

WEST DUNBARTONSHIRE COUNCIL
Council Offices, Garshake Road, Dumbarton G82 3PU

30 May 2014

**MEETING: AUDIT & PERFORMANCE REVIEW
 COMMITTEE**

**WEDNESDAY, 11 JUNE 2014
COMMITTEE ROOM 3
COUNCIL OFFICES
GARSHAKE ROAD
DUMBARTON**

Dear Member,

Please attend a meeting of the **Audit & Performance Review Committee** to be held in Committee Room 3, Council Offices, Garshake Road, Dumbarton on **Wednesday, 11 June 2014 at 10.00 a.m.**

The business is as shown on the enclosed agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

Councillor J McColl (Chair)
Councillor G Black
Councillor J Brown
Councillor M McGinty
Councillor I Murray (Vice Chair)
Councillor T Rainey
Councillor G Robertson
Councillor M Rooney
Mr SJ Doogan
Mr E Haynes

All other Councillors for information

Chief Executive
Executive Director of Corporate Services
Executive Director of Educational Services
Executive Director of Infrastructure and Regeneration
Director of West Dunbartonshire Community Health and Care Partnership

AUDIT & PERFORMANCE REVIEW COMMITTEE

WEDNESDAY, 11 JUNE 2014

AGENDA

1. APOLOGIES

2. DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on this agenda and the reasons for such declarations.

3. MINUTES OF PREVIOUS MEETING

Submit for approval as a correct record, the Minutes of Meeting of the Audit & Performance Review Committee held on 12 March 2014.

4. CODE OF GOOD GOVERNANCE

Submit report by the Executive Director of Corporate Services advising of the outcome of the annual self-evaluation undertaken of the Council's compliance with its Code of Good Governance.

5. STRATEGIC RISK AND RESILIENCE

Submit report by the Executive Director of Corporate Services informing of the outcome of the six month assessment of Strategic Risks and the progress of resilience planning.

6. INTERNAL AUDIT ANNUAL REPORT TO 31 MARCH 2014

Submit report by the Executive Director of Corporate Services advising of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2013/14 and advising on the contents of the Assurance Statement.

7./

7. AUDIT ACTION PLANS

Submit report by the Executive Director of Corporate Services advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued and contained within Internal Audit and External Audit reports.

8. NATIONAL FRAUD INITIATIVE 2012/13 – PROGRESS REPORT

Submit report by the Executive Director of Corporate Services advising of the results from investigating matched datasets provided to the Council through participation in the National Fraud Initiative 2012/13.

9. AUDIT SCOTLAND REPORT – OPTIONS APPRAISAL: *ARE YOU GETTING IT RIGHT?*

Submit report by the Executive Director of Corporate Services providing information on a report recently published by Audit Scotland in relation to the above.

10. THE ACCOUNTS COMMISSION REPORT: AN OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND 2014

Submit report by the Executive Director of Corporate Services providing information on a report recently published by the Accounts Commission.

11. AUDIT SCOTLAND: REVIEW OF GOVERNANCE ARRANGEMENTS AND MAIN FINANCIAL SYSTEMS REPORT – MAY 2014

Submit report by the Executive Director of Corporate Services providing for information a report which has been received from the Council's External Auditors, Audit Scotland, and advising of management actions implemented following receipt of the report.

12. ACCOUNTS COMMISSION REPORT – PROCUREMENT IN COUNCILS

Submit report by the Executive Director of Corporate Services providing an update on the recent report by the Accounts Commission titled "Procurement in Councils".

13. LOCAL GOVERNMENT BENCHMARKING FRAMEWORK 2012/13

Submit report by the Executive Director of Corporate Services providing information on the Council's position in the recently published Local Government Benchmarking Overview report for 2013/14.

For information on the above agenda please contact Craig Stewart, Committee Officer, Legal, Democratic & Regulatory Services, Council Offices, Garshake Road, Dumbarton G82 3PU. Tel: (01389) 737251. E-mail: craig.stewart@west-dunbarton.gov.uk.

AUDIT & PERFORMANCE REVIEW COMMITTEE

At a Meeting of the Audit & Performance Review Committee held in Committee Room 3, Council Offices, Garshake Road, Dumbarton on Wednesday, 12 March 2014 at 2.05 p.m.

Present: Councillors George Black, Jim Brown, Michelle McGinty, *Jim Finn, Ian Murray, Tommy Rainey, Gail Robertson, Martin Rooney, Mr Stevie J. Doogan and Mr Edward Haynes.

* Attended later in the meeting.

Attending: Joyce White, Chief Executive; Angela Wilson, Executive Director of Corporate Services; Richard Cairns, Executive Director of Infrastructure and Regeneration; Terry Lanagan, Executive Director of Educational Services; Stephen West, Head of Finance and Resources; Gillian McNeilly, Finance Manager; Colin McDougall, Audit and Risk Manager; Joe Gillespie, Section Head, Internal Audit; William Pook, Performance and Information Manager, West Dunbartonshire Community Health & Care Partnership; Craig Stewart, Committee Officer, Legal, Democratic and Regulatory Services.

Also Attending: Mr David McConnell, Assistant Director, Ms Elaine Boyd, Senior Audit Manager, and Mr Laurence Slavin, Senior Auditor, Audit Scotland.

Councillor Ian Murray in the Chair

CHAIR'S REMARKS

Prior to commencing with the business of the meeting, Councillor Murray, Chair, informed the Committee of the recent resignation of Mr Francis McNeill, as a Lay Member, due to personal commitments. The Chair passed on the Committee's thanks to Mr McNeill for his service to the work of the Committee.

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda at this point in the meeting.

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of the Audit & Performance Review Committee held on 11 December 2013 were submitted and approved as a correct record.

INTERNAL AUDIT PLAN 2014/15

A report was submitted by the Executive Director of Corporate Services advising on the planned programme of work for the Internal Audit Section for the year 2014/15.

After discussion and having heard the Audit and Risk Manager, the Chief Executive and relevant officers in elaboration and in answer to Members' questions, the Committee agreed to approve the Audit Plan for 2014/15.

Note: Councillor Finn entered the meeting at this point in the proceedings.

INTERNAL AUDIT PLAN 2013/14 PROGRESS REPORT TO 31 DECEMBER 2013

A report was submitted by the Executive Director of Corporate Services advising on the work undertaken by the Internal Audit Section against the Audit Plan 2013/14.

After discussion and having heard the Audit and Risk Manager and the Chief Executive in further explanation and in answer to a Member's questions, the Committee agreed to note the contents of the report.

AUDIT ACTION PLANS

A report was submitted by the Executive Director of Corporate Services advising of:-

- (a) Recently issued Internal Audit action plans; and
- (b) Progress made against plans previously issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Executive Director of Corporate Services, Audit and Risk Manager and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to note that certain of the projects (*progress timescale, narrative etc.*) under the HEED Directorate would be reviewed by the Executive Director of Infrastructure and Regeneration, prior to a further report on this matter being submitted to the Committee;

- (2) to note that a Members Briefing Note would be prepared and issued on the Housing Allocations process; and
- (3) otherwise to note the contents of the report.

PUBLIC INTEREST DISCLOSURES FOR THE PERIOD 1 JULY 2013 TO 31 DECEMBER 2013

A report was submitted by the Executive Director of Corporate Services advising on public interest disclosures received during the period 1 July 2013 to 31 December 2013.

After discussion and having heard the Executive Director of Corporate Services in further explanation and in answer to a Member's questions, the Committee agreed to note the contents of the report.

PRUDENTIAL INDICATORS 2013/14 TO 2016/17 AND TREASURY MANAGEMENT STRATEGY 2014/15 TO 2016/17

A report was submitted by the Executive Director of Corporate Services providing an update on:-

- (a) Prudential Indicators for 2013/14 to 2016/17; and
- (b) Treasury Management Strategy (including the Investment Strategy) for 2014/15 to 2016/17.

After discussion and having heard the Finance Manager and the Head of Finance and Resources in further explanation and in answer to Members' questions, the Committee agreed to note that Council approved the following at its meeting on 6 February 2014:-

- (1) The Prudential Indicators and Limits set out within Appendix 1:
 - Capital Expenditure and Capital Financing Requirements (Tables A and B);
 - Actual and estimates of the ratio of financing costs to Net Revenue Stream (Table C);
 - Incremental impact of capital investment decisions on the Band D Council Tax (Table D); and
 - Incremental impact of capital investment decisions Housing Rent levels (Table E);
- (2) The Treasury Management Strategy for 2014/15 to 2016/17 (including the Investment Strategy) contained within Appendix 2;

- (3) The Treasury Prudential Indicators and Limits set out in Appendix 2:
 - Operational Boundaries (Table G);
 - Authorised Limits (Table H);
 - Counterparty Limits (Table K); and
 - Treasury Management Limits on Activity (Table M); and
- (4) The statement by the Section 95 Officer regarding the gross debt level in comparison to the Capital Financing Requirement (Appendix 2 - Point 2.2).

