- 2.23 The Scottish public sector continues to face a period of sustained financial austerity. The initial reduction in the Council's budget settlement for 2011-12 was £7 million (2.6%), which is in line with the national average of 2.59%, and slightly less than the Council had planned for.
- 2.24 The Council faces significant budget cuts in line with the rest of the local authority sector public sector more widely. We have reviewed the Council's financial projections and its plans to ensure it can continue to deliver services in light of significant budget cuts.
- 2.25 The Council approved a Budget Strategy in August 2010 to prepare for the impact of expected reductions in future funding. The Budget Strategy is based on:
- reducing expenditure
 - increasing income
 - redesigning service provision
 - other initiatives such as procurement and integrated partnerships.
- 2.26 During the year, the Council has taken steps to implement each part of its strategy. Savings of over £6 million were identified during the budget setting process following challenge at 'star chamber' events. Significant steps have also been taken to improve the recoverability of debts due to the Council. A review of the Council's approach to debt management led to a number of write offs of old debts during the year, but also evidenced significant improvements in debt collection rates. Further improvements planned include greater use of the Sherriff office for debt recovery, joint working across services to co-ordinate debt recovery and improving payment methods available to customers.

- 2.27 The strategy has also enabled the Council to set aside £1m of unearmarked reserves to be used as an Invest to Save fund. The Council has budgeted £500k for this purpose in 2011-12, and a further £500k in 2012-13. Four applications for invest to save schemes have been approved by the Management Team to date, resulting in an investment of £220k. The Council estimates that these projects will save £1.2m over the next 4 years.

- Local government settlement in the Spending Review
- 2.28 The Spending Review announced by Cabinet Secretary for Finance and Sustainable Growth to the Scottish Parliament on 21 September 2011 allocates a total funding package amounting to £11.5 billion to local government. Figure 3 below highlights the 2011-12 allocations and plans for expenditure levels in subsequent years.

Figure 3: Scottish Local Government Allocations



Source: Scottish Government Spending Review, September 2011

- 2.29 As in prior years, the level of spend available to local authorities will be dependent on agreeing a council tax freeze for the fifth consecutive year. The Review also announced the Scottish Government's commitments to maintain police and teacher numbers in Scotland.
- 2.30 The Council will be reviewing the impact of the spending review on its forecast of future revenue support grant funding, and individual council allocations will be known in December 2011.

3 Financial statements audit

Introduction

- 3.1 We have audited the Council's 2010-11 accounts in accordance with our Audit Plan issued in February 2011. The key messages arising from our financial statements audit are contained in our Report on the 2010-11 Accounts Audit, issued on 21 September 2011, and summarised below.

Audit opinion

- 3.2 We gave an unqualified opinion on the Council's 2010-11 financial statements on 30 September 2011.
- 3.3 During 2010-11, the Council prepared the financial statements under the International Financial Reporting Standards for the first time. This was a major change to the way that the financial statements are prepared and presented, and relatively minor level of audit adjustments therefore represents a significant achievement. The audit adjustments identified include:
- corrections to accounting entries relating to the sale of fixed assets
 - a requirement to recognise the police capital grant as income, with an equivalent amount of expenditure
 - two adjustments relating to accruals.
 - an accounting adjustment to the carrying value of market loans.
- 3.4 There were two unadjusted misstatement, which were immaterial in value but which management will review in preparation for the 2011-12 accounts.

Significant accounting issues

Implementation of IFRS

- 3.5 Local authorities are required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). From 2010/11 this Code is based on International Financial Reporting Standards (IFRS) rather than a UK GAAP based Statement of Recommended Practice (SORP). The Code requires a restated balance sheet at 1 April 2009, restated 2009/10 accounts and full published IFRS accounts for 2010/11. During the year, we performed an arrangements review to provide feedback on the Council's approach to restatement with detailed work on the restated figures taking place during the 2010/11 final accounts audit.
- 3.6 We reviewed the arrangements for implementation of International Financial Reporting Standards (IFRS) during our interim visit. Overall we found that the Council had made good progress in the transition to IFRS, by creating an IFRS working group with representation from across services. Although initial timescales were not met, the accounts were produced in time and we identified relatively minor adjustments, mainly relating to reclassifications and transposition errors.

Remuneration Report

- 3.7 During the year, Scottish Ministers approved an amendment to the Local Authority Accounts (Scotland) Regulations 1985 to publish a remuneration report as part of their annual accounts. The report is similar to that produced for listed companies and public sector bodies that report under the Government Financial Reporting Manual.
- 3.8 The amendments to the Regulations require the Council to disclose:
- remuneration policies for senior members and senior officers
 - remuneration paid to senior members and senior officers for 2009-10 and 2010-11
 - pension benefits including pension contributions paid by the Council and the value of accrued pension benefits at the balance sheet date
 - information of the number of employees earning in excess of £50,000 per year.
- 3.9 Clackmannanshire Council chose to present the Remuneration Report before the core financial statements in the Statement of Accounts. We believe that this represents open and honest reporting, reflecting the spirit of the Regulations. In future years, Councils will also be required to disclose summary information in relation to exit packages, including compulsory and voluntary redundancy costs, ex-gratia payments and other departure costs.

Equal pay claims

- 3.10 In 1999, local authorities in Scotland agreed that a new pay and grading system would be introduced (single status), which would ensure equality in pay structures across employee grades. The Council implemented its new pay and grading model in March 2009.
- 3.11 Under the Equal Pay Act 1970, employees are entitled to make claims for equal pay settlements for a period up to six years. As at 31 March 2011, the Council recognised a provision of £2.778m relating to the claims received, with a contingent liability for any further claims that may be received.
- 3.12 Towards the end of the financial year, the Council made significant progress in settling residual equal pay claims. Payments totalling £856k were made by a transfer from the existing equal pay provision.

Group accounts

- 3.13 The Council's group accounts consolidate the following bodies:
- Central Scotland Police Joint Board
 - Central Scotland Fire and Rescue Joint Board
 - Central Scotland Valuation Joint Board
 - Forth Valley GIS Limited
 - CSBP Clackmannanshire Investments Limited
 - CSBP Clackmannanshire Developments Limited.
- 3.14 The net worth of the Group is a surplus of £18.6 million compared to the Council's individual net worth of £96.9 million. The difference reflects the Council's share of deficits in the pension schemes of the Central Scotland Police Joint Board and the Central Scotland Fire and Rescue Joint Board, both of which are unfunded schemes. The schemes are effectively underwritten by the Scottish Government from funding provided to local authorities.
- 3.15 In September 2011, the Cabinet Secretary for Justice announced plans to establish a single police force and a single fire brigade for Scotland. It is anticipated that single forces will be established

from April 2013. The creation of single police and fire services will be a significant change in how such services are provided and lead to a fundamental change in the group structure of the Council when implemented.

4 Governance

Introduction

- 4.1 In accordance with our 2010-11 Audit Plan we have reviewed key aspects of the Council's governance arrangements.

Governance Strategy

- 4.2 We noted in our 2009-10 audit that the Council was one of only four in Scotland to continue to prepare a Statement on the System of Internal Financial Control, rather than a more advanced Statement of Internal Control, or best practice Annual Governance Statement. In March 2011, the Council appointed a Governance Manager to lead and develop its approach to improving governance arrangements. Since then, substantial steps have been made to improve governance in a way that is tailored to the needs of the Council, and builds on the approach within the Clackmannanshire Improvement Model to drive continuous improvement.
- 4.3 The Council's draft Governance Strategy aims to ensure that strategies, processes and people are aligned to secure the best possible outcomes for Clackmannanshire. The Strategy sets out a number of key areas necessary to develop and maintain an effective governance framework. Those highlighted include:
- a programme of consultation with elected members and staff to build awareness of the purpose and impact of good governance
 - the development of a Local Code of Governance, and
 - the creation of a Governance Panel to evaluate assurances provided by individual services.
- 4.4 The Governance Panel will adopt the same 'star chamber' approach that has been used successfully to improve the quality of budget forecasting and monitoring. The Panel will be made up of officers of sufficient experience and seniority to be able to challenge service management teams effectively. This approach therefore acts as an internal quality assurance framework to challenge the robustness of assurance reports presented to the Scrutiny Committee. We view this approach as pioneering within local government in Scotland.
- 4.5 We would, however, highlight two key risks to the success of the Strategy. The first is the level of risk maturity within services. Corporate measures to improve risk management, such as the implementation of Covalent and business planning processes must be fully understood and embedded at service level. Secondly, the Council has acknowledged that internal audit arrangements must be strengthened. A strong and effective internal audit service will support the implementation of the Strategy, and ultimately the Annual Governance Statement. We therefore support the Council's internal audit options appraisal process but would recommend that expertise and the ability to challenge governance arrangements effectively forms part of the assessment.
- ### Statement of Internal Control
- 4.6 The Council's 2010-11 financial statements include a Statement of Internal Control, rather than Statement on the System of Internal Financial Controls for the first time. The statement outlines the key elements of the Council's internal control environment, including the strategic framework outlined within the Single Outcome Agreement, the revised and updated Scheme of Delegation

and the Clackmannanshire Improvement Model. Key improvements within the year such as the self-assessment against the Code of Good Governance, and the review of the role and remit of the Scrutiny Committee are also highlighted.

- 4.7 The Statement acknowledges that more needs to be done to embed risk management arrangements, and explains that a Governance Improvement Plan is in place to address weaknesses highlighted during their review. We do, however, note that the Statement does not explicitly refer to weaknesses in internal audit arrangements.

Scrutiny Committee

- 4.8 During 2010-11, the Council's Scrutiny Committee conducted a review of its own effectiveness to help develop and improve the culture of constructive challenge across the Council. The review drew on interviews with elected members and key officers, a review of the Council's scheme of delegation, and the training needs assessments for individual committee members.
- 4.9 An improvement plan has been developed to address the key findings of the review. We noted two key improvements to arrangements to date. Firstly, the Committee's forward planning arrangements have been revised to ensure that agendas are appropriate and relevant. The Committee has also undertaken two scrutiny reviews to date, on Employment and Financial Resilience. These reviews allow the Committee to consider prioritised, cross-cutting issues that aim to help the Council to achieve its strategic objectives.

Internal audit

- 4.10 We reported ongoing concerns about the Council's internal audit arrangements in our interim report to management. The report highlighted two main concerns, around audit independence, following the Audit Manager's appointment as Revenue and Payments Manager, but her ongoing role in reviewing and approving final audit reports. We also have a number of concerns about the level of staffing resources available to internal audit.
- 4.11 In October 2011, as a result of resourcing difficulties, the Scrutiny Committee agreed to the reprioritising of the internal audit plan. As a result, six of the reviews planned to be undertaken in 2010-11 were deferred to the following year. We do, however, note that a further three audits were not started at the end of the financial year.
- 4.12 An options appraisal on the internal audit service is underway to ensure that a long term strategy is in place to protect the independence of internal audit and ensure that sufficient resource and experience is available to fulfil the audit plan. The review must consider the Council's developing internal audit requirements to support the Governance Strategy and move to an Annual Governance Statement.

Shared Services

- 4.13 The Council's shared service for Education and Social Work continues to develop and evolve. Each service has a management structure in place and appointments are being made to the roles. We highlighted in our interim management report that such innovative arrangements bring operational risks as organisational changes are implemented.
- 4.14 The Chief Executives of the two Councils are jointly accountable for the services to a Joint Steering Group for the new arrangements. The Steering Group meets monthly and comprises of the Leaders of the two Councils along with Depute Leaders and the two main Opposition Leaders. They report separately to their Councils. Management meet monthly at a Joint Programme Board chaired jointly by the Chief Executives, with senior managers from both Councils and representation from the Trades Unions. The Councils have also approved a joint

Scheme of Delegation that legally gives the Heads the authority to direct services in both Councils.

- 4.15 The Steering Group is charged with ensuring that effective risk management arrangements are in place to mitigate the impact of change. We noted that whilst a risk register is in place, there is scope to improve the overall risk management arrangements. For example, a risk map would help the Programme Board to identify a more comprehensive assessment of risks associated with the project, and therefore where mitigating measures have reduced the risk. We do, however, understand that governance arrangements are subject to a more comprehensive review as part of an overall 'taking stock' review.
- 4.16 The Programme Board recognised during the year that there was scope to consider what the Councils still want to achieve, and what has been achieved to date to allow lessons to be learned for the next phase of the project. An improvement plan will be developed to take forward the key findings, which centre around clarifying the purpose of the shared services, the governance arrangements supporting the services, and improving communications. A Programme Manager will shortly be appointed to manage the change process, and to embed the lessons learned within the improvement plan.

Core Financial Systems

- 4.17 During the year we reviewed the effectiveness of the Council's core financial systems and financial management and budgetary control arrangements.
- 4.18 Our overall conclusion is that the core financial systems continue to operate effectively, however we identified two medium risk issues in our financial statements audit:
- reconciliations to the financial ledger do not appear to be performed on a regular basis for the payroll and council tax sub-systems
 - the bad debt provision methodology should be reviewed on an annual basis, including a review of significant individual debtors for impairment.
- 4.19 We reviewed the Council's progress in implementing agreed recommendations to improve financial planning and budgetary control arrangements. We found that the budget challenge days and 'star chamber' approach to budgeting have significantly improved budget monitoring and forecasting. The Scrutiny Committee's planned review of the financial resilience of the Council will provide further assurance.

The National Fraud Initiative

- 4.20 The National Fraud Initiative (NFI) is a nationwide data matching exercise run jointly by Audit Scotland and the Audit Commission. The Council's internal auditors continue to process the matches that have been identified during the exercise. We are due to complete a summary review of the Council's participation in the NFI scheme for Audit Scotland. A national report on the process in Scotland is due to be published in 2012.

5 Performance

Introduction

- 5.1 In accordance with our Audit Approach Memorandum and the Assurance and Improvement Plan, we continue to review the Council's arrangements for delivering Best Value and reporting on performance. The Local Government in Scotland Act 2003 established Best Value as a statutory requirement for all councils. The Act defines Best Value as 'continuous improvement in the performance of the authority's functions'. The objective of Best Value is to ensure that councils deliver better and more responsive public services by:

- balancing the quality of services with cost
- continuously improving the services provided
- being accountable and transparent, by listening and responding to the local community
- achieving sustainable development in how the council operates
- ensuring equal opportunities in the delivery of services.

Assurance and Improvement Plan

- 5.2 Under the National Scrutiny Plan for Local Government 2010-11, Scotland's scrutiny agencies work together to develop a shared risk assessment and AIP for each council area. As part of our 2010-11 audit, we have followed up the progress made by the Council, both in addressing the improvement agenda and against specific areas of risk or uncertainty identified by scrutiny partners.
- 5.3 The Council's Local Area Network (LAN) published an updated Shared Risk Assessment and Assurance and Improvement Plan in April 2011. The scrutiny partners agreed that Clackmannanshire Council has a number of areas of strong performance, and there are no significant concerns about performance overall. The LAN pointed to the strong leadership, clear vision for the area and Clackmannanshire Improvement Model as key strengths.