AUDIT SCOTLAND ANNUAL AUDIT PLAN 2013/14

A report was submitted by the Executive Director of Corporate Services presenting Audit Scotland's Audit Plan for the audit of financial year 2013/14 to Committee for information.

At this point, Councillor Murray, Chair, welcomed the Members of the Audit Team of Audit Scotland to the meeting. After discussion and having heard Mr Slavin, Senior Auditor and the Chief Executive in further explanation and answer to Members' questions, the Committee agreed:-

- (1) to note the thanks and appreciation of Audit Scotland to staff for their valued assistance and input; and
- (2) otherwise to note Audit Scotland's audit plan for the audit of financial year 2013/14.

AUDIT SCOTLAND – REVIEW OF ADEQUACY OF INTERNAL AUDIT ARRANGEMENTS

A report was submitted by the Executive Director of Corporate Services advising of the External Auditor's assessment of the adequacy of the Council's Internal Audit arrangements.

Having heard Ms Boyd, Senior Audit Manager, in answer to a Lay Member's question, the Committee agreed to note the contents of the report.

AUDIT SCOTLAND REPORT – *CHARGING FOR SERVICES: ARE YOU GETTING IT RIGHT?*

A report was submitted by the Executive Director of Corporate Services providing information on a report recently published by Audit Scotland in relation to the above.

After discussion and having heard Mr McConnell, Assistant Director, the Chief Executive and Executive Director of Corporate Services in further explanation and in answer to a Member's questions, the Committee agreed note the contents of the report.

The meeting closed at 3.52 p.m.

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WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: Code of Good Governance

1. Purpose

- 1.1** The purpose of this report is to advise Committee of the outcome of the annual self-evaluation undertaken of the Council's compliance with its Code of Good Governance.

2. Recommendations

- 2.1** The Committee is asked to note:

- the outcome of the recent self-evaluation process in considering how the Council currently meets the agreed Code of Good Governance; and
- the issues identified and improvement actions.

3. Background

- 3.1** In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wanted all public sector organisations to adopt. The Commission, set up by CIPFA in conjunction with the office for Public Management, advised that there should be a common governance standard for public services similar to the private sector's Combined Code.

- 3.2** The Good Governance Standard for Public Services builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it says should underpin the governance arrangements of all bodies:

- a clear definition of the body's purpose and desired outcomes;
- well-defined functions and responsibilities;
- an appropriate corporate culture;
- transparent decision making;
- a strong governance team; and
- real accountability to stakeholders.

- 3.3** For the purposes of developing *Delivering Good Governance in Local Government*, the six core principles from the good *Governance Standard for Public Services* have been adapted for the local authority context.

- 3.4 In order to demonstrate a commitment to sound governance, local authorities are encouraged to publish a governance statement.
- 3.5 The annual governance statement is the formal statement that recognises, records and publishes a Council's governance arrangements as defined in the CIPFA/SOLACE Framework. The statement requires to be signed off by the most senior officer [Chief Executive] and the most senior member [Council Leader]. Clearly the signatories must be satisfied that the document is supported by reliable evidence.

4. Main Issues

- 4.1 A local code was developed for West Dunbartonshire Council and agreed at the Audit and Performance Review Committee on 10 November 2010. This described the expectations as to what good governance is and how it can be evidenced.
- 4.2 A Governance Report was produced and provided for the first time within the Council's annual accounts for 2012/13 and this practice is continuing for 2013/14. In order to prepare such a report, it is necessary to undertake an annual self-evaluation of compliance against the Council's Code of Good Governance.
- 4.3 An annual self-evaluation review for 2014/14 has recently been carried out by a group of Officers. This has identified that current practice is mainly compliant against our Code of Governance, while identifying some areas for improvement. These areas for improvement are detailed on the attached Appendix along with information on progress in addressing the improvement actions previously identified from carrying out the 2012/13 review.

5. People Implications

- 5.1 There are no personnel issues.

6. Financial Implications

- 6.1 There are no financial implications.

7. Risk Analysis

- 7.1 There is a risk that a failure to maintain a local code and develop a framework to support the gathering and updating of the necessary evidence will leave West Dunbartonshire Council unable to produce a Governance Statement.

8. Equalities Impact Assessment (EIA)

- 8.1 There are no issues identified.

9. Consultation

- 9.1** This report has been subject to a check by Legal, Democratic & Regulatory Services.

10. Strategic Assessment

- 10.1** This report relates to all five of the Council's Strategic Priorities.

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Angela Wilson
Executive Director of Corporate Services
Date: 27 May 2014

Person to Contact: Stephen West, Head of Finance and Resources
,
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Appendix: Code of Good Governance - Improvement Action Plan

Background Papers: Report to Audit and Performance Review Committee
(10 November 2010) - Local Code of Good
Governance

Report to Audit and Performance Review Committee
(22 May 2013) - Code of Good Governance

Report to Audit and Performance Review Committee
(11 December 2013) - Code of Good Governance

Wards Affected: All Wards

Appendix

Code of Good Governance - Improvement Action Plan








Report Type: Actions Report







Report Author: Colin McDougall

Generated on: 27 May 2014

Report Layout: Internal Audit action status with latest note (with Action Code)









Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Project 1. Improvement Actions for 2012/13

Action Code	Recommendation Title	Recommendation Detail	Status	Progress Bar	Action Due Date	Assigned To	Note
CS/1314/GOV001	Code of Corporate Governance	Review Code of Good Governance and report to Audit and PR Committee at next cycle			30-Sep-2013	Angela Wilson	Reported to Audit & Performance Review Committee on 11th December 2013.
CS/1314/GOV002	Service Planning Process	Review Service Planning Process to ensure service user satisfaction information and complaints outcomes are considered			30-Nov-2013	Angela Wilson	New Planning and Performance Framework approved by Corporate Services Committee. This provides a consistent corporate approach to Department and service planning. Monthly complaints reports now issued to CMT with expectation that this also informs service planning.
CS/1314/GOV003	Linkages to Partners' Plans	Review linkages between Community Planning processes and Partners' Plans			30-Sep-2013	Angela Wilson	West Dunbartonshire Single Outcome Agreement (SOA) 2013/14 describes links between community planning

Action Code	Recommendation Title	Recommendation Detail	Status	Progress Bar	Action Due Date	Assigned To	Note
							and key partner plans and activity. This will be further strengthened in new draft of SOA 2014/17.
CS/1314/GOV004	Integrated Performance Reporting Process	Officers should ensure an integrated performance reporting process covering all areas of performance, outcomes and consultation	✓	<div><div>100%</div></div>	30-Sep-2013	Angela Wilson	Complete.
CS/1314/GOV005	Continuous Improvement Strategy	Complete a review of Continuous Improvement Strategy and implement	✓	<div><div>100%</div></div>	30-Sep-2013	Angela Wilson	A review has been done, a revised model piloted and now being implemented on a phased basis.
CS/1314/GOV006	Quality Standards	A corporate approach to defining quality standards to be defined and expectations regarding inclusion of standards within each	✓	<div><div>100%</div></div>	31-May-2014	Angela Wilson	Complete.
CS/1314/GOV007	Scheme of Delegation	Scheme of Delegation to be reviewed on an annual basis	✓	<div><div>100%</div></div>	31-Mar-2014	Angela Wilson	Complete.
CS/1314/GOV008	Risk Management	Implement full scheme of risk management in a corporate and systematic manner, including appropriate reporting mechanisms	✓	<div><div>100%</div></div>	30-Sep-2013	Angela Wilson	A revised Risk Management Strategy and Methodology was approved by the Corporate Services Committee on 13th November 2013.
CS/1314/GOV009	PDP's	PDPs to be rolled-out to all employees by 2017	▶	<div><div>70%</div></div>	31-Mar-2017	The CMT	A targeted approach has been undertaken to implement PDPs across all departments and services. An evaluation has also been completed to assess effectiveness of the process. 70% of employees now have a PDP in place.

Project 2. Improvement Actions for 2013/14

Action Code	Recommendation Title	Recommendation Detail	Status	Progress Bar	Action Due Date	Assigned To
CS/1415/GOV001	Customer / stakeholder feedback	Evidence a systematic approach to gathering customer feedback which is embedded into the service planning process		<div><div></div></div> 0%	31-Mar-2015	Peter Barry
CS/1415/GOV002	Production of Annual Report	Consider the production of an integrated Annual Report covering (published on a timely basis), in addition to financial information, all areas of performance and outcomes and providing reaction to stakeholder / customer views		<div><div></div></div> 0%	31-Oct-2014	Malcolm Bennie; Amanda Coulthard; Gillian McNeilly
CS/1415/GOV003	Quality Standards	Embed corporate approach to quality standards across services		<div><div></div></div> 0%	31-Mar-2015	The CMT
CS/1415/GOV004	Benchmarking	Develop a systematic approach to benchmarking, utilising SPI/KPI information, and other available information		<div><div></div></div> 0%	31-Mar-2015	Peter Barry; Stephen West
CS/1415/GOV005	Reporting of complaints to committees	Review approach to reporting of complaints to committees		<div><div></div></div> 0%	31-Mar-2015	Peter Barry; Peter Hessematt
CS/1415/GOV006	Option Appraisal	Make better use of option appraisal techniques to challenge and document consideration of future choices for the delivery of services		<div><div></div></div> 0%	31-Mar-2015	The CMT
CS/1415/GOV007	Risk Management	Further embed risk management process by creation of full risk registers down to service level in accordance with agreed framework		<div><div></div></div> 0%	31-Mar-2015	Colin McDougall
CS/1415/GOV008	Management of Projects	Develop a standardised project management process for key / strategic project activity, including appropriate recognition of project risk		<div><div></div></div> 0%	31-Mar-2015	Angela Wilson

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: Strategic Risk and Resilience

1. Purpose

- 1.1** The purpose of the report is to provide the Committee with the outcome of the six month assessment of Strategic Risks and an update on progress of resilience planning.

2. Recommendations

- 2.1** It is recommended that Members of the Committee note the contents of this report.

3. Background

- 3.1** At the Council meeting on 26 September 2012, Elected Members approved the Council's Strategic Plan 2012/17. From this plan, six strategic risks were identified.
- 3.2** The Corporate Services Committee approved the Council's revised Business Continuity (BC) Policy and Strategy and Corporate BC Plan on 13 November 2013. Department / Service BC Plans had to be completed by 31 March 2014.

4. Main Issues

Strategic Risk

- 4.1** The Assurance and Improvement Plan Update for 2014-17, recently published by Audit Scotland, records an improving position for risk management for the Council in that "*no specific scrutiny*" is now required compared to the assessment of "*significant scrutiny risks*" in the 2012-15 update report.
- 4.2** In line with the framework, a review of strategic risks has taken place as detailed within Appendix 1. Each risk is managed through internal controls, linked actions and associated milestones with the objective being to reduce or stabilise the level of risk through completion of linked actions over a period of time and / or ensure mitigation factors are adequate should the risks actually materialise. The table below shows the risk score as reported to this Committee last September as the current and target scores. As can be seen from this analysis, the score has

improved for three out of the six strategic risks whilst the other three are unchanged.

<u>Risk</u>	<u>Risk Score reported to A&PRC on 25 September 2013</u>	<u>Current Risk Score</u>	<u>Target Risk Score (31 March 2017)</u>
SR105: Failure to deliver strong financial governance and sustainable budget management	9	9	4
SR106: Council estate and facilities are not fit for purpose	9	6	4
SR107: Failure to develop or implement innovative use of Information Technology	9	6	4
SR108: Lack of strategy / plans / vision to ensure a committed and dynamic workforce	9	6	4
SR109: Failure to embrace opportunities which can be derived from constructive partnership working and joined-up service delivery	6	6	3
SR110: Failure to ensure positive dialogue with local citizens and communities	6	6	3

Department / Service Risk

- 4.3** Departmental management teams have responsibility to embed Department / Service risks within development of plans for 2014/15 which were submitted for approval at appropriate Service Committees in May 2014. This in turn provides evidence of that risk management has become fully embedded across the Council, a feature that can be well demonstrated by pro-active ownership of each risk.

Business Continuity

- 4.4** The Corporate Services Committee approved the revised Business Continuity Policy, Strategy and Corporate Plan in November 2013. Since then in conjunction

with the Business Continuity Coordinator, Department / Service BC plans have been developed and are now in place. These plans cover routine disruptions to service areas, but do not cover major disruptions such as the loss of a primary facility. Specific plans for these scenarios will be developed as appendixes to the Corporate BC Plan.

4.5 The creation of BC plans is simply the start of the BC lifecycle. Testing and exercising of Department BC Plans will rest with the managers responsible for each plan. Self-assessment documentation for Managers to complete is being developed, requiring managers on an annual basis to evidence the adequacy of their BC plans. The results will be used to update plans on an annual basis and will also give the Business Continuity Coordinator the opportunity to target resources to specific plans.

4.6 The Corporate BC Plan will be updated to incorporate the shortfalls exposed in individual Department / service BC plans. It will be updated in June 2014 to ensure it aligns with the Council's planning cycle. Service areas will then have six months to test their BC Plans and complete a self-assessment before targeted support can be delivered by the BC Coordinator. This will become an annual process, known as the BC lifecycle, with the Corporate and service BC plans tested and reviewed on a continual basis.

4.7 Awareness, Testing and Exercises

There is a planned annual cycle of exercising, testing and reviewing existing plans. In addition the Council has made use of a text messaging system to offer local businesses a free service to warn them of local disruptions. The Council have tested the following aspects of its BC arrangements in the past four months:

- 23 January 2014. The Council tested the multi-agency Off-Site Emergency Plan for the NuStar Energy terminal in Clydebank. This exercised the Council's Emergency Management team and associated Care for People arrangements. A full Post Exercise Report was published on 9 April 2014.
- 8 February 2014. ICT, the Contact Centre and the BC Coordinator tested the Extension Mobility function in the VOIP Phone system to ensure their ability to work remotely in the event of a disruption at Rosebery Place, as per their BC Plan.
- 20 February 2014. Members of the Council's BC Group (now Resilience Group) attended Exercise Mass Point, a table-top exercise focusing on the recovery from a terrorist incident during the Commonwealth Games.

Additionally, in line with the Exercise programme, the BC coordinator will arrange for exercises to test the arrangements in place for the following service areas in the coming months:

- May 14: Multi-Agency Table Top Exercise testing communication and resilience plans for the Queen's Baton Relay events in West Dunbartonshire (taking place on 18 July 2014).
- September 2014: Council's Resilience Group – exercise their arrangements as a tactical response.
- October 2014: Given the persistent risk caused by fluvial and coastal flooding in recent years, a multi-agency flood seminar will test the Council's response and recovery arrangements linked to the associated risk.
- November 2014. Educational Services, focusing on supply chain resilience and temporary unavailability of a part of the secondary school PPP estate.

4.8 A presentation to Elected Members took place on 21 May 2014.

5. Personnel Implications

5.1 There are no personnel issues.

6. Financial Implications

6.1 There are no financial implications.

7. Risk Analysis

7.1 Progressing with risk management and business continuity arrangements will demonstrate that effective measures are put in place for the management of risk. The ability to demonstrate risk ownership should benefit the Council in terms of:

- Understanding risk and its potential impact on the Council's priorities and objectives;
- Reducing insurance premiums going forward by recognising that a mature approach to risk management will contribute to a reduction in the number and value of claims across a range of insurance classifications;
- Assisting with establishing priorities;
- Contributing towards incident prevention based upon post-incident investigation;
- Meeting statutory / regulatory requirements;
- Contributing to a better understanding and assessment of major project activity;
- Ensuring better partnership working; and
- Developing robust BC arrangements.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues identified.

9. Consultation

9.1 This report has been subject to consultation with Finance Services and Legal, Democratic & Regulatory Services with no issues identified.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

Angela Wilson
Executive Director of Corporate Services
26 May 2014

Person to Contact: Colin McDougall, Audit and Risk & Manager
Telephone 01389 737436
Email: colin.mcdougall@west-dunbarton.gov.uk

Appendices: Appendix 1 – Strategic Risk Report


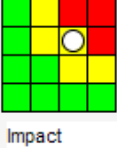
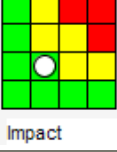
Background Papers: Risk Management Strategy and Methodology
Business Continuity Policy, Strategy and Corporate Plan







Wards Affected: All Wards


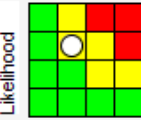
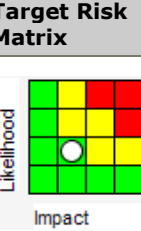
Appendix 1

Strategic Risk Report






Generated on: 22 May 2014


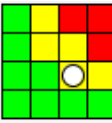
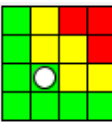