Managing Performance

- 5.4 One of the key sources of information for the LAN is the Council's approach to performance management and self-evaluation. The Clackmannanshire Improvement Model adopts the Public Service Improvement Framework (PSIF) approach to self-evaluation and continuous improvement, but all services are also expected to work towards the Customer Service Excellence framework and Investors in People. Initial reviews to provide a baseline of performance across the Council were completed for all service areas by March 2010. Since then services have been progressing with tailored action plans. The next programme of self-assessments is underway, and scheduled to be completed by March 2012. This will provide useful information on the level of progress achieved across services.
- 5.5 The Council validates the self-assessment scores by submitting the corporate score to the 2011 Scottish Awards for Business Excellence. In 2009-10, the Council's Business Improvement and Technology Service was recognised for excellence in the same awards. This provides the Council with assurance that the scores arising from the self-assessments are broadly consistent with other bodies, and findings are therefore realistic.

- 5.6 The Council has adopted a managed approach to improvement action plans, with individuals responsible for co-ordinating themes, such as progress towards Customer Service Excellence. The implementation of the Covalent performance management system, with mandatory performance indicators is also helping to drive consistency across services. The Council can point to a number of successes, for example a number of services achieved CSE accreditation during the year. We were also pleased to note that the Care Inspectorate reported that the CIM is leading to a thorough approach to performance management, and to developing quality assurance processes within Social Services, in their recent Scrutiny Report (October 2011).

Single Outcome Agreement

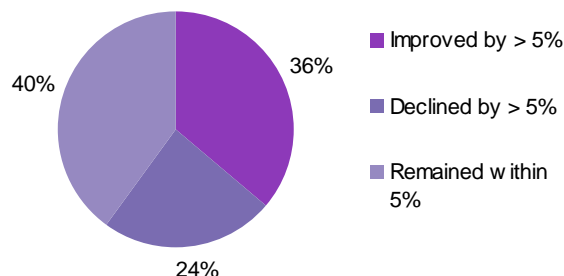
- 5.7 Single Outcome Agreements (SOAs) are the main mechanism in place to align and report on public sector activity with national priorities. The shared risk assessment and BV2 processes draw upon evidence contained within SOAs in order to consider outcomes more widely, as planning for and managing the delivery of outcomes should be central to all aspects of the council's activity.
- 5.8 Successful delivery of SOAs depends on the degree to which they are supported by effective planning, budgeting and performance management arrangements at service-level, within councils and across partner agencies. We noted that during the year, the Council extended the CIM to the Clackmannanshire Alliance, the Community Planning Partnership (CPP). Alliance Partners will also be able to use the Covalent performance management system to help co-ordinate and populate performance and risk information as efficiently as possible.
- 5.9 The Partners' Community Plan set the priorities and vision for the Clackmannanshire area. Key priorities within the Community Plan are translated into outcome indicators within the SOA. The SOA Progress Report for 2010-11 outlines a number of areas of success. Of the 77 measures that are in the SOA for which data is available, performance has improved in 46 (60%) of cases, and performance has been maintained in a further 10 (13%). Successes in the year include the development of the Alliance's Employability Strategy and Framework for Action. The SOA reports that the latest employment figures at the highest annual levels since 2004 (at 76.1%). However, the unemployment claimant count continued to rise, and the Future Jobs Fund programme finished in December 2010, which may have an impact on figures in 2011-12. The Alliance also reported improvements in overall educational attainment and in school leavers destinations.
- 5.10 Areas for improvement include the effects of substance misuse. Alcohol related road collisions and driving incidents increased during the year, and the number of referrals to the children's reporter on the grounds of misuse of alcohol or drugs also increased. Perceptions of sport and leisure facilities have also fallen for the third consecutive year, although we noticed that attendance at indoor sports facilities improved during the year.

Statutory Performance Indicators

- 5.11 One of the key ways that members of the public can measure council performance is through the statutory performance indicators (SPIs). In 2009/10, the Accounts Commission made a significant change to the SPI direction. The 2008 direction, which was introduced in 2009/10, has been retained for 2010/11. This direction requires that councils report:
- a range of sufficient information to demonstrate best value in relation to corporate management (SPI 1)
 - a range of information sufficient to demonstrate best value in relation to service performance (SPI 2).

- 5.12 In reporting against SPI 1 and SPI 2 above, all councils are required to report performance against 25 specified indicators, as defined in the 2008 direction. In addition, councils must select a range of non-specified indicators to demonstrate best value and compliance with the 2008 direction.
- 5.13 The Council's Public Performance Reporting Framework recognises that it must meet the requirements of the Direction, but also the needs of users of the data. Following feedback from the Clacks 1000 survey group, the Council therefore try to produce most performance information in a newspaper style using 'The View'. The View is sent to every household in Clackmannanshire on a quarterly basis. Performance information is published in themes reflecting Council priorities, and include a range of comparators and trend information. We believe that these tailored reports, along with the performance reports and range of information on the Council's website, is sufficient to demonstrate that the Council has met the requirements of SPI 1 and SPI 2.
- 5.14 Our review of SPI data submitted to Audit Scotland found that performance was maintained or improved for over three-quarters of the specified indicators. Clackmannanshire Council has the highest performance of any Scottish Council in two indicators. Firstly, the Council has the highest percentage of female employees in the top 2% of earners. Secondly, the Council has maintained its position as the highest level of recycling.

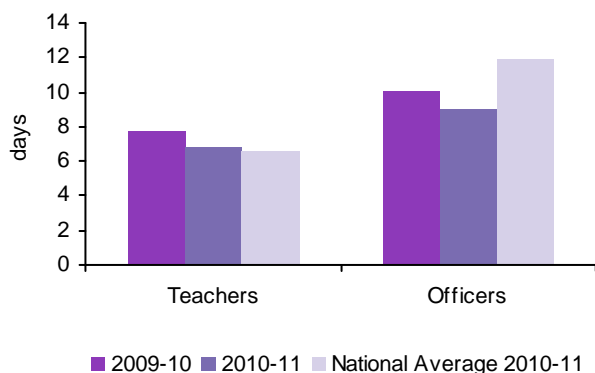
Figure 2: Overall performance against specified performance indicators



Source: Clackmannanshire Council Statutory Performance Indicators 2010-11

- 5.15 The Council's development services also perform well nationally. The planning service has the 2nd highest performance for the percentage of planning applications dealt with within 2 months for both householders (at 94.3%) and non-householder (82.8%) applications.
- 5.16 Figure 4 highlights that the Council's sickness absence rates continue to fall, and are now below the national average.

Figure 4: Sickness absence rates are improving



Source: Audit Scotland Statutory Performance Indicators 2010-11

- 5.17 The robustness of data is critical for all models of self-evaluation, which Council's and their scrutiny partners rely on. We were therefore pleased to note that the Council has plans to train Business Improvement and Technology staff to provide internal quality auditing. This will support the use and development of the Covalent performance management system.

National Studies

- 5.18 Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports published in the last year with a direct impact on the council include:

- How council's work: roles and working relationships: are you getting it right?
- Improving energy efficiency: a follow up report
- Getting it right for children in residential care
- Physical recreation services in local government.

- 5.19 Audit Scotland ask us to ensure that local government bodies review the national studies relevant to them and action them accordingly. We review whether the council has considered the national report at a council committee and whether the council has carried out a self-assessment against the national report and plans to take forward any improvements.

- 5.20 At Clackmannanshire Council, individual reports are circulated to relevant departments, but there is no consistent approach to ensuring that elected members or the Scrutiny Committee are aware of the reports. We would therefore recommend that a summary of national reports is prepared on a regular basis and circulated for information. This would allow Scrutiny Committee members to ask for further work to be done, or for copies of the full reports.

Public Sector Purchasing

- 5.21 During the year, we also followed up the Council's progress against specified Audit Scotland's national performance reports. Audit Scotland's report *Improving public sector purchasing* was published in July 2009. The report examined the progress and impact of the Public Procurement Reform Programme, which was introduced in 2006. This programme aimed to make significant improvement in public sector purchasing practice and make substantial savings. The report found that the public sector in Scotland was improving its purchasing and making some savings, although there was uncertainty about how future savings would be made, measured and reported.

Overall, the report highlighted that there was potential for the public sector to buy goods and services more efficiently and deliver more significant savings through increased collaboration and better management.

- 5.22 The results of Scotland Excel's Procurement Capability Assessment show that the Council's performance has significantly improved over the last year, and the Council is now within the 'conformance' banding. During the year, we found that the Council's corporate approach to Procurement has been strengthened with the approval of the Procurement Strategy and Procurement Improvement Plan. The Procurement Manager has produced a corporate procurement healthcheck, which will be produced annually in the future.

Strategic Waste Management

- 5.23 In September 2007, Audit Scotland published a report on *Sustainable Waste Management*. Collecting household waste is a vital and universal council service. The aim of the study was to review the work of councils, SEPA and the Scottish Government in reducing the amount of waste being sent to landfill. The aim of this follow up work was therefore to assess what steps Scottish Councils have taken, or still need to take, to ensure that they will be able to meet future EU and Scottish Government targets.
- 5.24 We noted that the Council continues to implement the Forth Valley Strategic Outline case for waste management, based on the best practical environmental option calculated at the time of the Forth Valley Area Waste Plan. A revised Waste Management Strategy is currently being developed in partnership with Stirling and Falkirk Councils, with the assistance of Zero Waste Scotland. This will allow the Council to respond to changes in regulation as required, such as the potential imposition of food waste collection.
- 5.25 Overall, however, Clackmannanshire Council has been Scotland's top performer in Audit Scotland's recycling statutory performance indicators for a number of years. The Council has achieved 48.9% of municipal waste recycled, in 2010-11, a further improvement from 2009-10 when at 46.7%. The national average for Scottish local authorities in 2010-11 was 38.2%.

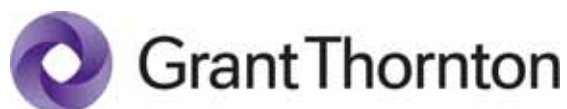
6 Looking Forward

- 6.1 Scottish public spending will continue to reduce significantly over the next four years to 2014-15, with capital budgets facing the largest reductions. The demand for public services is increasing, and this is likely to continue in the future. An ageing population, the effects of the recession and heightened expectations of the public all increase the demand for public services. This places an additional pressure on Councils to provide efficient and quality services at a time when budgets are already stretched and reducing. This means that all public bodies, including the Council, may find it difficult to continue to deliver the current level of services to citizens and continue to achieve efficiency savings in future years.
- 6.2 The Council faces an added challenge to meet the projected funding gap (estimated at around £15 million by the 2019-20 financial year) for its Three Schools PPP Scheme. At the time this scheme was approved inflation was expected to remain at 2.5% and increasing council tax to meet the costs of the scheme remained a policy option. The viability of the Council's current plan to use capital receipts to meet the projected funding gap is subject to a number of risks including the availability of assets for disposal and the state of the market for capital assets which is currently depressed. It will be important for the Council to keep its funding strategy for the PPP Scheme under review.
- 6.3 Audit Scotland's recent report, *Scotland's public finances: addressing the challenges*, suggests that good workforce planning and a better understanding of costs will be critical to help Councils deliver a balanced budget. We believe that the Clackmannanshire Improvement Model and inter-linked strategies such as the Budget Strategy, Investment Strategy, Governance Strategy and Asset Management Plans mean that the Council is well-placed to respond to the challenges. As part of the CIM, all services are developing efficiency indicators to help the Council understand its costs relative to other providers and authorities. The revised assessments, and support for the performance management information system will be key for the development of the Council over the next few years.
- 6.4 The Council's approach to sharing resources with Stirling Council aims to improve outcomes in the education and social care services, but it also has significant potential to deliver cost savings and is an example of the Council's willingness to work in partnership and be innovative in its approach to future service delivery. The governance and financial arrangements associated with these new arrangements are in their infancy, but may require a further review to ensure they remain fit for purpose following a suitable interval.
- 6.5 Local government elections are due to take place in May 2012 and have the potential to change the political dynamic of the Council. This presents a good opportunity for the Council to review its political management arrangements and ensure they continue to effectively meet the needs of the Council.

6.6 A number of initiatives and policy changes will also impact the future direction of the Council:

- Implementation of the Christie Commission report on the Future Delivery of Public Services in Scotland, including a focus on more preventative spending.
- Efforts to increase collaboration and shared services amongst local authorities in Scotland, although many council's will be looking to the Clackmannanshire and Stirling Council's Shared Service Model.
- Reforms to the provision of housing and council tax benefit arising from UK government policy and the Welfare Reform Bill 2011.
- Changes to Non Domestic Rates charges in Scotland, which could see an increase in this tax.

6.7 The Council is alert to all of these issues and has implemented a range of significant improvements in recent years covering its corporate working arrangements, financial management arrangements and performance management framework. These changes have improved the Council's ability and capacity to meet the challenges of the future and placed it in a good position to meet new challenges effectively. We wish the Council every success as it takes forward this exciting new agenda.



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CLACKMANNANSHIRE COUNCIL

Report to Scrutiny Committee

Date of Meeting: 1 December 2011

Subject: Scrutiny Committee Reviews: Draft Scope

Report by: Director of Finance and Corporate Services

1.0 Purpose

- 1.1. The purpose of this report is to present to Scrutiny Committee the draft scope documents in respect of the two planned Scrutiny Reviews covering Employment and Financial resilience. This report builds on the report presented to Council on 30th June 2011 which set out the Committee's Forward Plan.

2.0 Recommendations

- 2.1. It is recommended that the Committee:

- approves the scope and approach set out in respect of the planned review of Employment (Appendix A),
- approves the scope and approach set out in respect of the planned review of Financial Resilience (Appendix B),
- approves the proposed joint commissioning and resourcing arrangements for the review of financial resilience with Clackmannanshire Alliance,
- approves the key milestones and timescales for the completion of the reviews
- approve in principle the proposed approach to reporting the findings of the reviews to Council.

3.0 Considerations

- 3.1. On 30th June 2011, Council approved the Scrutiny Plan for the period up to 31 March 2012. The plan was produced following a planning event facilitated by officers on behalf of the Committee in May 2011. The approach adopted took account of recommendations arising from the wider review of the Council's Scrutiny Committee arrangements.

3.2 Exhibit 1 overleaf summarises the details of the two Scrutiny Reviews agreed by the Scrutiny Committee and Council:

Exhibit 1: Scrutiny review themes 2011/12

Issue	Outline Scope	Comments
Employment	<ul style="list-style-type: none"> • review management and monitoring arrangements for planned and developing service redesign and structural changes • review arrangements for the management and monitoring of the Shared Services for Education and Social Services with Stirling • review the frequency and nature of engagement with Trades Unions • document and analyse the resource implications of above initiatives across the council and its partners (including on corporate support services) 	<p>This theme acknowledges the significant corporate organisational change agenda the Council is undertaking , for instance service redesign and shared services, alongside routine operational demands.</p> <p>It also acknowledges a number of mitigation factors in place. However, the residual risk based on capacity pressure and reputational risk was a significant factor in the selection of the review area.</p>
Financial resilience	<ul style="list-style-type: none"> • review impact of recession on economic development within the area • review a selection of SOA outcome themes which are performing well and less well to understand the key influencing factors and/or barriers to desired improvement 	<p>This review recognises that in common with the wider public sector, the Council is subject to a period of sustained financial pressure which is anticipated to continue in the medium term.</p> <p>The Committee has acknowledged the procedural mitigation in place with regards many aspects of financial</p>

Issue	Outline Scope	Comments
	<ul style="list-style-type: none"> review the impact of financial pressures within a sample of discrete communities. 	<p>planning. This review therefore aims to focus on the local impacts of constrained finances on the Council's ability to deliver improved outcomes, specific impacts within individual communities and for economic development in the area as a whole.</p>

3.3 In addition to the above themes identified for review, the Committee indicated that it would like to keep a 'watching brief' in the following areas:

- development of corporate governance arrangements
- capital expenditure.