	SR105 Failure to deliver strong financial governance and sustainable budget management	Current Risk Matrix	Current Rating	Last Review Date
Description	The Council fails to deliver strong financial governance through either its budgetary preparation and management processes or maintaining adequate reserves.		9	14-Apr-2014
Potential Effect	Shortfall in finances and therefore the Council is unable to provide all services as intended or fund improvements to services through "spend to save" schemes.		4	31-Mar-2017
Measures of Impact	<ul style="list-style-type: none"> - Additional burdens (e.g. general inflation, tax increases, fuel cost increases, superannuation, high level care costs) - Actual level of Savings achieved in comparison to level of savings agreed by Council - Reduction in government grant - Demographic shifts - Significant overspends - Savings required - Debt collection statistics - Adverse level of capital receipts (planned v actual) - Underutilised assets / occupancy levels - Does the Council have a 10 year Financial Strategy? Yes / No - Procurement Capability Assessment (PCA) 	Latest Note	The range of risks are monitored & considered and on balance the external risks to funding remain high. Significant mitigation controls are in place and planning processes seek to ensure appropriate action is taken at the right time to reduce levels of financial risk to WDC	
Risk Factors	<ul style="list-style-type: none"> - Level of government grant - Lack of time to plan for changes in the level of grant funding - General inflationary factors - Significant additional burdens (see further under "Measures of Impact") - Poor budgetary control arrangements - Ineffective debt collection (e.g. Council Tax, Housing Rents, sundry debtors) - Capital receipts - Welfare Reform - Health and Social Care integration - Implications from the uncertainty of the Referendum on Treasury Management operations 			
Internal Controls	<ul style="list-style-type: none"> - 10 year Financial Strategy subject to regular review - Financial planning - Monitor and maintain General Services and Housing Revenue Account prudential targets - Reporting and monitoring of Treasury Management Strategy - Budgetary control process - Regular budgetary control and savings monitoring reports provided to CMT and Council / committees - Rigorous debt collection processes - Annual Internal Audit Plan - Work of External Auditors (external control) - Annual Governance Statement - Procurement Improvement Plan - Development of controls for Health and Social Care integration 	Managed By	Angela Wilson	
		Assigned To	Gillian McNeilly; Stephen West	
Risk	- Annual exercise to identify efficiencies			


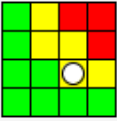
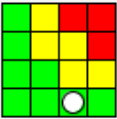
Opportunity	<ul style="list-style-type: none"> - Major projects within the revenue benefits programme (e.g. sales, fees and charges; travel; overtime; training) - Enhance the reputation of the Council as an organisation which manages its finances soundly - Rationalisation of office accommodation 			
Progress of Linked Actions	AIP-110 Review and update the Council's long-term finance strategy and report to Elected Members		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/FAR/02 Continue to deliver a robust and responsive financial management process through accurate BCR and financial reports to CMT, Committee, Council and Board in line with monthly due dates.		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/FAR/03 Deliver a robust and responsive financial management process		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/FAR/04 Continue to improve and deliver the financial statements are prepared on time - WDC/ VJB/ WDLT/Trusts		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/FAR/10 Review ways of increasing council tax collection through process review and benchmarking		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/FAR/11 Improve Housing rent collection rates to meet performance indicator		<input type="text" value="0%"/>	Corporate Services






	SR106 Council estate and facilities are not fit for purpose	Current Risk Matrix	Current Rating	Last Review Date
Description	The Council's assets and facilities are not fully fit for purpose with consequent adverse impact on our ability to deliver efficient and effective services. Included in this assessment is Council's property portfolio, housing stock, roads and lighting, fleet and open space		6	07-Apr-2014
Potential Effect	<ul style="list-style-type: none"> - Assets are not utilised in the most effective and efficient manner - Service cannot be properly delivered to the satisfaction of service users - Service users seek alternative service provision, either locally or by moving to another Council area - Roads network in poor condition 		4	31-Mar-2017
Measures of Impact	<ul style="list-style-type: none"> - Condition surveys - Suitability surveys - Road Condition SPI - Customer perceptions of service delivery - Investment levels in upkeep and improvement of asset base and facilities - Staff satisfaction - Operating costs and savings 	Latest Note We are now in year 1 of the 10 year capital plan and projects have been identified which will begin to address fit for purpose criteria. We are also in year 3 of 3 in delivering condition surveys which will also inform project priorities going forward. The 3 year HRA Capital Investment programme will also add significantly to the shift towards improved, fit for purpose assets. The target for 2013/14 was 75% of Housing Stock compliant with SHQS. The outturn figure was in fact 80%. To optimise impact on both General services and HRA Capital spend revised planning & performance management arrangements have been introduced. Additional capacity to support delivery has been provided for with capital sums determined. In relation to the planned acquisition of Clydebank Rebuilt assets, a plan for how these assets will be integrated into our Estate Management team is being developed.		
Risk Factors	<ul style="list-style-type: none"> - Adequacy of funding available to improve asset base - Adequacy of staff resources allocate to the area of asset management - Council buildings deemed to be unfit for existing purpose - Meeting SHQS by 2015 and maintaining standard in future years - Economic downturn may reduce level of potential capital receipts from surplus property sales - Increased public liability claims due to poor condition of roads network - Planned acquisition of Clydebank rebuilt assets could affect overall estate management performance 			
Internal Controls	<ul style="list-style-type: none"> - Corporate Asset Management Strategy - Schools Estate Strategy - Existence of Asset Management Group with meetings held on a regular basis - Asset management plan - (HRA) Asset Management Group/Plan - Capital plan - Roads and Lighting Asset Implementation Plan - Fleet Asset Implementation - Open Space Asset Implementation Plan 	Managed By	Richard Cairns	
		Assigned To	Ronnie Dinnie; Jim McAloon; Helen Turley	


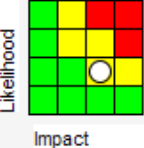
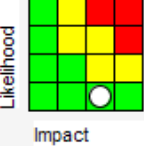










	<ul style="list-style-type: none"> - Detailed asset database that shows relevant information on a property by property basis - Sustainability Policy - Housing Performance Improvement Board - Housing Improvement Plan - Housing Estate Management Strategy 			
Risk Opportunity	<ul style="list-style-type: none"> - Enhance reputation of Council by being able to improve Council estate and service delivery (e.g. new school buildings, Garshake replacement and meeting SHQS)) - Enhance employee "feel good" factor by providing modern office accommodation equipped with up to date IT facilities - Secure external funding for development of assets (e.g. EC, lottery) - Potential acquisition of Clydebank Rebuilt assets could improve income generation. -The implementation of the energy efficient street lighting project will both improve the asset and reduce costs significantly through reduced maintenance, energy consumption and carbon output. 			
Progress of Linked Actions	H/2014/CAM/01 Continue to deliver the condition survey programme for operational buildings in order to prioritise Building upgrades/Renewal.		<div><div>66%</div></div>	Housing, Environmental and Economic Development
	H/2014/CAM/03 Implement year 2 of the Energy Strategy for WDC		<div><div>0%</div></div>	Housing, Environmental and Economic Development
	H/2014/CAM/04 Continue to reduce the Council's Carbon footprint and produce an annual Carbon Reduction Commitment Briefing		<div><div>0%</div></div>	Housing, Environmental and Economic Development
	H/2014/CAM/09 Prioritise and implement a new schools Estate Rationalisation Strategy in partnership with Educational Services		<div><div>0%</div></div>	Housing, Environmental and Economic Development
	H/2014/CAM/10 Year 1 Implementation of the Councils operational capital projects contained within 10 year Capital Plan		<div><div>0%</div></div>	Housing, Environmental and Economic Development
	H/2014/HS/01 Meet the Scottish Housing Quality Standard by 2015		<div><div>75%</div></div>	Housing, Environmental and Economic Development
	H/2014/HS/02 Implement HRA Capital Programme 2014/15		<div><div>42%</div></div>	Housing, Environmental and Economic Development
	H/2014/HS/03 Refresh Housing Asset management plan to identify key risk stock and take appropriate action		<div><div>28%</div></div>	Housing, Environmental and Economic Development
	H/2014/HS/04 Develop and introduce 2015/2020 HRA Capital Plan		<div><div>25%</div></div>	Housing, Environmental and Economic Development
	H/2014/HS/05 Deliver the Scottish Social Housing Charter outcomes		<div><div>50%</div></div>	Housing, Environmental and Economic Development
	H/2014/RT/01 Implement and Continually review Roads Asset Management Plan		<div><div>0%</div></div>	Housing, Environmental and Economic Development