These areas were not selected for full review at this time as Committee members acknowledged that significant work is planned during the year. However, the Committee agreed that it may wish to consider these as priority areas as part of its planning process for 2012/13.

3.4 Following approval of these areas for review, work has been undertaken to develop more detailed scope documents in respect of each of the selected themes. The proposed scope of the Employment review is set out at Appendix A, and a similar document for the Financial Resilience review at Appendix B. These documents set out the objectives, scope and proposed approach for undertaking each review. They also identify the corporate resources which will be allocated to support the review along with the key project milestones and proposed timescales.

3.5 The proposed review of Financial resilience indicates the importance of the joint working which takes place through Clackmannanshire Alliance. As a consequence it is proposed that this review is jointly commissioned and resourced through Clackmannanshire Alliance. As a consequence it will be necessary to engage partners in a dialogue about the proposed scope and timing of the review.

3.5 The Committee has indicated informally at the planning stage that once these reviews are completed it envisages that a summary of findings and key recommendations will be reported to Council. It is therefore proposed that in preparing the final report on each review for the Committee, a summary of findings and recommendations will be extracted and presented to the Committee for approval and reporting to Council.

4.0 Conclusions

- 4.1 The Scrutiny Committee Forward Plan has identified two reviews as part of its 2011/12 programmed activity. The proposed scope, objectives approach and timescales are set out within more detailed scope documents for approval by the Committee.
- 4.2 Following approval by the Committee, officers will commence the planned activity and report back on progress, findings and recommendations for improvements to Committee in line with the key reporting timescales set out within the respective scope documents.

5.0 Sustainability Implications

- 5.1 The Council's budget and its approval will allow services to deliver against sustainable outcomes.

6.0 Resource Implications

6.1 Financial Details

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

Yes

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

Yes

6.4. Staffing

Staffing implications have been considered within individual service savings proposals and there is an ongoing dialogue with HR, Service Managers and trades union representatives as appropriate.

7.0 Exempt Reports

- 7.1 Is this report exempt? **No**

8.0 Declarations

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

(1) Our Priorities 2008 - 2011

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

Scheme of Delegation

9.0 Equalities Impact

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

Yes

10.0 Legality

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

Yes

11.0 Appendices

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

Appendix A: Employment

Appendix B: Financial Resilience

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

Scrutiny Review June 2011



Scrutiny Planning Workshop presentation and analysis May 2011

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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Nikki Bridle	Director Finance & Corporate	
Elaine Mcpherson	Chief Executive	

**Scrutiny Reviews 2011/12
Draft scope**

Employment

This review has been selected in recognition of the significant corporate organisational change the Council is undertaking . The key aspects of this change agenda include:

- development of shared service initiatives, the most significant of which is focused on the joint delivery of Social Services and Education services with Stirling Council
- Phase 3 of the ongoing corporate redesign and restructuring process to modernise and streamline council structures and processes to ensure a strong focus on customers, minimise duplication and overlap across the council's activities and embed continuous improvement in everything we deliver.

This significant agenda is being undertaken at a time of unprecedented challenge in the public sector, not least in respect of the resources available to deliver on priority service initiatives and the need to do more with less. These pressures have led to a freeze in employee remuneration and considerable scrutiny of the terms and conditions of employment of public sector staff and the differences between its constituent parts.

Taken together, these factors have potentially significant implications for employers and employees. In order to ensure that the Council is properly equipped to deal with these issues and demands, the Scrutiny Committee has elected to undertake a more detailed review of Clackmannanshire Council's preparedness and capacity to deal with these pressures.

OBJECTIVES

The objectives of the review are to monitor and evaluate that :

- appropriate management arrangements are in place for developing corporate service redesign proposals and developing and overseeing shared service developments
- appropriate monitoring arrangements are in place to ensure compliance with the agreed programme of service redesign proposals and planned timescales and to ensure the governance and delivery of planned shared service developments
- appropriate HR resources have been allocated to support service managers in developing and consulting on redesign proposals, and to the Programme Board and Joint Heads of Service in developing new

structures and agreeing employee terms and conditions

- the frequency and nature of trade union engagement in respect of service redesign proposals, shared service developments and single status appeals and equal pay is proportionate and appropriate
- the level of HR capacity required and available to support key corporate projects such as service redesign, shared services and single status and equal pay is appropriate
- appropriate monitoring arrangements are in place to assess employee morale
- appropriate arrangements and resources are in place to ensure that workforce development is prioritised and that staff are supported in the delivery of their roles.

SCOPE

The review is primarily focused on Clackmannanshire Council's internal capacity requirements and resources. It focuses on the Council's internal capacity to manage the increased demand facing some of the Council's core support services. It includes reference to additional resources available as a consequence of collaborative working with Stirling Council's HR service.

The key areas of focus will be on the capacity of elected members, senior management, staff and of the HR service.

The review of employment, the business community and employability in Clackmannanshire's area is not considered as part of the scope of this review.

APPROACH

The review will use the following approach:

- Interviews with a sample of senior managers and elected members, the joint Heads of Service, Programme Board and HR and Governance Managers
- Focus groups with a cross section of staff from a cross the range of council services
- evaluation of documented approaches in respect of project management and monitoring and governance and communication against good practice
- review of appropriate documentation including: project plans, monitoring reports, minutes, staff and Trade Union communication

- documentation and evaluation of communication mechanisms with elected members, staff, trades unions and other stakeholders
- analysis of a sample of stakeholder diaries to evaluate the additional capacity requirements
- documentation and evaluation of overall professional resourcing levels in HR compared to (historic, current and future) workload
- evaluation of available skills against those required
- analysis of staff survey responses over time.

RESOURCES

In order to achieve the planned timescale, it is important that appropriate corporate resource is allocated to deliver the review. It is propose that a small group of senior managers will be established to undertake the review. This group will comprise the following senior managers:

- Stuart Crickmar, Service Manager Strategy and Performance
- Lisa Simpson, Service Manager Governance
- Graeme Cunningham, Service Manager Environment.

The work of this group will be overseen by Julie Burnett, Senior Support Services Manager. The group will also be supported by appropriate analytical and Business Support resources as required.

The work will be quality assured by the Director of Finance and Corporate Services and the Head of Customer and Strategy prior to consideration by the Scrutiny Committee.

REPORTING

The reporting of the review will be in three stages:

Stage 1: Agreement of draft scope

Stage 2: Progress report to Scrutiny Committee against planned timescales and a summary of emerging issues

Stage 3: Draft review report to Scrutiny Committee to identify potential recommendations to Council.

TIMESCALES

The table below sets out the planned timescales for each stage of the review:

Stage of review	Planned start date	Planned completion date
Scoping	September 2011	October 2011

Fieldwork	November 2011	February 2012
Progress report to Scrutiny Committee	12 January 2012	12 January 2012
Analysis	February 2012	March 2012
Report drafting	March 2012	March 2012
Final draft report to Scrutiny Committee	April 2012	April 2012

Financial Resilience

This review has been selected in recognition of the fact that in common with the wider public sector, the Council is subject to a period of financial pressure which is anticipated to continue beyond the current Spending Review period into the medium term. Against this background the Council, in collaboration with its partners, aims to maintain its focus on improving outcomes for service users and delivering continuous improvement for the area's residents. The theme of doing 'more with less' has required a sustained focus on prioritising the needs of the most vulnerable service users and clarifying the strategic priorities for the area and all council services.

Over the last 18 months, a significant amount of work has been undertaken to ensure robust financial planning arrangements are in place. This work includes :

- development of Finance/Reserves Strategy
- development of a comprehensive Budget Strategy
- development of a robust Investment Strategy
- embedded arrangements for robust budget monitoring and reporting arrangements
- service redesign and restructuring proposals developed to ensure appropriate financial and technical capacity.

In undertaking its planning for 2011/12, the Committee acknowledged these procedural improvements. As a consequence, this review aims to focus on the tangible local impacts or otherwise, of constrained finances on the Council's ability to deliver improved outcomes and specific impacts within individual communities. It also considers the impact and implications for economic development in the area as a whole.

The Council's contribution can not, however, be viewed in isolation from the contribution of its partners, particularly the area's Community Planning Partnership, Clackmannanshire Alliance.

OBJECTIVES

The objectives of the review are to:

- review the impact of the recession on economic development within the area

- identify the key barriers and levers to improving outcomes/ achieving the desired level of improvement in the current operating environment
- review the potential impact of employment trends and financial pressures in geographic communities in terms of demand for council services
- evaluate the implications of changing demands and economic performance on demand for council services in the future
- evaluate the arrangements for keeping resource allocation under review to ensure resources are directed to areas/ services of greatest need/ priority.

SCOPE

The review is focused on establishing the potentially changing picture in Clackmannanshire as a consequence of the financial pressures in evidence across all public sector service providers and the need to reduce their operating cost base. This may be manifested through changes in the nature or range of services provided and/or capacity to manage increasing demand in response to increasing demographic pressures. A key factor may be the differing levels of financial pressures being experienced by different public sector bodies who are currently working together to secure improved outcomes for the area.

In addition the review will seek to establish the external impact of the wider recession on business and employment in the area. Significant factors here may include the trends and geographic incidence in local employment levels and the impact over time of implementing planned Welfare Reforms.

A key focus will be to assess the implications of ongoing financial pressure in broad demographic terms to allow the Council and its partners to design, plan and resource services for the future.

The review of financial planning arrangements is not explicitly under review, however, it will be necessary to consider the financial impacts and arrangements in place in considering many aspects of those areas defined within scope.

APPROACH

The review will use the following approach:

- Interviews with a sample of senior managers and elected members, partners and businesses

- Focus groups with a cross section of service users and residents from across the range of council services
- analysis of demographic and demand data for services provided within specified geographical areas over recent years to establish potential future demand and trends
- analysis of economic performance data in specified geographical areas
- analysis of the likely impact of planned welfare reforms across the council area to identify those areas and age groups most affected
- selection and analysis of 3 SOA priority themes-one which is performing well, one which is performing less well and one which is maintaining performance. In all cases, the key positive influences and barriers to improvement will be analysed and appraised to establish common themes and traits
- review of appropriate documentation including: Government proposals, Alliance minutes, project plans, monitoring reports,
- reference to Audit Commission research in Scotland and England.

RESOURCES

In order to achieve the planned timescale, it is important that appropriate corporate and partner resource is allocated to deliver the review. It is proposed that a small group of senior managers will be established to undertake the review. This group will comprise the following service managers:

- Stuart Crickmar, Service Manager Strategy and Performance
- Julie Hamilton, Service Manager, Development
- Susan MacKay, Revenues and Payments Manager
- Representation from Clackmannanshire Alliance will also be sought

The work of this group will be overseen by Julie Burnett, Senior Support Services Manager. The group will also be supported by appropriate analytical and Business Support resources as required.

The work will be quality assured by the Director of Finance and Corporate Services and the Head of Customer and Strategy prior to consideration by the Scrutiny Committee.

REPORTING

The reporting of the review will be in three stages:

Stage 1: Agreement of draft scope with Scrutiny Committee and Clackmannanshire Alliance

Stage 2: Progress report to Scrutiny Committee and Clackmannanshire Alliance against planned timescales and a summary of emerging issues

Stage 3: Draft review report to Scrutiny Committee and Clackmannanshire Alliance to identify potential recommendations to Council.

TIMESCALES

The table below sets out the planned timescales for each stage of the review:

Stage of review	Planned start date	Planned completion date
Scoping	October 2011	December 2011
Fieldwork	February 2012	April 2012
Progress report to Scrutiny Committee	5 April 2012	5 April 2012
Progress report to Clackmannanshire Alliance		
Analysis	April 2012	April 2012
Report drafting	May 2012	May 2012
Final draft report to Scrutiny Committee	June 2012	June 2012

Report to Scrutiny Committee

Date of Meeting: 1 December 2011

Subject: Internal Audit Options Appraisal - Phase 2

Report by: Revenues and Payments Manager

1.0 Purpose

- 1.1. This report presents the second phase of the Options Appraisal on the Reconfiguration of the Internal Audit Service to members.

2.0 Recommendations

- 2.1. Members are asked to
- note the report and discuss where appropriate
 - indicate their preferred option, which will be included in a report to Council on 15 December 2011.

3.0 Considerations

Engagement with Scrutiny Committee Members

- 3.1. At the Scrutiny Committee meeting on 24 February 2011, the Revenues and Payments Manager made a presentation to members on the current progress of the 2010/11 Internal Audit Plan, together with presenting options on the plan of work between April and September 2011.
- 3.2. As part of this presentation, the Revenues and Payments Manager intimated her intention to undertake a formal Options Appraisal on the Internal Audit Service and asked Members to comment. This was formally agreed the Revenues and Payments Manager agreed to bring the updated options appraisal back before the Summer Recess.
- 3.3. The Internal Audit Options Appraisal was formally presented to Members at the Scrutiny Committee Focus Group meeting on 19 May 2011 where seven different options were considered. Detailed discussion took place between members, the Revenues and Payments Manager and the Director of Finance on the seven options. Members selected three options and requested that these be investigated in more detail.

- 3.4. These three options were
1. Integrated Inhouse Audit and Fraud Team
 2. Shared Service with another organisation(s)
 3. Contract Out full service provision
- 3.5. The Director of Finance provided a verbal update on the progress of the Appraisal at the reconvened September 2011 Scrutiny Committee Focus Group meeting and confirmed that the preferred option for delivery of the audit service would be presented at the December 2011 Scrutiny Committee meeting.
- 3.6. The attached Internal Audit Options Appraisal lays out the three options considered in more detail. For each option the costs, governance arrangements, service delivery, risks and timetable have been considered.

Outcome of Appraisal

- 3.7. The preferred option is Option 1, an integrated audit and fraud service. The appraisal demonstrates that this model will provide the quality internal audit service required by the Council. It offers value for money, which is evidenced by a daily audit rate of £229 in year one, rising to an average of £236 over three years, against a market rates of £400 - £500 per day. It will also provide a professional service, and this new service will be operational in quarter 1 of 2012-13. This option will also clearly demonstrate the independence of the service, particularly in respect of service leadership and this option also addresses the historical capacity issues, raised by external audit.
- 3.8. Members will note from the appraisal that the shared service option provides a daily cost of £238 per day, which is £9 higher, however the earliest that the service could be operational would be September 2012. There is also a risk of unanticipated costs occurring which could reduce the possible savings. There is an additional risk that unanticipated delays in identifying a partner and agreeing the infrastructure arrangements for a shared service, would further delay the start of an operational audit service. It is considered that these risks outweigh the immaterial difference of £9 per day in value for money between the two options.
- 3.9. The saving of £189,391 that is generated by the integrated audit and fraud service recognises the benefits and efficiencies on the combined operating activities of both the audit and fraud services.

Next Steps

- 3.10. An indicative timetable for implementation of each of the options is provided within the appraisal. If option one is selected as the preferred option, the audit service could be operational by the start of April 2012. The Revenues and Payments service reconfiguration is currently ongoing and the restructure of the audit service would dovetail into this.
- 3.11. If option one is not selected as the preferred option, the date that the audit service could be in place and operational varies from April 2012 to January 2013, for the other models.

Conclusion

- 3.12. The options appraisal demonstrates that the preferred mode for delivery of the audit service is an integrated audit and fraud team. This model will provide the quality internal audit service required by the Council, offers value for money, and will clearly demonstrate the independence of the service.
- 3.13. Members are asked to indicate their preferred option, which will be reported to Council on 15 December for approval.

4.0 Sustainability Implications

- 4.1. The Options Appraisal lays out the recommendation for the provision of a sustainable effective internal audit service.

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 2008 - 2011** (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)

None

8.0 Equalities Impact

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

Yes ☐ No ☒

9.0 Legality

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

10.0 Appendices

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

Appendix A - Options Appraisal on the Delivery of the Internal Audit Service.

11.0 Background Papers



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

Yes ☐ (please list the documents below) No ☒

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director Finance & Corporate Services	
Elaine McPherson	Chief Executive	



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Phase 2

Detailed Options Appraisal on Provision of Internal Audit Service

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

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INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

1. EXECUTIVE SUMMARY

Introduction

This paper sets out the second phase of the options appraisal for the reconfiguration of the Internal Audit service.

In February 2011, Scrutiny Committee agreed to the undertaking of an options appraisal for the delivery of the audit service. In May 2011, the Internal Audit Options Appraisal Report was presented to the Scrutiny Committee Focus Group. In this appraisal, seven different models were considered and Scrutiny Committee agreed that three models should be worked up in more detail and brought back to them.

This second paper sets out those three models in more detail.

Options Appraisal

The three options that Scrutiny Committee requested be investigated in more detail included:-

1. Integrated Inhouse Audit and Fraud Team
2. Shared Service with another organisation(s)
3. Contract Out full service provision

Each option has been considered in more detail in Section 2 of this report with the costs, governance arrangements, risks and implementation timetable defined. A comparison of all the options has been undertaken in Section 3, where different measures have been provided which have helped identify the preferred option.

Preferred Option

The preferred option for the delivery of the internal audit service is option 1; an integrated in-house audit and fraud team. This service would provide 600 audit days and between 250 to 300 fraud days per annum. The cost of the service is £210,066 in year 1 with £137,950 attributable to audit and £72,476 attributable to fraud. This option would allow the Council to demonstrate value for money and provide a professional quality audit service. It would also deliver a saving over three years of £189,391. Finally, the service could be reconfigured and in place for the start of the new financial year 2012-13.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

2. DETAILED OPTIONS APPRAISAL

Scrutiny Committee selected the following three options to be investigated in more detail:-

1. Integrated Inhouse Audit and Fraud Team
2. Shared Service with another organisation(s)
3. Contract Out full service provision

In assessing each option in more detail, the following has been included

- governance arrangements
- detailed costings
- risks
- steps and timescales to implement

Each of the options appraises a different model for delivery of a professional, independent and sustainable internal audit service. Once the preferred option is approved and embedded, the audit service will provide Council and Scrutiny Committee with the necessary assurance. It will also support the governance framework and address the recommendations raised by External Audit.

Description of Service

At a strategic level, the remodelled audit service would comply with CIPFA's Code of Practice for Internal Audit in Local Authority. It would also support the annual assurance requirements within the Governance Strategy and Annual Governance Statement.

Operationally, an Annual Plan would be prepared in advance of the financial year which quantified the resource allocation for audits work (planned, reactive and follow up). This would be reviewed annually and would continue to be presented to Scrutiny Committee for approval.

The Audit Plan would be risk based focussing on both the strategic and key operational risks for the Council and would define the nature, scope and indicative number of days of each audit.

The individual/organisation leading the service would oversee the audit provision and be responsible for :-

- the delivery of the annual audit assurance statement
- supporting the corporate governance arrangements jointly with the Governance Manager through the Governance Improvement Plan.

The audit team would be comprised of qualified Internal Audit professionals and ongoing professional development would be embedded within the service.

The Audit Plan, undertaken by the audit team would provide approximately 600 audit days per annum, which would give an average of 14 audits per year, in addition to follow ups and other audit work.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

Costs for the Service

The implementation costs for each model assume that all existing staff are either redeployed or matched into new posts within the Audit service or in the Revenues and Payments service costs. This is reflected as "one off costs of implementation".

Timetable for Implementation

Once Scrutiny Committee has selected the preferred option, the new service model will be implemented. This will take place during 2012 and actual date of implementation will be dependant on the model selected. An indicative timetable for each option is provided. Depending on which option is selected, Council approval may be required prior to the advertising and recruitment of posts.

It is expected that once the service is operating effectively, it will transfer from the Revenues and Payments service into the Governance service. This would ensure the independence of the team is maintained and address external audit recommendations on this issue. It will also further support the Council's governance framework.

Audit Provision Required

An assessment has been undertaken to determine the level of audit service required by the Council. This assessment is also normally undertaken by the Audit Manager on an annual basis, as part of the planning and preparation of the Audit Plan and would consider:-

- the size and nature of the organisation
- the environment that the organisation is operating within
- the financial, strategic and operational risks facing the organisation
- opinions and feedback by regulators or other assurance providers

From the review of the required level of audit service, it is estimated that Clackmannanshire Council requires 600 audit days per annum. This is a consistent service provision with other similar sized Local Authorities. It is on this basis that each of the three options have been prepared.

Based on a requirement of 600 audit days, an indicative audit plan would include the following:-

	Days
• Audits 14 x 30 days	420
• Annual Governance Statement	50
• Value for Money/Policy Review	40
• Follow Up	40
• Reactive/Project Work	<u>50</u>
	600

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

2.1 EXISTING STRUCTURE

There have been capacity issues within the service for a number of years. This has resulted in a variable audit service and inconsistent delivery of the Annual Plan. An Annual Plan was approved by Scrutiny Committee for 2010-11 and audits which have not yet been completed from this plan have been rolled forward into 2011-12. In consultation with Scrutiny Committee, a separate Annual Plan was not completed for 2011-12 and it was proposed that an options appraisal of the service be undertaken.

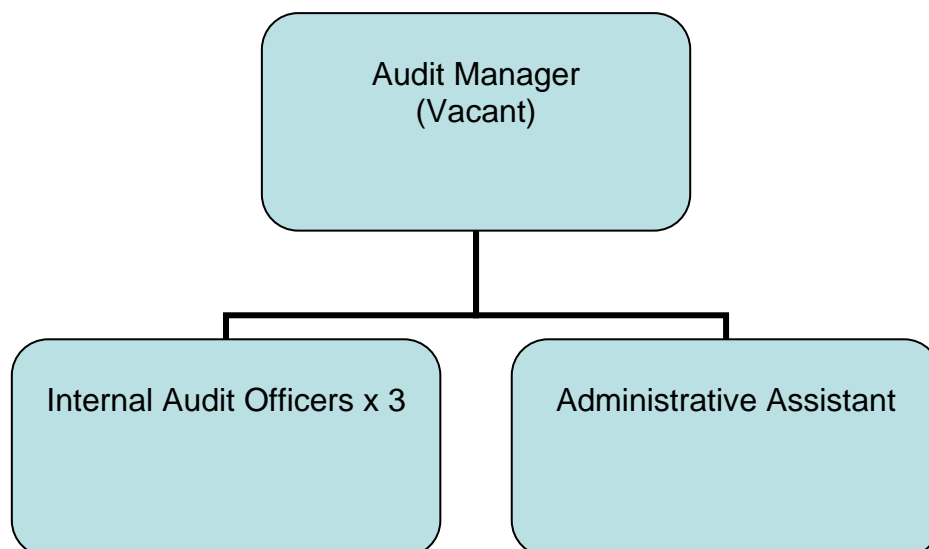
With the ongoing service restructuring, the Audit Manager post is currently vacant and the Revenues and Payments Manager is overseeing the completion of audits. Audits are being completed by the Internal Audit Officers. Each officer has an individual plan which is pulled from the Annual Plan. This should average 6 audits per year, per Auditor. The Administrative Assistant also supports the Officers in the audit and also undertakes administrative audit functions such as the quarterly Follow Ups.

Quarterly reports are presented to the Scrutiny Committee during the year on the progress of the Annual Plan and the follow up of previous recommendations.

Improvements have been made within the service but are not sufficient to deliver a sustainable service for the future.. Undertaking the options appraisal will allow a sustainable professional service to be delivered.

Description and Structure of Service

The existing Internal Audit Structure is as follows:-



INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

Costs of Service

The current budget for the service is:-

				£
	Grade	Salary	Emp'ler Costs	Total
Audit Manager (Vacant)	11	45,628	13,506	59,133
Internal Audit Officer	6	25,884	7,662	33,546
Internal Audit Officer	6	25,884	7,662	33,546
Internal Audit Officer	6	25,884	7,662	33,546
Administrative Assistant	3	14,299	4,233	18,532
		137,579	40,723	178,303
Supplies and IT Costs				3,090
Total				181,393

Costs will rise year on year for the next three years to £186,470 in 2014-15 through increasing increments on salary costs.

Governance, Accountability and Reporting Arrangements

The Revenues and Payments Manager oversees the Internal Audit Service on an interim basis and is responsible for the delivery of the Annual Plan. It is recognised that this could affect the independence of the audit team and has also been highlighted as a risk by External Audit.

Performance of the Service

Historically, completion of the Annual Plan was poor with between 50 - 60% of the plan being completed and work regularly being rolled forward. In 2009/10, 100% of the Audit Plan was completed, however progress has regressed in 2010/11 with only 50% of the Plan being started by March 2011.

At end of March 2011, 429 chargeable days had been spent on audit work of which 281 days related to the audit work for 2010/11. Of this 281 days, only 224 delivered work within the budget and timescales defined in the Annual Plan. In addition the work delivered by the members of the internal audit team equates to an average actual daily rate of £810, while current market daily rates are between £400 to £500 per day.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

2.2 OPTION 1 - INTEGRATED IN-HOUSE AUDIT AND FRAUD TEAM

Description of Service

The integrated in-house fraud and audit service would comprise one team providing both the Council's internal audit and corporate and benefit fraud arrangements. An Annual Fraud Plan would be incorporated into the Annual Internal Audit Plan presented to Scrutiny Committee which reflects benefit and fraud investigation work.

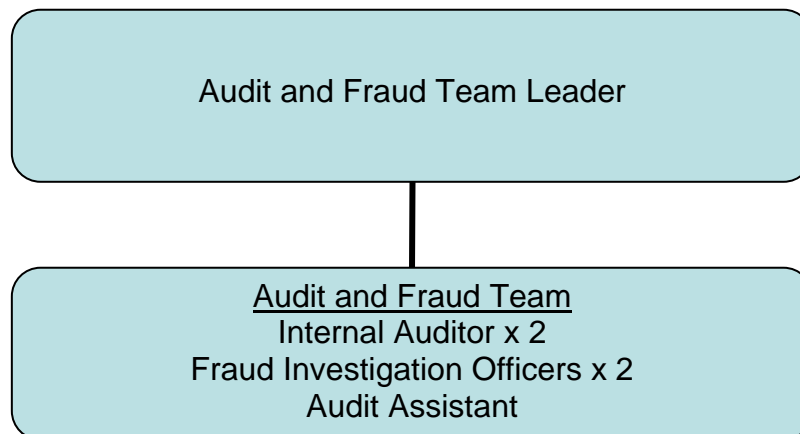
The Fraud Plan would also be risk based and would include corporate and benefit fraud. The Fraud Plan would include corporate fraud policies and arrangements, fraud awareness and training, data matching and fraud detection and investigation. It is estimated that the Council requires 250 - 300 fraud investigation days per annum.

Structure of Service

In addition to the audit responsibilities, the Audit and Fraud Team Leader would be responsible for :-

- meeting the Council's statutory responsibility to investigate benefit fraud and recover amounts on behalf of DWP,
- preparing and implementing the corporate fraud prevention policy,

The structure of the service would be as follows:-



INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

Cost of the Service

The cost of this service in year 1 would be as follows:-

Option 1 - Integrated Fraud and Audit Team				
	Grade	Salary	Emp'ler Costs	Total
Audit and Fraud Team Leader	10	39,317	11,638	50,955
Senior Fraud/Auditor	9	34,386	10,178	44,564
Fraud/Auditor	8	30,078	8,903	38,981
Audit/Fraud Officer	6	24,411	7,226	31,636
Audit/Fraud Officer	6	22,993	6,806	29,800
Total Salaries		151,185	44,751	195,936
Supplies and IT Costs				14,130
Total Annual Cost				210,066
One off Implementation Costs				
Redeployment Costs				12,874
Advertising of posts				3,000
				15,874
Total Cost in Year 1				225,940

The annualised service costs would rise year on year for the next three years to £222,040 in 2014-15 through increasing increments on salary costs.

Timetable for Implementation

Corporate restructuring is currently ongoing and this is progressing within the Support Services. The restructure of the internal audit service would dovetail into the Revenues and Payments restructure which is currently under consultation with the Unions.

The key milestones in the restructure would be as follows:-

Milestone	Date
Consult with Staff and Unions	Ongoing
Complete Staff Consultation	November 2011
Preferred Option to Council	December 2011
Advertise for posts	December 2012
Interview for posts	January 2012
Annual Plan to Scrutiny Committee	April 2012
Commence Audit Service	April - June 2012

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

Benefits and Risks

Benefits	Risks
<ul style="list-style-type: none"> • The Revenues and Payments Portfolio is currently being restructured so the restructure of Internal Audit would align with this. • The independence of the team would not be compromised. • A qualified audit team will provide a professional quality audit service with a more focused strategic approach on the corporate risks with added value provided. • Staff would have greater opportunities for career development through skills transfer and a broader knowledge base. • The integrated internal model provides flexibility and allows specialist audits to be completed. • Recommendations by External Audit on the independence of the service would be addressed. 	<ul style="list-style-type: none"> • Unplanned staff absence could have an impact on delivery of the annual plan within a small dedicated internal audit team. • There is currently uncertainty around what is to happen with the Fraud sections funded by DWP, as part of the Welfare reforms.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

2.3 OPTION 2 - SHARED SERVICE WITH ANOTHER ORGANISATION(S)

The internal audit service is delivered through a shared service with another organisation(s).

There are two possible models for this service:-

- Aligned Service where there are internal audit staff in both organisations, but they are managed by one Audit Team Leader
- Integrated Service where one fully integrated team provides audit service to both organisations

Identification of Internal Audit Shared Service Partner

In identifying a shared service partner, Clackmannanshire Council has requested notes of interest from the Internal Audit sections of the thirty two Scottish Local Authorities. Seven authorities confirmed that they would be interested in an initial discussion.