	SR107 Failure to develop or implement innovative use of Information Technology	Current Risk Matrix	Current Rating	Last Review Date																
Description	The risk is that the Council's Information Technology is not sufficiently modernised / brought up to date to enable the delivery of sustainable ICT services to support and enhance the delivery of front line services to the community.	<div>Likelihood</div> <table><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table> <div>Impact</div>																	6	14-May-2014
Potential Effect	A lack of consistent, sufficiently robust planning in respect of ICT arrangements is likely to result in the Council being ill prepared to meet future demands in key service areas and lacking the capacity to respond effectively to changing need.	<div>Likelihood</div> <table><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table> <div>Impact</div>																	4	31-Mar-2017
Measures of Impact	<ul style="list-style-type: none">- Extent of wireless connections in the Council network- Number of ICT Help Desk calls resolved at the first point of contact- Percentage of users of the Council's Contact Centre who are satisfied or very satisfied with the services delivered by the Contact Centre- Extent of functionality development in key Council systems (i.e. lack of development beyond base system leading to ineffective management information)- Fit for purpose Council website, delivering information and services to a significant percentage of the Council's customers- Provide efficient desktop services to meet changing workforce flexibility and property rationalisation requirements- Implementation of mobile and flexible working, enabling a downsizing of required office accommodation through enabling people to work more efficiently and to adopt a more flexible policy towards office accommodation and desk provision- Broadband speed in the Council area	Latest Note	May 14. Implementation phase of ICT Modernisation £4M investment has started and the following technical upgrades are expected to be delivered by October 14: 106 locations will have bandwidth increased.; approximately 40 locations will have local IT network and telephony upgraded and all schools will have wireless installed. A further stage to deliver desktop services differently will start from September 14 with target completion of June 15.																	
Risk Factors	<ul style="list-style-type: none">- Insufficient resourcing of ICT developments so that benefits and opportunities identified are not realised- Poor project and programme change management arrangements- Poor quality of mobile communication provision																			
Internal Controls	<ul style="list-style-type: none">- Information & Communication Technology (ICT) Policy- Governance structures to support integrated planning and decision making in relation to ICT- Use of both internal IT resources from across the Council and skilled specialist advisers in key areas- Fit for purpose data centre (with remote back up site)	Managed By	Angela Wilson																	
		Assigned To	Patricia Kerr																	
Risk Opportunity	<ul style="list-style-type: none">- Provide 21st century state of the art technology for employees and service users- Rationalise IT systems- Use of innovative IT linked service delivery models to effect change- Provide Council employees with secure access to email and supporting systems at times and locations of choice- Provide self service style systems to employees and the local community- Increase the use of electronic document storage and workflow across the Council																			
Progress of Linked Actions	CS/1314/PAT/015 Establish a shared ICT Data Centre with East Dunbartonshire Council		<div>0%</div>																	
	CS/14-15/PAT/01 Implement ICT modernisation project		<div>0%</div>																	
	CS/14-15/PAT/04 Deliver IT technical input to support departmental change projects		<div>0%</div>	Corporate Services																
	CS/EAAP/113 13. Information Communication Technology - Use of unsupported and older software		<div>100%</div>	Corporate Services																






	SR108 Lack of strategy / plans / vision to ensure a committed and dynamic workforce	Current Risk Matrix	Current Rating	Last Review Date
Description	There is a risk that the Council fails to develop and implement a flexible, strategic structured approach to workforce and capacity planning	 Likelihood Impact	6	01-May-2014
Potential Effect	<ul style="list-style-type: none"> - Low staff morale - Inability to deliver services effectively - Reduced level of service - Lack of improvement or increase in staff absences - Council underachieves as an organisation (tick box Council) - Employee conflict 	 Likelihood Impact	4	31-Mar-2017
Measures of Impact	<ul style="list-style-type: none"> - Statistics on staff development - Absence rate - Staff turnover - Grievance and discipline statistics - Staff survey statistics - Reports from external scrutiny bodies and award bodies 	Latest Note		
Risk Factors	<ul style="list-style-type: none"> - Lack of appropriate staff development / skills may be lacking to support new model of service delivery - Lack of capability to deliver - Workforce unable to adapt to change 			
Internal Controls	<ul style="list-style-type: none"> - HR processes designed to meet service delivery needs - Develop new structures to reflect strategic priorities - Align workforce plan to the Council's strategic planning processes (i.e. have the right people available at the right time with the right skills to fulfil properly all of the Council's strategic priorities) - Succession planning - Identify training programmes to reskill staff as identified by training needs analysis - Flexible HR policies, in particular recruitment & selection, learning & development (including elearning), continuous improvement / development flexible working, attendance management, employee wellbeing related policies - Effective use of Occupational Health Service - Robust PDP process - Effective leadership and management behaviours and practice - Maintain the Council's Healthy Working Lives Gold Award 	Managed By	Angela Wilson	
Risk Opportunity	<ul style="list-style-type: none"> - Identify previously unknown skills and talents in the workforce - Realise the potential of staff 	Assigned To	Vicki Rogers	
Progress of Linked Actions	CS/14-15/COMS/04 Lead a communications campaign to support the Attendance Management strategy and reduce absence levels		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/COMS/05 Produce 3 issues of Talk magazine and increase satisfaction levels with the publication amongst staff		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/COMS/06 Lead the Be The Best internal change model to assist employees to feel engaged and valued		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/PAT/09 Implement planned and consistent approach to leadership development		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/PAT/10 Analyse and evaluate current learning and development provision through training review project		<input type="text" value="0%"/>	Corporate Services
	CS/14-15/PAT/11 Lead delivery of the Employee Survey improvement plan and measure impact		<input type="text" value="25%"/>	Corporate Services

	SR109 Failure to embrace opportunities which can be derived from constructive partnership working and joined-up service delivery	Current Risk Matrix	Current Rating	Last Review Date
Description	The Council fails to engage adequately with partnership bodies	 Likelihood Impact	6	14-Apr-2014
Potential Effect	<ul style="list-style-type: none"> - Use of public sector resources not optimised in local area - Council has financial exposure if a partnership relationship fails 	 Likelihood Impact	3	31-Mar-2017
Measures of Impact	<ul style="list-style-type: none"> - No of shared service arrangements made by the Council - Partnership arrangements go off on tangents not related to the original purpose 	Latest Note		
Risk Factors	<ul style="list-style-type: none"> - Reduction in control through partnership arrangements - Council's reputation is adversely affected through a failed partnership arrangement 			
Internal Controls	<ul style="list-style-type: none"> - Ensure that partnership opportunities are considered as an option across all Council services - Robust partnership arrangements (e.g. legal documents, service level agreements) - Align the Council's strategic plan with the Single Outcome Agreement (SOA) - Ensure that partners have signed up to deliver on the outcomes and targets set in the SOA - Develop data sharing protocols with partner agencies - Participate in shared service agenda where it is evidently of benefit to the Council - Participate in Police and reform agenda as it impacts on Council area - Develop code of practice for partnerships which would assist in ensuring consistency across the Council - Develop specific partnership risk register 	Managed By	Angela Wilson	
		Assigned To	Amanda Coulthard	
Risk	- Position West Dunbartonshire as a modernising Council			

Opportunity	- Police and Fire Reform - Shared Services options			
Progress of Linked Actions	CS/12-17/CP/004 lead the development of new framework for Community Engagement across Council and CPP		<div><div>100%</div></div>	Corporate Services
	CS/12-17/CP/011c Promote joint working with partner organisations and shared approaches to meeting legal duties		<div><div>100%</div></div>	Corporate Services
	CS/14-15/CCS/07 Improve partnership working with and capacity of community groups		<div><div>0%</div></div>	Corporate Services
	CS/14-15/CCS/17 Develop and strengthen the new model for community planning to meet national requirements		<div><div>0%</div></div>	Corporate Services
	CS/14-15/CCS/18 Review and implement a new framework for community engagement and empowerment which strengthens the voice of our communities		<div><div>0%</div></div>	Corporate Services

	SR110 Failure to ensure positive dialogue with local citizens and communities	Current Risk Matrix	Current Rating	Last Review Date
Description	The risk is that the Council does not establish or maintain positive communications with local residents and the communities it represents		6	14-Apr-2014
Potential Effect	- Tensions develop with individuals and local community groups		3	31-Mar-2017
Measures of Impact	- Responsiveness to communities PI measures	Latest Note The new framework for community engagement has a focus on involving and engaging with community residents and local citizens in a variety of ways. The strong citizens panel approach will continue to be developed along with a move to more online and telephone based approaches. The success of the budget consultation will be built on for future consultation and engagement exercises and we will continue to share best practice and learn from local partners - joining up our approaches wherever possible. The role out of the neighbourhood management approach will also see us engage with local residents in their own communities in a style not previously used for engagement in this area.		
Risk Factors	Lack of appropriate staff development / skills may be lacking to support new model of service delivery inequity of engagement across the partnership on key local issues council seen as unresponsive to community if feedback from engagement not acted upon apathy within communities leads to little or no engagement some community groups feel their voices are not being heard - Council's reputation is adversely affected through a failed partnership arrangement			
Internal Controls	- Develop mechanisms for public feedback - Develop robust methods for identifying community priorities - Annual budget consultation events - Citizens Panel - Community Council arrangements - Open Forum questions at Council meetings	Managed By	Angela Wilson	
		Assigned To	Amanda Coulthard	
Risk Opportunity	- Community Empowerment and Renewal Bill - Council seen as being open, honest and transparent with the local community			
Progress of Linked Actions	CS/12-17/CP/004 lead the development of new framework for Community Engagement across Council and CPP			Corporate Services
	CS/14-15/CCS/07 Improve partnership working with and capacity of community groups			Corporate Services
	CS/14-15/CCS/17 Develop and strengthen the new model for community planning to meet national requirements			Corporate Services
	CS/14-15/CCS/18 Review and implement a new framework for community engagement and empowerment which strengthens the voice of our communities			Corporate Services
	CS/14-15/CCS/19 Lead the telephone satisfaction survey project			Corporate

	and use the data it generates to assist continuous improvement within the Council.			Services
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Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: Internal Audit Annual Report to 31 March 2014

1. Purpose

- 1.1** The purpose of this report is to advise Members of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2013/14 and to advise Members of the contents of the Assurance Statement given to the Section 95 Officer (the Head of Finance and Resources) in support of the Statement of Internal Financial Control / Governance Statement. This report outlines how audit assurances are obtained.