From the initial discussion, the Council would enter into dialogue with the relevant authorities and work at agreeing consensus on a shared vision and principles of a shared audit service. The preferred partner(s) would be selected on the basis of

- shared expectations of audit service provision
- shared expectation of corporate governance arrangements
- anticipated benefits to Clackmannanshire Council on service delivery, staff opportunity and development and Scrutiny Committee support.

Option 2A - Aligned Audit Service

Description of Service

The audit service would be provided by an audit team based within the Council, however this team would be managed by an Joint Audit Team Leader who also has joint responsibility for providing audit services to the second organisation and is jointly accountable to both organisations Audit/Scrutiny Committees.

Depending on the organisation that the Council shares the provision of its service with, there may also be the opportunity to share the provision of the fraud arrangements. Accordingly the Joint Audit Team Leaders responsibility could also include:-

- meeting the Council's statutory responsibility to investigate benefit fraud and recover amounts on behalf of DWP
- preparing and implementing the corporate fraud prevention policy

Structure of Service

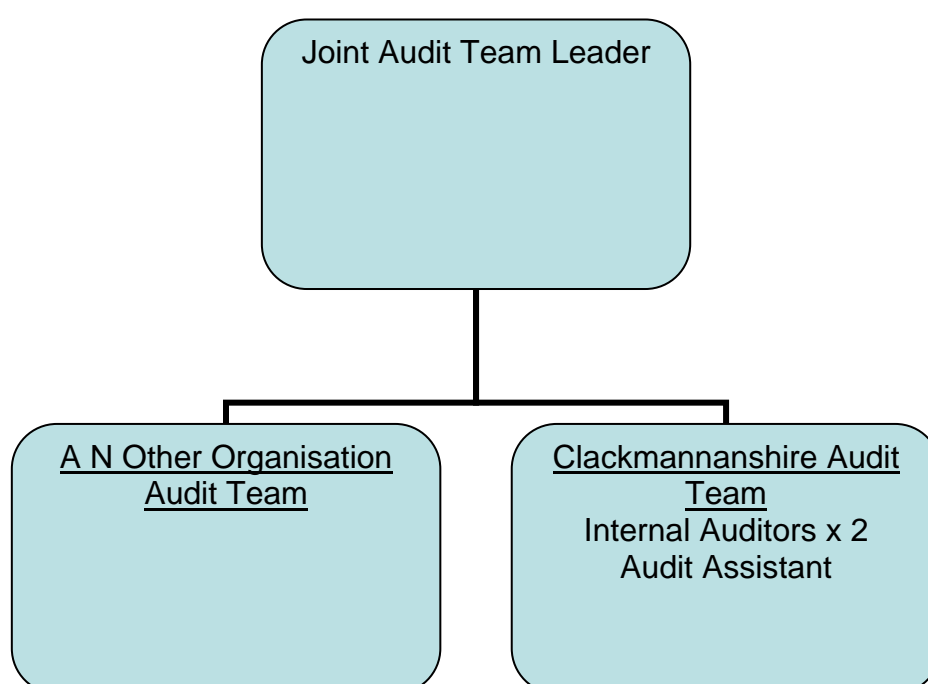
Each audit team would be employed by the respective organisation working to different terms and conditions, but would move to consistent shared audit practices and processes. It is expected that there could also be some overlap

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

of audits within the two organisations annual plans allowing audit teams to audit both organisations in the same year, however the plans would still be focused around each Council's risks with the balance of the plan tailored to the individual Council's risks and priorities.

It is expected that the efficiencies from a shared service through economies of scale and aligned working practices could deliver efficiencies on the annual plan after 3 years resulting in a small increase in the number of days deliverable in the annual plan.

The structure of a shared service would be as follows :-



Cost of the Service

The cost of this service in year 1 would be as follows:-

Option 2a - Aligned Shared Service with Another Council				
	grade	Salary	Emp'er Costs	Total
Joint Audit Team Leader (Half FTE)	10	19,658	5,819	25,477
Internal Auditor	9	34,386	10,178	44,564
Internal Auditor	9	34,386	10,178	44,564
Audit Assistant	5	19,517	5,777	25,294
Total Salaries		107,948	31,952	139,900
Supplies and IT Costs				3,090
Total Annual Costs				142,990
One off Implementation Costs				
Redeployment Costs				12,874
Advertising of posts				3,000
				15,874

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

Total Cost in Year 1

158,864

The annualised cost of this service would increase year on year to £151,595 in 2014-15 due to salary increments.

Under the aligned model, the budget and costs for the audit service would remain with respective organisation.

Timetable for Implementation

The audit service is part of the Revenues and Payments service reconfiguration which is currently in consultation with the Unions. A suitable organisation would need to be identified with which to share the internal audit service.

The key milestones in the restructure would be as follows:-

Milestone	Date
Consult Staff	Ongoing
Scrutiny Committee Agree to shared service	November 2012
Identify partner	December 2011
Complete Staff Consultation	December 2011
Paper to Council asking for approval on shared service delivery of internal audit, including shared service and design principles	March 2012
Paper to Council on shared service structure	April 2012
Annual Plan approved by Scrutiny Committee	April 2012
Advertise vacant posts	May 2012
Interview for posts	June 2012
New Shared Service Commences	September - November 2012

Benefits and Risks

Benefits	Risks
<ul style="list-style-type: none"> A high quality service could be provided with a more focused strategic approach on the corporate risks There is a shared service commitment already in place within the Council. Shared service would allow a more effective and efficient service through the sharing of 	<ul style="list-style-type: none"> There could be differences in operational audit working practices which will require to be aligned. There could be differences in employee terms and conditions, work environments and grades, which the Audit Manager will have to manage. Failure in the governance

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

<p>good practice and work processes.</p> <ul style="list-style-type: none"> • Staff may have greater opportunities for career development through close working with a larger audit team. • Savings could be realised through shared service arrangements with another organisation. • Independence of internal audit would be clear and easily demonstrable. • Recommendations by External Audit on the independence of the service would be addressed 	<p>arrangement could undermine the delivery and quality of service.</p> <ul style="list-style-type: none"> • Problems in identifying a shared service partner would further delay the delivery of the audit service. • Potential for any unknown or unquantified costs of implementation of a shared service to push up cost of service. • There could be a loss or breakdown in local accountability
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Option 2B - Integrated Service

Description and Structure of Service

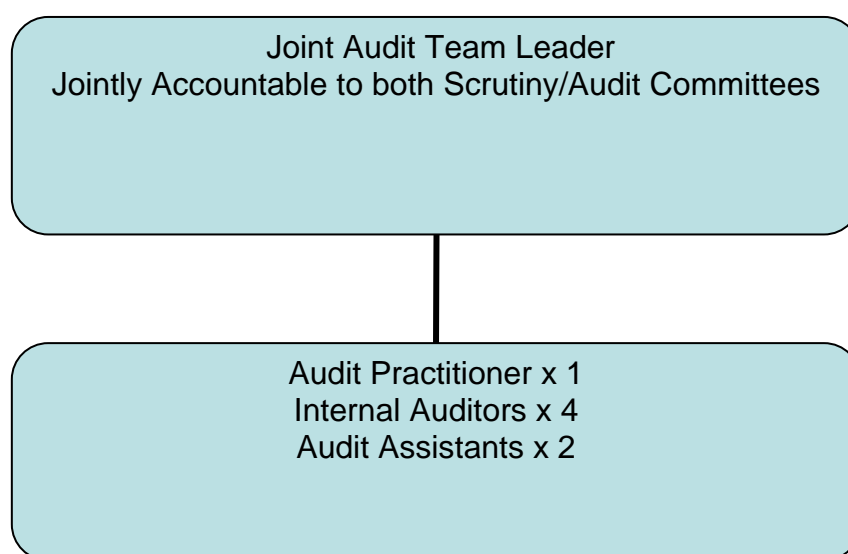
The audit service would be provided by a fully integrated team based within either of the organisations or by an Arms Length Organisation. This integrated team would be managed by Joint Audit Team Leader who also has joint responsibility for providing audit services to both organisations and is jointly accountable to both organisations Audit/Scrutiny Committees.

The integrated team would adopt the same audit practices and processes. It is expected that there could also be some consistency of audits within the two organisations Annual Plans allowing audit teams to audit both organisations in the same year. Audit plans would still be focused around each Council's risks with the balance of the plan tailored to the individual Council's risks and priorities.

It is expected that the integrating of two or more audit teams in a shared service could deliver efficiencies through economies of scale and aligned working practices. These savings are likely to be realised in the more medium term; 3 to 5 years.

The structure of the service would be agreed as part of joint discussions, however a possible structure could be as follows:-

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2



Cost of the Service

The cost of this service have been estimated at £142,990, with additional implementation costs of £15,874, totalling £158,864, which is consistent with the aligned shared service in 2A above. This is indicative and would be dependant on the organisation that the Council enters into the shared service with. On this assumption, the salary and service costs would be expected to increase year on year to £151,595 in 2014-15 due to salary increments

Under the aligned model, the budget and costs for the audit service would be pooled together and commitments would need to be made by both organisations around the treatment of savings and how this could affect the shared service.

Timetable for Implementation

The audit service is part of the Revenues and Payments service reconfiguration which is currently in consultation with the Unions.

The key milestones in the restructure would be as follows:-

Milestone	Date
Consult Staff	Ongoing
Scrutiny Committee Agree to shared service	November 2012
Complete Staff Consultation	November 2011
Identify partner	February 2012
Paper to Council asking for approval on shared service delivery of internal audit, including shared service and design principles	April 2012
Annual Plan to Scrutiny Committee	April 2012
Paper to Council on shared service	June 2012

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

structure
 Advertise vacant posts
 Interview for posts
 New Shared Service Commences

July 2012
 August 2012
 November - January 2013

Benefits and Risks

Benefits	Risks
<ul style="list-style-type: none"> • A high quality service could be provided with a more focused strategic approach on the corporate risks with added value provided • Shared service would allow a more effective and efficient service through the sharing of good practice and work processes. • Staff may have greater opportunities for career development through close working with a larger team of audit colleagues. • Savings could be realised through shared service arrangements with another local authority. • Independence of internal audit would be clear and easily demonstrable. • Recommendations by External Audit on the independence of the service would be addressed 	<ul style="list-style-type: none"> • There could be differences in working practices which will require to be aligned. • Failure in the governance arrangement could undermine the delivery and quality of service • Problems in identifying a shared service partner would further delay the delivery of the audit service • Potential for any unknown or unquantified costs of implementation of a shared service to push up cost of service. • There could be a loss or breakdown in local accountability.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

2.4 OPTIONS 3 - OUTSOURCE FULL INTERNAL AUDIT PROVISION

Description and Structure of Service

The internal audit service would be delivered by a external internal audit provider, most likely a national accounting or auditing firm, however another Local Authority could also be successful in bidding for the contract. All responsibility for fulfilling the Audit Team Leader role, establishing an audit team and delivering the service would fall within the supplier's remit.

The external provider would be procured through existing procurement routes. Given the level of the anticipated spend over three years, the supply of internal audit services would be advertised for competitive tender in compliance with Council Contract Standing Orders.

Aberdeen City Council completed a similar tender exercise in 2010 and the accounting firm Price Waterhouse Coopers (PWC) was awarded the contract. It is understood that the five members of Aberdeen City Council's audit staff team were TUPE transferred to PWC as part of this arrangement. The cost of this contracted service is £490 per day. This contract was procured through the Public Contract Scotland Portal, which gives any Scottish local authority, including Clackmannanshire, the opportunity to call off against specification and agreed rates.

If the Council sought to use the existing tender specifications, up to two members of the audit team could be TUPE transferred to PWC.

If the Council chose not to apply the existing tender specification with PWC, a formal specification for the Clackmannanshire audit service would need to be agreed prior to the start of the procurement process and this would form the basis of the contract with the successful tenderer. The specification would include:-

- cost of service, quality of service, performance standards, audit days to be provided,

The key service that the External Provider would be responsible for would be:-

- the delivery of the annual audit assurance statement
- supporting the corporate governance arrangements jointly with the Governance Manager through the Governance Improvement Plan.

The selected provider would prepare the Annual Plan based on planning and preparatory work undertaken onsite at the Council. This would involve discussions with the Senior Executive team, Senior Management teams and Scrutiny Committee to discuss the Council and service objectives and associated risks. The Plan would be presented to Scrutiny Committee in advance of the financial year laying out the audit work for the year. The cost of carrying out this preparatory work would be included in the total cost of internal audit services.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

Regular progress reports would be continue to be presented to Scrutiny Committee and completion of audits would be arranged directly with the relevant Service Manager. The External Providers audit staff would base themselves at Council's office for the duration of the audit, similar to the current arrangements with the External Audit Provider.

The Audit Plan would provide 600 audit days per annum, however this may need to include an allocation for the external provider to set up the service, so may deliver only 11 - 14 audits per year.

Cost of the Service

Using the current PWC schedule of rates of £490 / day and an average annual provision of 600 days, the cost of this service would be £294,000 per annum. "One off implementation costs" costs of £12,874 would be on top of this in year 1.

It is not expected that the contract costs would rise significantly each year as the Council would seek to procure on a fixed contract for three years.

Timetable for Implementation

The internal audit service is currently within the Revenues and Payments service which is currently undertaking is service reconfiguration. As part of this, revenues and Payments is currently in consultation with the Unions. If the Council was to call on the existing tendered specification with PWC, this would dovetail into the existing reconfiguration and consultation arrangements with the key milestones in the restructure would be as follows:-

Milestone for Audit Reconfiguration	Date
Consult with Staff and Unions	Ongoing
Complete Staff Consultation	November 2011
Initial Discussion with PWC on IA service	December 2011
Agreement of service provision with PWC	February 2012
Commence Audit Service	April - June 2012

If it was decided that the existing tender specification and Schedule of rates with PWC would not be used, the timetable would need to be extended by an additional 6 months. This would be needed to allow the time to prepare Clackmannanshire's audit tender specification, advertise, evaluate and award the contract. Accordingly the earliest that any externally provided service would be commencing would be October to December 2012.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

Benefits and Risks

Advantages	Risks
<ul style="list-style-type: none"> • There would be a consistent service delivery with the annual plan being delivered • There would be more access to audit specialism such as computer audits and CAAT • Penalty clauses can be included in the contract for delays in delivering the plan • There would be investment in training, development and best practices • Recruitment, absence management and professional capability would not be an issue for the Council. • Independence of internal audit would be clear and easily demonstrable. 	<ul style="list-style-type: none"> • Procurement could require the full competitive tender process which takes on average 6 months to advertise, evaluate and accept. • It would take time for the external provider to get an indepth understanding of the Council's risk and internal control environment and build up a relationship with the officers, members and Scrutiny Committee. • The service would only be tendered for 3 to 4 years, so another procurement process would be necessary in the medium term which may increase costs.