2. Recommendations

- 2.1** It is recommended that Members note the contents of this report.

3. Background

- 3.1** Attached at Appendix A is information on the completion of the key risk based element of the Audit Plan and the Assurance Statement is included at Appendix B. The report of progress against the overall Audit Plan is attached at Appendix C.
- 3.2** Quarterly progress reports were provided to the Audit and Performance Review Committee during the course of 2013/14. At paragraph 4.6 is detailed main variances in days against the Audit Plan for 2013/14. There was no slippage in Risk Based Audit despite major investigations being undertaken and all assignments necessary to form an opinion on the system of internal control were undertaken.

4. Main Issues

- 4.1** The risk based systems audits contained within the Audit Plan for 2013/14 have been carried out in full. The table included at Appendix A shows the number of agreed actions for each of these reports. The numbers in brackets denotes the number of outstanding actions as at 27 May 2014

- 4.2** On the basis of the key Internal Audit work performed in 2013/14 as summarised in Appendix A, it can be concluded that the Council's control procedures in key areas are operating as expected during the period under review, although it is recognised that 50 recommendations were made by Internal Audit to improve controls of which 33 have now been implemented. None of the outstanding recommendations is overdue. Therefore, the Audit and Risk Manager is pleased to report good progress across the Council on audit recommendations and is of the opinion that reasonable assurance can be placed upon the adequacy and effectiveness of West Dunbartonshire Council's internal control system in the year to 31 March 2014.
- 4.3** The work of Internal Audit, External Audit and any external inspection agencies who reported on the Council's work has been reviewed. Assurances were sought from Executive Directors on the implementation of action plans and recommendations and Executive Directors have been asked to provide assurance statements to the Audit and Risk Manager, including their opinion of the control environment operating within their own service areas.
- 4.4** The Internal Audit Annual Report for 2013/14 included at Appendix B includes the Audit and Risk Manager's independent and objective opinion as to the adequacy and effectiveness on internal controls within the Council.
- 4.5** The report of progress against the overall Audit Plan is attached at Appendix C, with the main variances during the year being as follows:
- Public Interest Disclosure / Contingency / NFI Admin / FOI (52 favourable): There was a reduction on the time required for public interest disclosure and contingency;
 - Corporate Governance (48 favourable): The Audit and Risk Manager's contribution to audit work is not reflected in the 2013/14 annual plan but will be in the 2014/15 plan;
 - Investigations (123 adverse): A number of large investigations have been undertaken during the year;
 - Administration / Staffing (89 adverse): This is mainly due to moving office;
 - Staff Turnover (55 adverse): A new member of staff was recruited 11 weeks after the temporary Internal Auditor left which accounts for the staff turnover adverse variance of 55 days;
 - Computer Audit (28 adverse): A restricted amount was done in-house but it is intended to spend more time on this area of work during 2014/15 by making use of some of the ICT Security Officer's time; and
 - Training / Development (21 adverse): A member of the audit team has been involved in non-audit work which has provided a development opportunity.

- 4.6** By 31st March 2014, 97.4% of the Systems Audit Plan for 2013/14 had been completed. The remaining elements of outstanding work have now been completed with no impact on the Internal Audit Section's ability to deliver the planned Systems Audit work for 2014/15.

5. People Implications

- 5.1** There are no people implications.

6. Financial Implications

- 6.1** There are no financial implications.

7. Risk Analysis

- 7.1** There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide assurances over the Council's system of internal financial control to those charged with governance.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no issues.

9. Consultation

- 9.1** This report has been subject to a check by Legal, Democratic & Regulatory Services.

10. Strategic Assessment

- 10.1** This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

.....
Angela Wilson
Executive Director of Corporate Services
Date: 27 May 2014

Person to Contact: Colin McDougall, Audit and Risk Manager
Telephone (01389) 737436
E-mail: colin.mcdougall@west-dunbarton.gov.uk

Appendix A:	Audit Plan 2013/14: Risk Based Audits Completed
Appendix B:	Assurance Statement for the year ended 31 March 2014 from the Audit and Risk Manager
Appendix C:	Internal Audit Progress Report: 1 April 2013 to 31 March 2014
Background Papers:	None
Wards Affected:	All wards

APPENDIX A**Audit Plan 2013/14: Risk Based Audits Completed**

<u>Report Title</u>	<u>No. Of Agreed Actions</u>			<u>Comments</u>
	<u>High</u>	<u>Medium</u>	<u>Low</u>	
Contract Requirements - Schools	1 (0)	8 (1)	0 (0)	The one o/s action is not yet due
CHCP Carefirst	0 (0)	3 (1)	0 (0)	The one o/s action is not yet due
Budgetary Controls	0 (0)	2 (0)	2 (2)	The two o/s actions are not yet due
Council Tax Recovery and Enforcement	0 (0)	0 (0)	0 (0)	No issues identified from this assignment
Housing Benefit Performance	0 (0)	0 (0)	3 (0)	All actions completed
NDR Billing	0 (0)	1 (0)	1 (0)	All actions completed
Treasury Management	0 (0)	3 (0)	0 (0)	All actions completed
Housing – Insurance	0 (0)	0 (0)	1 (0)	All actions completed
Housing – Tenancy Allocations & Lettings	0 (0)	2 (0)	3 (0)	All actions completed
Protocol – Protocol for the Appointment of Consultants	0 (0)	0 (0)	4 (4)	The four o/s actions are not yet due
Procurement – Corporate Function	0 (0)	0 (0)	4 (2)	The two o/s actions are not yet due
Procurement – Scheme of Delegation	0 (0)	2 (2)	2 (2)	The four o/s actions are not yet due
School & CHCP Trips	0 (0)	5 (2)	3 (1)	The three o/s actions are not yet due
TOTAL	1 (0)	26 (6)	23 (11)	

NB: Figures in () denote actions which remain outstanding

APPENDIX B

Assurance Statement for the year ended 31 March 2014 **from the Audit and Risk Manager**

To the Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Head of Finance and Resources)

As Audit and Risk Manager of West Dunbartonshire Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Group Accounts prepared by the Council for the year ended 31 March 2014.

Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal financial control and to monitor the continuing effectiveness of that system. It is the responsibility of the Audit and Risk Manager to provide an annual overall assessment of the robustness of the internal financial control system.

Sound internal controls

The main objectives of the Council's internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To ensure economic, efficient, effective and safe use of resources and assets;
- To ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

The work of internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Council's Internal Audit Section operates in accordance with the *Public Sector Internal Audit Standards* (The Standards) which have been agreed to be adopted from the 1st April 2013 by the relevant public sector Internal Audit Standard setters. The Standards apply the Institute of Internal Auditors International Standards to the UK Public Sector.

The Internal Audit Section undertakes an annual programme of work based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council. All Internal Audit reports identifying system weaknesses and / or non-compliance with expected controls are brought to the attention of management and the Audit and Performance Review Committee together with appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2014, including risk based systems audits, investigations, follow-up reviews and one-off exercises;
- The assessment of risk completed during reviews of the annual audit plan;
- The assurance statements signed by the Executive Directors on the operation of the internal financial controls for the services for which they were responsible during the year to 31 March 2014;
- The assurance statement signed by the Chief Executive for the overall Council for the year ended 31 March 2014;
- Reports issued by the Council's External Auditors, Audit Scotland, and other review agencies; and
- My knowledge of the Council's governance, risk management and performance monitoring arrangements.

Opinion

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of West Dunbartonshire Council's internal control system in the year to 31 March 2014.

Signature: Colin McDougall

Title: Audit and Risk Manager

Date: 27 May 2014

APPENDIX C**WEST DUNBARTONSHIRE COUNCIL****INTERNAL AUDIT SECTION****PROGRESS REPORT FOR THE PERIOD 1st APRIL 2013 TO 31st March 2014**

CATEGORY	PLANNED TIME (DAYS)	ACTUAL TIME (DAYS)	VARIANCE (DAYS)
Risk Based Audit	405	375	30
Contract / Procurement	80	63	17
Computer Audit	65	37	28
Development	70	41	29
Investigations	269	392	-123
CRSA/Regularity	125	125	0
Corporate Governance	82	34	48
Follow Up	35	20	15
Year-End Procedures	20	11	9
Performance Indicators	30	15	15
Financial Services/Grant Claims	20	30	-10
Pub.Int.Disc/Contingency/NFI Admin/FOI	76	24	52
Administration / Staffing	90	179	-89
Management & Planning	65	49	16
Training / Staff Development	52	73	-21
Leave	343	304	39
Staff Turnover	0	55	-55
TOTAL	1827	1827	0

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: Audit Action Plans

1. Purpose

1.1 The purpose of this report is to advise the Committee of:

- Recently issued Internal Audit action plans; and
- Progress made against action plans previously issued contained within Internal Audit and External Audit reports.

2. Recommendations

2.1 It is recommended that Members consider and note the contents of this report.

3. Background

3.1 When audit reports are issued by External and Internal Audit departmental management agree an action plan in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored and reported to the Audit and Performance Review Committee.