INTERNAL AUDIT OPTIONS APPRAISAL - PHASE 2

COMPARISON OF OPTIONS - TABLE 1

		1	2	3	4	5	6	7	8	9	10
	Structure	Cost of Service				Ave No of Audit days	Average Budget Increase	Value for Money			Service Start From
		Year 1	Year 2	Year 3	Total			Cost per day (Year 1 only)	Cost per day (over 3 years)	Increase/ (Saving) over 3 years	
		£	£	£	£			£	£	£	
	Current Structure	181,393¹	183,156	186,470	551,018	600²	1.36%	302.32	306.12	0	-
1	Audit Fraud Full Integrated Team	137,590	141,582	145,817	424,990	600	2.73%	-	-	(126,028) ³	April - June 2012
		72,476	74,311	76,222	223,009	-	2.73%	-	-	(63,363) ³	
		210,066 ¹	215,893	222,040	647,999	600	2.73%	229.32	236.11	(189,391) ³	
2a	Aligned Shared Service	142,990 ¹	147,153	151,595	441,738	600	2.84%	238.32	245.41	(109,280)	Sept - Nov 2012
2b	Integrated Shared Service	142,990 ¹	147,153	151,595	441,738	600	2.84%	238.32	245.41	(109,280)	Nov 2012 - Jan 2013
3	Outsourcing	294,000 ¹	294,000	294,000	882,000	600	0%	490.00	490.00	330,982	April - June 2012

¹ The Year 1 figures do not reflect the "one off implementation" costs.

² This reflects performance of a full staff complement with the current structure achieving the Annual Plan

³ Reflects the saving on both the Internal Audit and Fraud budgets as below :

Over Three Years	£
Existing Audit Budget	551,018
Existing Fraud Budget	286,372
	<u>837,390</u>
Less cost of Integrated team	<u>(647,999)</u>
Saving	<u>189,391</u>

3. SUMMARY

Each of the different options has been summarised and compared in Table 1 above. Three Value for Money measures have been shown in column 7 to 9 to help identified the preferred model of internal audit for the Council.

Value for Money Measures

These three measures help quantify and demonstrate the value for money for each option and include the average daily cost of audit provided (column 7), the average daily cost of audit provided over the three years (column 8) and the increase/decrease in the current audit budget (column 9). Both the one year and three year figures for the daily cost of audit provide have been included to illustrate the short and medium term impact.

Comparison of Value for Money Measures

For each of these three measures, the most cost effective provision of audit is the integrated audit and fraud services at £229 per day. Both shared service models (option 2A and 2B) provides the next greatest value for money at £238 per audit day. This is an difference of £9 per day on the shared service or £5,400 over the course of the year. Finally, the outsourcing is the highest cost at £490 per day. This is an additional cost of £151,200 per annum over the best value for money service option.

The second value for money measure takes into account inflationary increases over 3 years on the daily cost of the audit. The integrated audit and fraud service still returns the best value for money at an average of £236 per day over the three years, with the shared service option £9 higher at £245 per day. The outsourcing option provides the lowest value for money, with an average daily rate of £490.

The final measure quantifies the saving/additional resource required for each of the three options, when compared to the existing audit budget of £181,393 for 2012-12.

The integrated audit and fraud service provides the greatest saving over three years of £189,391 with the shared service offer a saving of £109,280. The saving for the audit and fraud also incorporates the potential savings available on the remaining existing fraud budget of £94,000 per annum.

The outsourcing service is the most expensive over the three years. It will not offer any savings and will require an additional £330,982 over three years.

Start of Audit Service Delivery

Column 10 summaries for each option, the expected earliest date that the audit service would start to operate. Option 1 would allow the audit service to be operating in the first quarter of 2012-13. Option 3 would also allow the audit service to be operating in the first quarter of 2012-13, provided that the PWC contract is called upon and a formal tender is not required. If a formal tender is required, this would push the start of the audit service back to September - November 2012.

Option 2A would allow the audit service to be operational from September to November 2012.

Option 2B would allow the audit service to be operational from November 2012 - January 2013.

Although a reduced audit service has been provided during 2011-12, the external auditors have highlighted the risks to the Council in not having a professional audit service. The longer the Council is without a full complement of audit staff, the greater risk to the Council. Both option 1 and 3 would provide the quickest models to reduce the Council's risk.

Preferred Option

Taking into account both value for money and the need for the Council to mitigate the risks of having an reduced audit service, as soon as practically possible, the preferred option is Option 1. This delivers a saving of £189,391 over three years and allows the audit service to be operating in the first quarter of 2012-13.

While Option 2A and 2B also delivers savings over three years, the service would not be operational until quarter 2 or 3 of 2012-13. There is also a risk of unanticipated costs occurring which could reduce the possible savings. There is an additional risk that unanticipated delays in identifying a partner and agreeing the infrastructure arrangements for a shared service, would further delay the start of an operational audit service.

Option 3, while able to deliver a service from April - June 2012, would require additional budget allocation of £330,982 and does not demonstrate value for money against the other options.

Report to Scrutiny Committee

Date of Meeting: 1 December 2011

Subject: Internal Audit Progress Report - 30 September 2011

Report by: Revenues and Payments Manager

1.0 Purpose

- 1.1. This report provides an update to 30 September 2011 on the progress of the Internal Audit Annual Plan, as approved by Scrutiny Committee on 25 February 2010, in accordance with the Financial Regulations.
- 1.2. The report also provides an update on the progress of implementation of recommendations to 30 September 2011 by Officers from previous Internal Audit Reports and External Audit Reports.

2.0 Recommendations

- 2.1. The Committee is asked to note the report and progress made to 30 September 2011.

3.0 Considerations

- 3.1. Progress on completion of the Annual Plan 2010-11, is summarised in the table below, with more detail being provided in Appendix A.

Status of Audits	30 Sept 2011	%
To be Commenced	2	18%
Onsite/On going	2	18%
Draft Report Issued	2	18%
Final Report Issued	5	46%
Total	11	100%

- 3.2. At 30 September 2011, two audits in the 2010-11 Plan have commenced on site. An additional two audits (Risk Management and Purchases and Payments) have been commenced for the Assessors and are reported separately to the Valuation Joint Board.

- 3.3. Members will recall from the Scrutiny Committee on 21st October 2010 it was reported that unanticipated projects have impacted on the available capacity of Internal Audit therefore 6 audits from the 2010/11 Plan would be carried into the subsequent year. These audits form the 2011/12 Audit Plan and are reflected in Appendix A.

Final Reports

- 3.4. The following reports are summarised for members in Appendix B and C:-
- Fleet Management (Appendix B)
 - Data Protection - Housing (Appendix C)

Progress of Follow Up

- 3.5. Within Action Plans from previous Internal Audit Reports, there were 86 recommendations which were due to be implemented by 30 September 2011, arising from 22 reports. 27 recommendations have been implemented, 56 are in progress and 3 are currently not implemented. Of the 3 recommendations not implemented 2 are priority 2 and 1 is priority 3.
- 3.6. Of the 3 recommendations not implemented, one related to budget monitoring and two relate to health and safety management.
- 3.7. The budget monitoring recommendation relates to the introduction of commitment accounting and will be introduced with the roll out of the POPLAR system, which is currently ongoing.
- 3.8. The two health and safety management recommendations relate to the review of existing whistleblowing policies and staff being informed of how to confidentially inform the Council if they have concerns. Both recommendations are to be addressed through the corporate review of HR policies.
- 3.9. The progress made by Officers on these recommendations is summarised in Appendix D and where not sufficiently implemented, progress to date and revised completion dates have been agreed.
- 3.10. Also within Action Plans from previous External Audit Reports, there were 22 recommendations which were due to be implemented by 30 September 2011 arising from 4 reports. Fourteen recommendations have been implemented and 8 remaining outstanding.
- 3.11. The progress made by Officers on these recommendations is summarised in Appendix E.

Conclusion

- 3.12. Seven reports from the 2010-11 Annual Plan have now been completed, with a further two currently onsite. Progress continues to be made on implementing and addressing recommendations from previous reports.
- 3.13. Members are asked to note the report and progress made to 30 September 2011

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. 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 2008 - 2011** (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)

Financial Regulations.

8.0 Equalities Impact

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

9.0 Legality

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

10.0 Appendices

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

Appendix A - Progress on approved Internal Audit Annual Plan

Appendix B - Fleet Management

Appendix C - Data Protection - Housing

Appendix D - Progress of Follow Up of Internal Audit Reports

Appendix E - Progress of Follow Up of External Audit Reports

11.0 Background Papers



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

Yes ☐ (please list the documents below) No ☒

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Susan Mackay	Revenues and Payments Manager	452047

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director Finance & Corporate Services	
Elaine McPherson	Chief Executive	

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN

APPENDIX A

Audit	Annual Plan	Service	Progress
Licensing Arrangements	2010-11	Community & Regulatory	Final Report Issued
Following Public Pound - Review of ALEO	2010-11	Strategy & Customer Services	Ongoing
Data Protection - HL	2010-11	Support Services	To Be Commenced
Sundry Debtors	2010-11	Support Services	Ongoing
Imprests and Council Funds	2010-11	Support Services	Draft Report Issued
Capital Income	2010-11	Support Services	To Be Commenced
Data Protection - Housing	2010-11	Community & Regulatory	Final Report Issued
Rent Setting, Collection and Arrears	2010-11	Social Policy	Draft Report Issued
Residential Schools	2010-11	Social Policy/Education	Final Report Issued
Adoption and Fostering	2010-11	Social Policy	Final Report Issued
Procurement	2010-11	Social Policy	Final Report Issued
Absence Management	2011-12	Corporate	To Be Commenced
Economic Development	2011-12	Community & Regulatory	To Be Commenced
Financial and Operating Controls x 3	2011-12	Education	To Be Commenced
Supply Teachers	2011-12	Education	To Be Commenced
Reactive and Cyclical Repairs	2011-12	Community & Regulatory	To Be Commenced
Community Service	2011-12	Social Policy	To Be Commenced

1. INTRODUCTION

- 1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed the fleet management processes within Facilities Management, as part of the Audit Plan for 2009-10, which was approved by Scrutiny Committee on 9 April 2009.

2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit included review of defined policies and procedures for fleet management, an effective and efficient replacement programme, maintenance and testing of fleet and that there are appropriate licences. The scope did not include review of insurance arrangements and fuel management.
- 2.2 The objective of the audit was to provide assurance on the controls within fleet management. Six key controls were identified and tested and the adequacy of the internal controls was established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The key controls and assessments are as follows:

Key Control	Assurance Assessment
The Council has clearly defined policies and procedures in relation to fleet management.	Significant
The Council has an economic, efficient and effective approach to vehicle replacement.	Reasonable
The Council's fleet is maintained properly and deployed effectively.	Significant
The Council complies with all relevant requirements of its Operators Licence.	Significant
All Council vehicles are properly licensed and only authorised staff have access.	Significant
All Council vehicles are properly tested.	Significant

3. SYSTEM OVERVIEW AND AUDIT OPINION

- 3.1 Fleet Services provide fleet management and a maintenance service for around 250 Council vehicles.
- 3.2 There are good controls in place in relation to fleet management processes. These could be strengthened, however, by Services determining the optimum number of vehicles required for their Service to help inform the replacement programme.
- 3.3 From the testing undertaken, the following strengths were identified:

The Council has clearly defined policies and procedures in relation to fleet management.

- There is a Fleet Management Business Plan for 2010-11 which is linked to corporate objectives.
- The Service subscribes to the APSE "Transport Operations and Vehicle Maintenance Performance Network" with this council being the highest

performer in seven Qualitative and Transport Operations indicators in its peer group of fourteen similar authorities.

- There are procedures for operational staff and the Fleet Services team. These procedures are clear, comprehensive and compliant with relevant statute.

The Council has an economic, efficient and effective approach to vehicle replacement.

- A Transport User Group comprised of officers from Fleet Services and Service users discuss the vehicle replacement programme and current and future vehicle utilisation.
- A customer satisfaction survey is carried out annually, the latest on November 2009. This asked whether there is sufficient consultation with Services when procuring replacement or additional vehicles. The response from all Services who responded was that there is sufficient consultation.
- All vehicles tested are procured under an existing Framework Agreement with Falkirk Council.
- All vehicles disposed of are sold at the Scottish Motor Auction with a disposal slip authorised by the Fleet Team Leader.

The Council's fleet is maintained properly and deployed effectively.

- All new vehicles are scheduled for regular maintenance in line with Council and Vehicle and Operator Services Agency (VOSA) guidance.
- All workshop staff are issued with a checklist covering all required routine maintenance.
- There is a comprehensive record of maintenance, both planned and reactive and safety work. An 8-week maintenance programme, approved by VOSA, is kept to for large vehicles with a 16-week maintenance programme followed for smaller vehicles.
- New drivers are assessed in the vehicle they are to drive and issued with appropriate guidance.
- An annual driving licence check is carried out by the Fleet Services Coordinator.
- Fleet Services will follow up with Services if they detect that drivers have not been recording the required daily driver checks.

The Council complies with all relevant requirements of its Operators Licence.

- The Council holds an up to date Operators Licence and is meeting the relevant requirements.

All Council vehicles are properly licensed and only authorised staff have access.

- Comprehensive information on all the Council's vehicles are recorded in SAVE, the software system for fleet management. This provides management reports on request.
- The audit confirmed that vehicles are properly taxed by the due date and were taxed for a full year.
- The total amount paid each month in respect of vehicle tax is reconciled to the lists provided by DVLA of vehicles due to be taxed.
- Services confirm receipt of tax discs for their vehicles.

All Council vehicles are properly tested.

- Statutory MOT and HGV dates are recorded for each vehicle.
- The audit found that all vehicles are tested before the due date for MOTs.
- Only six MOT failures were recorded for 2009-10. Any faults found were corrected at the time with the vehicles successfully retested.

3.4 From the testing undertaken, the following areas for improvement were identified:

- Services were not actively consulted on the Planned Vehicle Replacement Capital Programme.
- There is no formal documented approval of the vehicle specifications for vehicles purchased.
- Services feel that the current tracking system is out of date, difficult to use and subject to regular breakdown. This system is mainly used to provide evidence to respond to allegations from the public and customers.
- Reconciliations of the total amount paid each month in respect of car tax to the lists provided by DVLA of vehicles due to be taxed are not reviewed and authorised by an independent officer.

4. RECOMMENDATIONS

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

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

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

1. INTRODUCTION

- 1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed the data protection processes within Housing as part of the Audit Plan for 2010-11, which was approved by Scrutiny Committee on 25 February 2010.

2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit included collection, processing, storage and retention of all personal data including personnel records in Housing Services within Community and Regularity Services and Social Policy. The scope of the audit covered:
- interviewing relevant staff in Housing Services; and
 - obtaining copies of relevant documentation and reviewing for adequacy.
- 2.2 The objective of the audit was to provide assurance on the controls within Data Protection. The eight principles defined in the Data Protection Act 1998, were tested and the adequacy of arrangements against the eight principles was established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The key controls and assessments are as follows:

Key Control	Assurance Assessment
Personal data shall be processed fairly and lawfully.	Significant
Personal data shall be obtained only for one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes.	Significant
Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they are processed.	Significant
Personal data shall be accurate and, where necessary, kept up to date.	Reasonable
Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes.	Limited
Personal data shall be processed in accordance with the rights of data subjects under this Act.	Reasonable
Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data	Reasonable
Personal data shall not be transferred to a country or territory outside the European Economic Area, unless that country or territory ensures an adequate level of protection of the rights and freedoms of data subjects in relation	Not applicable to Housing Services

to the processing of personal data.	
-------------------------------------	--

3. SYSTEM OVERVIEW AND AUDIT OPINION

3.1 The Data Protection Act 1998 regulates the collection, holding and processing of personal data relating to individuals. The Council must comply with the eight data protection principles. Personal data relates to a living individual who can be identified from the data. Sensitive personal data relates to racial or ethnic origin, political opinions, religious beliefs, trade union membership, health, sexual life, criminal activity. The Data Protection Officer is the Head of Strategy and Customer Services with Service Managers accountable for assessing and meeting training needs. All employees are responsible for ensuring data protection compliance.