4. Main Issues

4.1 Appendix A contains Internal Audit action plans recently agreed and issued. Appendix B details the outstanding actions on previously issued Internal Audit reports. Appendix C details the outstanding actions for External Audit reports.

5. People Implications

5.1 There are no personnel issues with this report.

6. Financial Implications

6.1 There are no financial implications with this report.

7. Risk Analysis

7.1 The key areas of work performed by both Internal Audit and External Audit are carried out according to a risk based approach that

determines the nature, extent and timing of the required audit assignments.

7.2 Recommendations have timescales for completion in line with the following categories:

Category	Expected implementation timescale
<u>High Risk:</u> Material observations requiring immediate action. These require to be added to the department's risk register	Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed
<u>Medium risk:</u> Significant observations requiring reasonably urgent action.	Generally, complete implementation of recommendations within six months of action plan being agreed
<u>Low risk:</u> Minor observations which require action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management.	Generally, complete implementation of recommendations within twelve months of action plan being agreed

8. Equalities Impact Assessment (EIA)

8.1 There are no issues identified.

9. Consultation

9.1 This report has been subject to a check by Legal, Democratic & Regulatory Services.

10. Strategic Assessment

10.1 This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

.....
Angela Wilson
Executive Director of Corporate Services
Date: 29 May 2014

Person to Contact: Colin McDougall, Audit and Risk Manager
Telephone 01389 737436
E-mail – colin.mcdougall@west-dunbarton.gov.uk

Appendices: A - Internal Audit Reports (Recently Issued)
B - Internal Audit Reports (Previously Issued)
C - External Audit Reports






Background Papers: Internal Audit Reports
External Audit Reports

Wards Affected: All Wards


Appendix A





Internal Audit Reports (Recently Issued)

Generated on: 29 May 2014



Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed



Project 65. CareFirst System (Report issued March 2014)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Public Services Network Compliance</u> WDC should negotiate with the supplier, OLM, to ensure that all component parts of the CareFirst suite are kept up to date with the latest security fixes to ensure compliance with the Public Services Network. (Medium Risk)	A number of issues with the Carefirst system were identified during the penetration test and were subsequently resolved. Only one issue remains outstanding and this is classified as a 'significant medium' risk (6.4 on the CVSS scale). An upgrade to the system should be completed by June 2014 to resolve this issue (this was initially due by March but has been postponed until June 14 by OLM)		<div><div>11%</div></div>	30-Jun-2014	30-Jun-2014	Brian Miller; Jacqueline Pender	May 14. Supplier liaison underway regarding technical environment and costs for application upgrade consultancy.


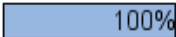
Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>2. Data Management and Retention</u> It is recommended that CHCP investigate the possibilities of completing data management exercises, which could: <ul style="list-style-type: none"> - improve the operation of the system - assist the care provided - ensure compliance with the Scottish Council on Archives' retention schedules. Data Management is an on-going exercise and should be carried out regularly. (Medium Risk) 	A data management programme has now started, initially by deleting records where the client is deceased. Another member of staff has now been assigned the task of checking records that have not been accessed. This will now form part of the day to day remit of the CareFirst Team. The other members of the team will assist when they can to expedite this piece of work and bring the system in line with the retention schedules		 100%	04-Apr-2014	04-Apr-2014	Jacqueline Pender	
<u>3. CareFirst System Access</u> The appropriate staff should be reminded of the sensitive nature of much of the information held within CareFirst and the importance of ensuring that access is only granted to those with a continuing need to view this information. (Medium Risk)	Reminders have been issued to the appropriate staff.		 100%	04-Apr-2014	04-Apr-2014	Jacqueline Pender	



Project 66. Non Domestic Rates Billing (Report issued March 2014)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Procedures Manual</u> It is recommended that a comprehensive and up-to-date set of manuals is prepared as soon as possible. (Medium Risk)	Procedures and practices are continuing to be reviewed and procedures are documented on an on-going basis in light of any new legislation or		 100%	30-Apr-2014	30-Apr-2014	Karen Shannon	Manual completed and will be maintained for any new procedures on an ongoing basis.




Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	changes within the service.						
<u>2. Review of Bill Suppressions</u> Staff should not check their own suppressions, so the validity of these should be checked by the Section Head. (Low Risk)	Senior staff currently check the follow up report which details any accounts that are suspended to ensure that all suppressions are appropriately checked by another member of staff. Senior reviewing staff initial and date this report when done. Senior staff should not suspend any NDR accounts unless in exceptional circumstances. Should this be necessary and they are checking the follow up report then they will get another senior member to review their suspension, which they will evidence that they have checked. (Low Risk)		 100%	04-Apr-2014	04-Apr-2014	Karen Shannon	

Project 67. Budgetary Control Audit (Report issued April 2014)


Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Incorrect processing of virements in Agresso</u> It is recommended that procedures should be put in place by the Agresso Team to identify and investigate virements that do not commence from period 1 - (Medium risk)	The business units will be reminded that ledger input and output from virements should be independently checked for correctness. In future the Agresso team will run a budget query to verify that the upload		 100%	30-Apr-2014	30-Apr-2014	Adrian Gray; Gillian McNeilly	Email sent to all staff 7/4/14 reminding them to check the correctness & instructing the agresso team to verify upload




Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	has been successful.						
<u>2. Virements were not authorised</u> It is recommended that going forward all LT virements request should be raised by completing correct form and authorised by the correct personnel before processing in Agresso - (Medium risk)	With a view to following the best practice going forward a form will be put in place with appropriate authorisation. In future Agresso team will require a signed form prior to processing a LT virement.		<div><div>100%</div></div>	30-Apr-2014	30-Apr-2014	Adrian Gray; Gillian McNeilly	Email sent to all staff involved on 7/4/14 advising of the signed form prior to processing a WDLT virement
<u>3. Potential control weakness exist in relation to non-upload of capital budget into Agresso</u> a) It is recommended that consistent, agreed and approved upload procedures for capital budgets should be in place and any variation should require the procedures to be updated and approved - (Low risk) b) It is recommended that consideration should be given to upload all capital budgets into Agresso going forward - (Low risk)	All capital budgets will be uploaded into Agresso from 2014/15 onwards.		<div><div>50%</div></div>	30-Jun-2014	30-Jun-2014	Gillian McNeilly; Jennifer Ogilvie	Budgets for 2014/15 are due to be uploaded during June 2014


Project 68. Housing Benefit Performance May 2014

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Audit Checklist</u> The Audit Checklist should be retained on file in all instances where a file has been checked by a supervisor. (Low Risk)	Supervisors will be reminded to retain documentation on file.		<div><div>100%</div></div>	08-May-2014	08-May-2014	Marion Smith	Complete.
<u>2. Audit Checklist</u> There should be a section on the checklist where the supervisor confirms that the calculation of the amount of benefit due is correct. (Low Risk)	Wording of action on checklist to be amended from 'Input correct' to 'Benefit awarded correct'.		<div><div>100%</div></div>	08-May-2014	08-May-2014	Marion Smith	Complete.
<u>3. Quarterly PI's</u> Consideration should be given to introducing test checks to ensure more accurate data on the PI's. (Low Risk)	These PI's are local PI's and used for management information only. Consideration will be given to carrying out test checks.		<div><div>100%</div></div>	31-May-2014	31-May-2014	Marion Smith	Complete.



Project 69. Procurement - Protocol for the Appointment of Consultants (Report issued May 2014)



Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Contract Above Tender Threshold</u> The correct tendering process should be followed for all procurement contracts in accordance with the Financial Regulations. (Low Risk)	The Access to Employment Co-ordinator attended Procurement Awareness training on 03/03/14. The Access to Employment Co-ordinator and the 2 Training Officers responsible for VQ provision will meet with Procurement Services on		<div><div>0%</div></div>	31-Aug-2014	31-Aug-2014	Michael Gill	

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	08/07/14. A review of all current procurement arrangements with Colleges and private training providers will be undertaken and an Employability Service Procurement Protocol will be written and agreed.						
<u>2. Project Report</u> Contract payments should be monitored in order to ensure that they do not exceed the agreed amount. (Low Risk)	A new contract monitoring spread sheet has been designed to ensure that all payments are agreed and recorded at the commencement of the contract. As payments are made they will be highlighted as paid on the spread sheet and also on each individual Training Agreement.		<div>0%</div>	30-Jun-2014	30-Jun-2014	Michael Gill	
<u>3. Satisfied with Consultants</u> There should be written confirmation of satisfaction that consultants have properly fulfilled their responsibilities before final payments were approved. (Low Risk)	Final payments are paid based on the completion of a Vocational Qualification by each individual apprentice. As each apprentice completes the qualification a satisfaction checklist will be completed and checked by a team leader prior to final payment.		<div>0%</div>	30-Jun-2014	30-Jun-2014	Michael Gill	
<u>3. Missing Documentation</u> All relevant documentation should be retained in a way that it is retrievable when required.	Documents are normally retained in compliance with WDC Detailed schedules of recommended		<div>0%</div>	31-Aug-2014	31-Aug-2014	Jack McAulay	