3.2 There are reasonable controls in place in relation to data protection processes. Personal data is processed fairly and lawfully with the data collected adequate, relevant and not excessive in relation to the purpose for which it is being processed. There is, however, sensitive personal data relating to previous tenants in housing files which should be removed.

3.3 From the testing undertaken, the following strengths were identified:

Principles 1 and 2

- All categories and purposes of personal data and sensitive personal data have been identified in the Data Protection Register which is reviewed annually.
- Housing has legitimate reasons for collecting and using sensitive personal data.
- Tenants provide explicit consent to the processing of sensitive personal data where applicable.
- The fair processing requirements of the Act have been complied with.
- All Housing Officers are made aware of the need to keep information confidential.

Principle 3 and Principle 4

- Housing has identified the minimum amount of information required in order to fulfil its purpose properly.
- An exercise, looking at mechanisms for identity checks to help to determine whether applicants for housing are entitled to council houses, involves ensuring that data protection is not breached.
- The ISAS system is to be used to cleanse the data held in all Housing systems, i.e. OHMS, Pegasus and the other numerous stand alone systems. It will also highlight where information is not recorded consistently in these systems, e.g., different phone numbers for housing tenants.
- Housing recently reviewed the housing waiting list to establish whether applicants are still interested in being considered for housing and that their details held are correct. Now, whenever applicants contact the section to follow up their application, their personal details are verified.
- Housing Officers quality check housing applications input to the OHMS system.
- The Forth Valley Antisocial Behaviour Information Sharing Protocol between the police and the Council ensures tenants' files only contain factual information on alleged or actual offences.

Principle 5

- A Procedure for the Destruction of Records regarding cancelled housing application forms on the Housing Allocations Waiting List was produced in August 2010. This has to now be formally approved by Housing Management Team.
- A review of 4,600 house sales carried out over December 2008 to April 2010 found files containing data relating to previous tenants, little, if any, of which is now required for Council business. Following advice from Legal Services, documents including guarantees and warranties were passed to the current owners.

Principle 6

- There have been no subject access requests in the last two years. However, officers are aware that any third party information would be removed and advice would be sought from the Principal Administration Officer (Data Protection Officer).

Principle 7

- Housing has a designated officer for information security and data protection, the Housing Development Manager. Job descriptions will cover this role with actions required for Housing to be completed by this officer. The actions include local procedures covering data protection and information security to be issued to all Housing officers.
- Sensitive personal data within electronic records is controlled by password access or, for some small databases, held in a folder with access restricted to limited officers. For access to OHMS, and Pegasus, users are set up in groups depending on their job with approval required by the officer's line manager.
- Passwords are required to be changed every 30 days for OHMS.
- All Housing Managers have been recently issued with a Hardware Device and Network Data Protection Survey on spreadsheets in which is recorded their teams' use of IT devices including laptops and memory sticks. This is currently being completed after which all new devices will be purchased through Information Technology and linked to the spreadsheets.
- Sensitive personal data is either shredded or put in confidential waste.
- Tenants' details in reports are anonymised where possible.

Principle 8

- There has been no personal data transferred to a country or territory outside the European Economic Area. However officers would seek advice from the Principal Administration Officer if this were required in the future.

3.4 From the testing undertaken, the following areas for improvement were identified:

Principle 5

- The data held within House Files have never been reviewed.
 - The documents in one file are from 1967 with all files reviewed in the audit containing numerous information relating to previous tenants.
 - The information relating to previous tenants includes sensitive personal information, e.g. correspondence relating to them being in arrears, anti social behaviour, etc.
 - The files include one for a property demolished in 2006.
 - It is acknowledged that Housing officers are aware that the house files are a data protection issue.
- There is no formal retention schedule for Housing detailing classes of data with predetermined retention periods taking into account statutory

requirements. A lack of retention periods was raised as an issue during the audit by all Team Leaders.

Principle 7

- House files are not held securely. They are held in an open plan office in Lime Tree House in unsecured cabinets.

There are numerous disparate systems used by Housing with sensitive personal information on these.

4. RECOMMENDATIONS

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

Priority Assessments	Number
Priority 1	3
Priority 2	1
Priority 3	0
Priority 4	1

PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS TO 30 SEPTEMBER 2011

APPENDIX D

Report Title	Priority				Number of Recommendations	Recommendations Implemented	Recommendations In Progress	Recommendation Outstanding	Priority	
	1	2	3	4					1 - 2	3 - 4
Adoption and Fostering	-	1	1	-	2	2	-	-	-	-
Allocation of Council Housing	-	4	3	-	7	-	7	-	-	-
Budgeting Monitoring	-	1	-	-	1	-	-	1	1	-
Capital Expenditure	-	3	1	-	4	4	-	-	-	-
Council Tax	-	4	-	-	4	3	1	-	-	-
Data Protection	-	-	1	-	1	1	-	-	-	-
Data Protection - Housing	2	1	-	-	3	1	2	-	-	-
Financial & Non-Financial Controls	-	4	-	-	4	4	-	-	-	-
Fleet Management	-	-	1	-	1	-	1	-	-	-
Funding External Organisations	-	1	-	-	1	1	-	-	-	-
Governance	-	4	1	1	6	6	-	-	-	-
Health and Safety Management	-	1	1	-	2	-	-	2	1	1
Information Security	-	10	-	-	10	2	8	-	-	-
Licensing Arrangements	-	3	1	2	6	-	6	-	-	-
Management of MAPPA	-	1	-	-	1	1	-	-	-	-
Management of PPP Contracts	-	1	-	-	1	-	1	-	-	-
Procurement - Education	-	3	-	-	3	-	3	-	-	-
Purchase Cards	-	4	1	-	5	1	4	-	-	-
Purchasing and Payments	1	11	-	-	12	-	12	-	-	-
Residential Schools	-	3	-	1	4	-	4	-	-	-
Social Policy	-	1	5	1	7	-	7	-	-	-
Waste Management	-	1	-	-	1	1	-	-	-	-
TOTAL	3	62	16	5	86	27	56	3	2	1

PROGRESS OF FOLLOW UP OF EXTERNAL AUDIT REPORTS TO 30 SEPTEMBER 2011

APPENDIX E

Report Title	Number of Recommendations	Recommendations Implemented	Recommendations In Progress	Recommendations Outstanding
Core Financial Systems 2008/09	12	6	-	6
Report on the 2008/09 Audit	7	5	1	1
Key Issues Memorandum 2008/09 Accounts Audit	1	1	-	-
Key Issued Memorandum 2009/10 Accounts Audit	2	2	-	-
TOTAL	22	14	1	7

Report to: Scrutiny Committee

Date of Meeting: 1st December 2011

Subject: 2011/12 Half Year Risk Management Progress Report

Report by: Director of Finance & Corporate Services

1.0 Purpose

- 1.1. This report provides Scrutiny Committee with an update on significant risks facing the Council, together with actions being taken to mitigate their potential impact, or the likelihood of them occurring.

2.0 Recommendations

- 2.1. Scrutiny Committee is asked to:
- a) Review the report and comment and challenge as appropriate; and
 - b) Provide feedback on the format of the report, which is still being developed through the new Covalent Performance Management System.

3.0 Considerations

- 3.1. The Council needs to consider the risks that might inhibit the delivery of corporate objectives and ensure that controls are in place to monitor and mitigate each identified risk through the application of a systematic risk management process.
- 3.2. Risk management arrangements have been in place for a number of years, with progress reports on Council-wide risks being reported to Scrutiny Committee on a regular basis. Each Council risk is assigned to and reviewed by an appropriate senior officer.
- 3.3. Appendix A summarises changes to the Corporate Risk Log in the last six months and includes guidance and definitions. Appendix B provides details of the most significant risks facing the Council at the 2011-12 half year stage. Three new risks have been added to the log in the last six months:
- 27. Negative Impact of Climate Change
 - 28. Shared Services Failure
 - 29. Negative Impact of Public Service Reform

- 3.4. In some cases, irrespective of significant mitigating action, the risk rating has remained high or increased, reflecting the impact should it occur, or the likelihood that it will occur. In other cases, mitigating action has reduced the risk, or other factors have changed such that the risk is considered to be of lesser significance than in previous progress reports.
- 3.5. Medium and lower category risks and those that are service-specific, rather than Council-wide, are normally monitored at a management level. However, in some cases the risk rating and the significance of the topic is such that a high degree of scrutiny is considered necessary, for example, in relation to child protection. Therefore, in addition to the risks rated as red, two amber risks are included in this report (11. Harm to Child(ren) and 21. Non-delivery of CFE and GIRFEC).
- 3.6. The format and content of the log will continue to be developed on an ongoing basis. One planned revision is the separation of notes regarding mitigating actions which the Council has completed from notes regarding external factors (affecting areas such as climate change and recession). The risk log will be an input to Scrutiny Committee's planning process in the spring and CMT plan to undertake a full review of corporate risks before the end of the 2011-12 financial year.
- 3.7. In conclusion, our approach to risk management continues to develop. At the half year point, three new risks have been added to the corporate risk log. Two current risks have an increased rating, although only one these, Industrial Unrest, is currently 'red' rated. Four risks are currently rated at the maximum of 25. Overall, the corporate risk log has an average rating of 16.

4.0 Sustainability Implications

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

5.0 Resource Implications

5.1. Financial Details

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

5.3. Staffing

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

6.0 Exempt Reports

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

7.0 Declarations

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

- (1) **Our Priorities 2008 - 2011** (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 A - Corporate Risk Log Summary

Appendix B - Details of Significant Risks

11.0 Background Papers



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

Yes ☐ (please list the documents below) No ☒

Author(s)






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

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director of Finance & Corporate Services	
Elaine McPherson	Chief Executive	

Appendix A - Corporate Risk Log Summary




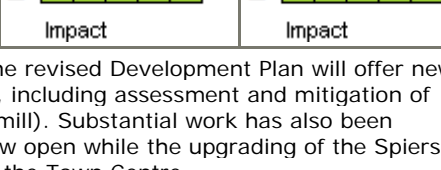





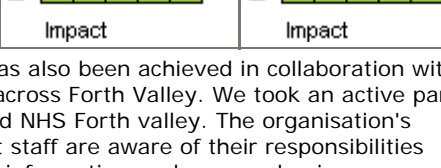
Status (Average)		Current Rating (Average)	16	Summary of Changes
Description	Corporate register of strategic organisational risks, reporting on factors affecting the Council's ability to deliver its key strategic objectives.			During the first six months of the 2011-12 financial year (out of a total of 29 risks):
Distribution of Risks (Total 29)				 The rating of 2 risks has increased (IDs 23 & 25),
<div><p>Likelihood</p><p>Impact</p></div>				 The rating of 10 risks has decreased (IDs 01, 02, 05, 10, 11, 15, 18, 20, 24 & 26),
				C The rating of 1 risk was corrected (ID 22 - this had previously been reduced, but the Emergency Planning Officer advises that this remains a significant threat)
				N 3 risks were newly added to the log (IDs 27, 28 & 29),
				 The rating of the other 13 risks remained the same.


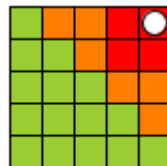
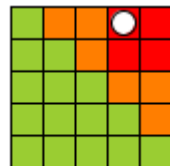
Status	Whether the risk is currently grouped as red, amber or green, depending on its 'Current Rating': Red - risks with a current rating of 16 and above, Amber - risks with a current rating from 10 to 15, Green - risks with a current rating of 9 or below.
Change	A symbol to indicate how the risk rating has changed in the last 6 months (see symbols in 'Latest Note' above).
ID	The code used to refer to a risk, which will remain the same regardless of changes to the details or scoring (this does not indicate the risk's severity).
Title	A brief summary of the nature of the risk.
Assigned To	The person responsible for managing the risk: the Chief Executive, or the Director or Head of Service of the area of the Council impacted by/responsible for the risk.
Rating	<p>The score of a risk's severity, calculated by multiplying the likelihood of it occurring by the impact of it occurring (both on a scale of 1 to 5, with 5 being the most likely/severe, with a maximum rating of 25). Managers are provided with additional guidance in scoring a risk, which is available on request. In most cases (though not all), either the likelihood or impact cannot be reduced, and efforts can only be targeted at one of these factors.</p> <p>Target The rating we aim to achieve by the end of year risk report (June 2012), taking into account planned mitigating actions and other external factors.</p> <p>Current The rating which reflects the present position, taking into account actions that have already been completed.</p>
Description	An event or situation that would affect the Council's ability to deliver on its objectives, and the cause of that event or situation. The risk register must focus on specific issues and their impact on the Council, and though dealing with hypothetical scenarios, must be as explicit as possible.
Potential Effect	The possible consequences of the risk materialising. This may refer to the groups of staff, customers or other stakeholders affected, the effects on service provision, and whether there may be reputational, legal or financial implications.
Latest Note	Details of the progress made in mitigating the risk, including whether actions are planned or completed, and how this will impact the risk rating.



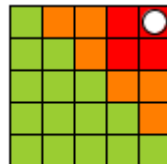
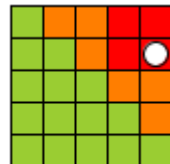
Abbreviations used in this report are listed at the end of Appendix B.



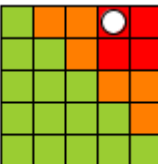
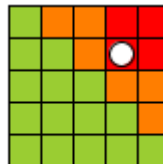
Appendix B - Details of Significant Risks



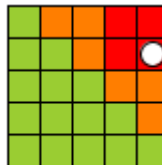
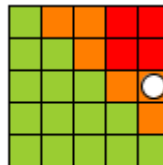
ID & Title	07. Poor Local Economic Development	Status		Change		Assigned To	Garry Dallas	Current Rating	25	Target Rating	20
Description	The global financial crisis is reflected in poor local economic development.										
Potential Effect	Lack of housing supply, particularly affecting those requiring affordable or particular needs housing, and limited levels of other types of investment in the area.										
Latest Note	The revised Housing Land Supply Local Plan has been approved by Council, including new housing investment opportunities, and the revised Development Plan will offer new opportunities for investment, subject to approval by Council. Services continue to assess opportunities for local market stimulation, including assessment and mitigation of the specific risks associated with each opportunity. The Council has approved the largest development in the area's history (Forestmill). Substantial work has also been completed to regenerate Alloa Town Centre which has greatly improved the image of the town and the area. The new College is now open while the upgrading of the Spiers Centre and proposed conversion of the existing library in Drysdale Street as a new Dentist practice will further serve to regenerate the Town Centre.										

ID & Title	22. Flu Pandemic	Status		Change		Assigned To	Elaine McPherson	Current Rating	25	Target Rating	20
Description	Significant numbers of Council staff and customers become ill due to the occurrence of a flu pandemic.										
Potential Effect	Substantial disruption to back-office support functions and front-line service provision, including to customer groups already considered vulnerable. This also links to risk 09 (page 7) as Single Points of Failure and a lack of knowledge documentation could further restrict service provision.										
Latest Note	We have a robust pandemic flu plan which dovetails with major incident operational procedures & business continuity plans. This has also been achieved in collaboration with the various member agencies of Central Scotland Strategic Co-ordinating Group, ensuring processes and procedures are mirrored across Forth Valley. We took an active part in the short term working group looking at interdependencies and mutual aid issues between the 3 Forth Valley local authorities and NHS Forth valley. The organisation's critical functions have been reviewed as part of this process. Various briefings and workshops have been held to ensure all relevant staff are aware of their responsibilities and actions under the various plans. The Emergency Planning unit has worked with the Communications team to provide a suite of information packages on hygiene protocols, available in hardcopy from the EPU and electronically through COIN.										

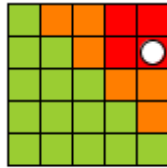
ID & Title	27. Negative Impact of Climate Change	Status		Change	N	Assigned To	Garry Dallas	Current Rating	25	Target Rating	20
Description	Climate change causes extreme weather events, leading to flooding, heat waves, droughts, fires or severe winter weather, of which the Council must manage the consequences.							<div><div><div>Likelihood</div></div><div>Impact</div></div> <div><div>Likelihood</div></div> <div>Impact</div>			
Potential Effect	Significant disruption to services, including damage to, or closure of, infrastructure (such as telecoms and roads) and Council property (such as schools, offices and housing stock). Inability of staff to get to their workplace and increased workload in many areas, particularly Emergency Planning, Housing Repairs, Roads & Transportation and Customer Services, all with financial and reputational implications and potential for litigation, should it be deemed that adequate precautionary measures were not implemented. Residents suffer health problems and damage to property due to flooding and extremes of heat and cold. Local businesses suffer losses due to damage to supply chains, infrastructure and property.										
Latest Note	NB A separate background paper on this risk was circulated to Members prior to Scrutiny Committee. The Sustainability & Climate Change Strategy (2010) has been approved by Council and is being implemented: this includes the preparation of supporting plans and strategies, such as the Climate Change Adaptation Framework, the Flood Management Plan and the Local Biodiversity Action Plan, as well as a revised Carbon Management Plan. All reports to Council and Committees must include a completed Sustainability Checklist, and Strategic Environmental Assessments must be carried out on qualifying plans, programmes and strategies. The Council has conducted a study of the impacts of severe weather events in Clackmannanshire, and various projects are being implemented, such as the River Devon flood management project. Roads & Transportation have an extreme weather budget. Further work is required with services such as Housing, Facilities Management and Human Resources to improve our resilience to the effects of climate change, including how services can be delivered remotely by staff working from home, or through arrangements with other public bodies. Potential climate change impacts should be incorporated into Emergency Planning/Business Continuity plans. Advice should be provided for residents and local businesses.										

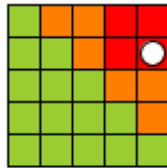
ID & Title	23. Industrial Unrest	Status		Change		Assigned To	Elaine McPherson	Current Rating	25	Target Rating	20
Description	Industrial unrest arises from Single Status, or local or national budget-related changes to terms and conditions.							<div><div><div>Likelihood</div></div><div>Impact</div></div> <div><div>Likelihood</div></div> <div>Impact</div>			
Potential Effect	Impact on staff morale, productivity, including the delivery of outcomes, , all with associated impact on service delivery, with cost and reputational implications, as well as significant impact on customers dependent on services.										
Latest Note	This risk has been escalated to 25 given that Trades Unions are balloting members of a series of national strikes, the first of which may be a soon as the 30 November 2011. Procedures and protocols are well developed. The CMT and service managers are currently putting in place appropriate arrangements, including early communications to staff. On an ongoing basis, the Chief Executive continues to provide regular and direct communication via Grapevine and COIN. In addition directors have regular and direct consultation with the Unions and a Trade Union Communication Protocol has been developed.										


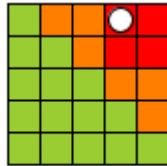
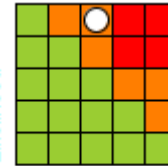
ID & Title	03. Budget Overspend	Status		Change		Assigned To	Nikki Bridle	Current Rating	20	Target Rating	16
Description	There is significant overspend (>£0.5m) on the Council budget as a result of being unable to identify sufficient levels of efficiency savings, or predicted efficiency savings not being realised.							<div>Likelihood</div>  <div>Impact</div>	<div>Likelihood</div>  <div>Impact</div>		
Potential Effect	Inability to meet statutory obligations, and/or stakeholder needs and expectations, resulting in reputational damage.										
Latest Note	Financial management is now much more focused within approved Finance and Budget strategies with tighter governance at a service and Council level. We continue to monitor budget on a monthly basis at a service and Council Management Team level. The Budget challenge sessions held in early October indicate that 80% of the Council's planned savings have already been secured totalling £6.482m. In addition to securing this level of planned savings to date, a further £2.958million savings are planned to be secured during the year. Significant progress is being made in settling outstanding equal pay claims and it is more than likely that settlements will be contained within the Councils provision for this purpose thus reducing the Council risk in this area.										


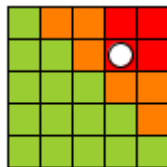
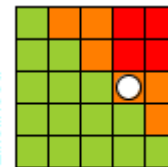
ID & Title	04. Poor Communication of Direction & Culture	Status		Change		Assigned To	Elaine McPherson	Current Rating	20	Target Rating	15
Description	Leaders do not communicate a clear direction or culture to staff due to ineffective or inefficient communication methods.							<div><div>Likelihood</div><div>Impact</div></div>	<div><div>Likelihood</div><div>Impact</div></div>		
Potential Effect	Staff being unclear on their contribution to organisational objectives, leading to low morale or potential duplication of effort.										
Latest Note	A system of cascade briefings to ensure key messages reach all staff has been rolled out across the Council, with progress being monitored and evaluated through the annual staff survey. The 2010 staff survey indicates that effective organisational communication remains a high priority for staff. Following an Invest to Save award, the Communications team is developing an intranet to further aid efficient internal communication. Benchmarking activity on the issue of organisational communication is currently being undertaken to understand best practice. The revised PRD process is designed to more effectively communicate priorities to staff. Combined with this is the introduction of a competency framework which will improve behaviours in relation to planning and communication. Achievement of the IIP quality standard will provide greater assurance of the effectiveness of organisational communications. The 2010 staff survey has been repeated in October/November 2011 to gain knowledge on changing staff perceptions relating to this risk. The ongoing restructuring of the organisation means that this risk will continue to remain high until it is fully implemented. As the new management structure is embedded, greater emphasis is being placed on leadership and the communication of direction.										

ID & Title	06. Ineffective Management of Physical Assets & Resources	Status		Change		Assigned To	Garry Dallas	Current Rating	20	Target Rating	15
Description	Physical assets and resources are not effectively managed due to a lack of effective planning and poor adaptation to changing situations.							<div>Likelihood</div>  <div>Impact</div>	<div>Likelihood</div>  <div>Impact</div>		
Potential Effect	Disruption, affecting the Council's ability to deliver services (such as poor fleet management affecting the delivery of Maintenance, Waste & Lands Services), financial implications of maintaining, heating and lighting under-occupied buildings, not maximising the use of land, and health & safety implications of occupying poor buildings.										
Latest Note	A 20 year Fleet plan has been developed, and the Property Asset Management Strategy and Roads Asset Management Plan have been approved, and include specific directions to mitigate this risk. Work is underway to propose fewer, better buildings accommodating all services which supports significant sustainability objectives. The housing business plan is under review and work is well underway to meet the SHQS standard by 2015.										



ID & Title	12. Health & Safety Non-compliance	Status		Change		Assigned To	Nikki Bridle	Current Rating	20	Target Rating	15
Description	A Health & Safety incident results in the injury to or death of a staff member or customer due to lack of awareness of or non-compliance with policies and procedures.							<div>Likelihood</div>  <div>Impact</div>	<div>Likelihood</div>  <div>Impact</div>		
Potential Effect	The effects of the injury or death on individuals and their families, financial penalties, criminal proceedings, adverse publicity, increased insurance or damage to Council assets.										
Latest Note	This is influenced by the whole of our health and safety management system - specifically on whether or not staff adhere to the guidance laid out for them. This management system impacts the H&S culture throughout the Council and includes, as its foundation, the Chief Executive's H&S policy statement, 3 Directorate level policies (revised Oct 2011) and service level policies as required. Adhering to the 40+ topic-based H&S policies would also reduce the likelihood and severity of accidents. Other relevant components of the H&S management system include provision of induction, advice and guidance, training, safe equipment, safe access/egress and maintenance of buildings, risk assessment and subsequent safe systems of work and control measures, incident reporting and investigation (including COIN guidance), trend analysis and development of remedial measures to reduce recurrence. An audit is currently being planned and will be conducted before the end of 2011-12 to assess compliance across services and identify where further work by the service, or central support is required to improve practice.										



ID & Title	17. Ineffective Service Risk Management	Status		Change		Assigned To	Nikki Bridle	Current Rating	20	Target Rating	15
Description	Service and operational risks are not monitored or managed due to services not being provided with appropriate support, not being aware of the support available, or not adhering to the corporate guidance and advice.							<div>Likelihood</div>  <div>Impact</div>	<div>Likelihood</div>  <div>Impact</div>		
Potential Effect	Financial penalties, reputational damage, harm to one or more people, or loss of or disruption to service provision due to services being unaware of the levels of risk to which they are exposed.										
Latest Note	The revised Risk Management Strategy & Policy was approved by Council in Dec 2009. Risk updates are provided by Heads of Service at CMT, and the corporate risk log is reviewed by CMT and Scrutiny Committee twice a year. Service risk management arrangements are assessed as part of CIM self-assessments, and facilitated sessions with each management team are planned for 2012/13 to assist services in developing their risk logs. The implementation of the Covalent Performance Management System will also improve the focus, recording of, access to and reporting of progress regarding risk management. Further work is also planned to ensure that risk management becomes an integral part of each piece of operational or strategic work carried out by the Council.										

ID & Title	29. Negative Impact of Public Service Reform	Status		Change	N	Assigned To	Elaine McPherson	Current Rating	20	Target Rating	15
Description	The Council is unable to retain the influence that it currently has over how Police and Fire services are delivered locally, and loses local accountability over these services.							<div>Likelihood</div>  <div>Impact</div>	<div>Likelihood</div>  <div>Impact</div>		
Potential Effect	Loss of autonomy on how Police and Fire Services are delivered locally and dilution of community involvement in how Police and Fire Services are delivered (loss of local boards). Reduction in capacity of Police and Fire Services to contribute to Community Planning. Reduction in local community policing/fire response and poor perceptions on community policing/fire response locally.										
Latest Note	Clackmannanshire Council has prepared a response to the latest consultation paper on the proposed reform of Police and Fire Services in Scotland. The Government intends to introduce the Police and Fire Reform Bill early in 2012, to be passed into statute by Summer 2012. It is possible that any new services could be up and running from Autumn 2013. Central to the response on the consultation from the Council is the need to maintain local accountability for these services and the importance of Council to respond to local needs.										

ID & Title	28. Shared Services Failure	Status		Change	N	Assigned To	Elaine McPherson	Current Rating	16	Target Rating	12
Description	The Shared Services programme fails due to lack of agreement on service redesign proposals, prioritisation of operational issues over support or strategic resource, loss of essential skills through restructure, poor stakeholder communication or staff resistance to change.							<div><div>Likelihood</div><div></div><div>Impact</div></div>	<div><div>Likelihood</div><div></div><div>Impact</div></div>		
Potential Effect	Reduced levels of performance and failure to meet expectations, needs or statutory requirements, with significant consequences for vulnerable or 'hard to reach' customer groups. Impact on staff morale and productivity, and requirements for additional recruitment or retraining, with associated costs. Requirement to return to separate service delivery, requiring repetition of service redesign and restructure exercises, with workload, financial and reputational implications.										
Latest Note	Effective engagement and briefings for senior managers and politicians, focus on benefits of reshaping care and wider service redesign. Regular face to face meetings with stakeholders and consistent messages to present within programme. Escalation of issues through line management and governance structures. Prioritise activity to ensure clarity of objectives and needs (resources/people) to meet these objectives. Clear and effective communication to stakeholders as outlined on communication plan, with additional resource to manage plans and ensure integration with wider strategies and plans.										

Though the following 2 risks are now amber, it has been requested that their details be included in this report.

ID & Title	21. Non-delivery of CFE & GIRFEC	Status		Change		Assigned To	Belinda Greer	Current Rating	10	Target Rating	5
Description	The Council is unable to deliver on Curriculum for Excellence or Getting it Right for Every Child due to the Education model currently in operation.							<div><div>Likelihood</div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div></div>	<div><div>Likelihood</div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div></div>		
Potential Effect	Poor performance for pupils in providing useful, meaningful and transferable education, and an inability to drive up Education standards and meet customer expectations, with associated reputational damage.										
Latest Note	Good progress is being made overall with Curriculum for Excellence. Partnership working with Stirling Council and with FV College (Clackmannan Campus) is underway to develop the Senior Phase. The Alternative Service Model for Education Group has had input from the SQA on new national qualifications. Moderation of assessment is underway in all sectors.										

ID & Title	11. Harm to Child(ren)	Status		Change		Assigned To	Deirdre Cilliers; Belinda Greer	Current Rating	10	Target Rating	5
Description	A lack of intervention or action by the Council fails to prevent the serious harm of a child/children under Council care.							<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div> <td rowspan="3"><div><div>Likelihood</div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></td>	<div><div>Likelihood</div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div> <div>Impact</div>		
Potential Effect	The effects of the injury or death on the individual, family, friends and staff members, and possibly reputational harm or criminal proceedings, with associated costs.										
Latest Note	Improved outcomes have been evidenced in childcare services following a considerable redesign and improvement programme. Lower numbers are requiring residential care, outcomes have improved for LAC and increased partnership working has led to more efficient and effective services. The focus on highest risk children is showing signs of potential reinvestment in preventative care. This improvement has been endorsed by the Care Inspectorate at a recent inspection. Progress continues to be reviewed by the CSWO.										

Abbreviations:

CFE	Curriculum for Excellence
CIM	Clackmannanshire Improvement Model
CMT	Corporate Management Team
COIN	Council Online INformation (Council Intranet)
CWSO	Chief Social Work Officer
EPU	Emergency Planning Unit
FV	Forth Valley
GIRFEC	Getting it Right for Every Child
H&S	Health & Safety
IIP	Investors in People
IT	Information Technology
LAC	Looked After Children
NHS	National Health Service
PRD	Performance Review & Development
S4/6	Secondary 4/6 (Fourth or Sixth Year)
SHQS	Scottish Housing Quality Standard
SQA	Scottish Qualifications Authority