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
(Low Risk)	document retention periods. Record list maintained by Administrative section. This will be checked and staff toolbox talk undertaken to advise all responsible staff of need to be compliant with WDC Detailed schedules of recommended document retention periods.						
<u>4. Variation to Contract</u> Approval for tenders should be made by committee in all applicable cases in accordance with the Financial Regulations. (Low Risk)	All staff will be reminded through staff briefing to be compliant with Financial regulations, however with the Procurement Section being engaged in the procurement of all future contracts this should be achieved through joint working processes.		<div>0%</div>	31-Aug-2014	31-Aug-2014	Jack McAulay	






Project 70. Procurement - Scheme of Delegation (Report issued May 2014)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Checks of Delegated Purchasing Levels</u> The submission of returns from HEED should be completed in full. (Medium Risk)	Agreed, this will be done.		<div>0%</div>	30-Jun-2014	30-Jun-2014	Richard Cairns	
<u>2. Payments in Advance</u> Creditors Management should remind departments of their financial	An email will be issued to all services.		<div>0%</div>	30-Jun-2014	30-Jun-2014	Arun Menon	


Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
responsibility that in general payments must not be made in advance of receiving goods. They should also liaise with Legal and Procurement to ensure adequate controls are in place. (Medium Risk)							
<u>3. Exception Reports</u> Creditors Management should ensure that exception reports are produced and acted upon on a regular basis, e.g. duplicate payments, payments above a certain threshold etc. (Low Risk)	Creditors exception reporting is done for large invoices, duplicate invoices. In addition to this reports have been developed re communicating with departments about invoices paid late. As part of the External Audit recommendation, Creditors will also review exception reports for invoices processed but not paid. This is usually when there are credit notes exceeding the value of the outstanding invoice.		<div>0%</div>	30-Jun-2014	30-Jun-2014	Karen Shannon	
<u>4. Compliance with Scheme of Delegation</u> Creditors Management should inform departments of the requirement to comply with the Scheme of Delegation as per the authorisation and approval levels provided by each respective department. (Low Risk)	This will be undertaken once all returns for the approval levels for authorisation of invoices is received.		<div>0%</div>	30-Jun-2014	30-Jun-2014	Arun Menon	

Appendix B Internal Audit Reports (Previously Issued)


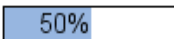

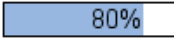
Generated on: 29 May 2014

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed



Project 58. Contract Requirements - Schools (Report Issued July 2013)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>6. Increase to Janitors' Pension Contributions</u> The PPP Schools Monitoring Officer should ensure that pension contribution reconciliations between notional and actual employer's contributions are obtained from the contractor in respect of the contract years since 27 June 2011 and that the appropriate financial adjustments are made. Medium Risk.	<ul style="list-style-type: none"> PMO will confirm formally with BAM FM that no reconciliation payment had been due to the Authority since 27th June 2011. Formally request a response from BAM FM annually at the end of each Contract Period end, regarding any such reconciliation payment due from each party. 		<div><div>50%</div></div>	10-Dec-2014	10-Dec-2014	Stephen Ross	A full scheme valuation is carried out every 3 years and the last was carried out November 2011. The next full valuation is March 2014, and details released November 2014. 13/03/14 Email sent to SPV/BAM FM enquiring on March preview, and that all necessary WDC input submitted. 02/05/14 Update raised as an agenda item within Project Liaison Committee (WDC/BAM FM/BAM PPP).



Project 60. Procurement Corporate Function 13-14 (Report Issued December 2013)

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Procurement Risk Register The action identified to mitigate the risk of suppliers failing to perform to agreed standards should be implemented ie. Implement strategic sourcing toolkit. Low Risk	Agreed. This is an action in our 2013/14 Service Plan and development and delivery will continue into 2014/15.			31-Dec-2014	31-Dec-2014	Angela Salmons	The supplier relationship management policy and process was developed last year and approved in March 2013. This is now being rolled out to all departments and key strategic suppliers are being selected to work with. This action will carry into 2014/15.
2. Monitoring of Procurement Spending Procurement should monitor the volumes / quantities of goods procured in order to assess levels of demand and investigate instances of increase. Low Risk	At the moment this is done as and when a tender is being developed for market. We have an action in our 2013/14 Service Plan to develop reports in this area and this will continue into 2014/15.			31-Dec-2014	31-Dec-2014	Angela Salmons	As noted in the report comments, this is part of the tender process for each area and will be done at the point of each tender. The remaining aspect is to develop a report from the system which shows the demand. This action will carry into 2014/15.

Project 61. CHCP Excursions S.014.13 (Report Issued December 2013)






Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Excursions Policy CHCP should participate in a working group to produce a policy to comply with the framework published by the Scottish Government and record the associated risk. (Medium Risk)	CHCP will participate in a working group to produce a policy to comply with the framework published by the Scottish Government.			31-Dec-2014	31-Dec-2014	Paula Godfrey	

Project 62. Educational Excursions S.014.13 (Report Issued December 2013)


Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1. Excursion Policy to be Updated</u> The Education department should participate in a working group to update the policy to comply with the framework published by the Scottish Government. (Medium Risk)	The Education department will participate in a working group to update the policy to comply with the framework published by the Scottish Government.		<div>0%</div>	31-Dec-2014	31-Dec-2014	Laura Mason	On track to be completed by December 2014 as planned.
<u>7. Risk Not Included in Risk Register</u> Education should record the risk presented to the department by excursions and show that they manage / mitigate the risks. (low Risk)	Education Excursion Risk Register to be implemented.		<div>0%</div>	31-Dec-2014	31-Dec-2014	Laura Mason	On track to be completed by December 2014 as planned.

Appendix C External Audit Reports

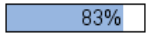






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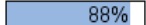






Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Project 14. WDC 2012/13 Review of Governance Arrangements and Main Financial Systems Report. Issued June 2013.

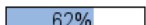


Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<p>11. Information Communication Technology - Disaster Recovery Plan The ICT department has recently produced a high level disaster recovery plan however further work is required to complete the supporting documentation which underpins the overall plan.</p> <p><u>Risk:</u> The Council might not be able to protect and/or recover their ICT infrastructure in the event of a disaster.</p>	ICT will continue to document and test DR plans for each critical system.		<div><div>25%</div></div>	31-Mar-2014	30-Jun-2015	Brian Miller	April 14. A change to the due date has been agreed with External Auditor as the underlying technical infrastructure will change as part of the ICT Modernisation project delivery.




Project 13. Annual Report on the 2011/12 Audit

Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
4. Debt Levels: A comparative review of the draft financial statements of all 32 local authorities highlighted that the Council has some of the highest levels of debt per head of population, as a proportion of fixed assets and as a proportion of net spend. Risk: Servicing the debt may not represent value for money and may have a detrimental impact on service delivery.		31-Mar-2013	30-Nov-2013	CS/EAAP/092a	The Council's Treasury Policy is reviewed on an annual basis to ensure that the Council operates within Prudential limits and that the debt repayments are affordable.			31-Mar-2013	Stephen West	Treasury Strategy and Prudential Indicators for 2013/14 agreed by Council on 27 March 2013.
				CS/EAAP/092b	A financial plan has been developed identifying required rent increases in order to service the debt. This plan will remain under review in order to consider its ongoing affordability.			30-Sep-2013	Stephen West	Full review of the plan based on data from the 100% Housing Stock Condition Survey has been delayed - as officers are awaiting final survey outcomes from the surveyors. It is now anticipated that this will be available by 31 March 2014.
				CS/EAAP/092c	The General Fund debt includes future payments for PPP schools which a number of other Councils do not have. The cost of servicing these repayments will continue to be planned within the Council's financial strategy. Future options for new capital investment are under consideration in the long term capital plan and means of funding these which minimise effect on the revenue account are			06-Feb-2013	Stephen West	In setting the Council budget for 2013/14 the appropriate PPP costs were budgeted.

					under consideration.					
10. Scottish Housing Quality Standards: The Council have a duty to ensure 100% of housing stock complies with SHQS by 2015. Retention of the housing stock affords greater control over delivery of SHQS but also creates additional financial pressure on the Council. Risk: The Council may fail to meet the SHQS 2015 deadline.		31-Mar-2015	31-Mar-2015	CS/EAAP/098a	In agreeing to retain the Council's housing stock, members were presented with details as to the level of investment to fund the achievement of SHQS and the expected levels of rent increases required to pay for the borrowing required to fund the improvements. Progress towards achieving SHQS will be monitored by HEED and the Chief Executive.			31-Mar-2015	Helen Turley	The Council has reported 83% compliance with the SHQS which is 8% ahead of the target (75%) and is reflective of a proactive strategic approach to housing asset management.
				CS/EAAP/098b	In addition the HRA capital plan is aligned to the achievement of SHQS on time and linked to the expected performance improvement arising from the use of flexible framework contracts it is expected that SHQS will be attained on time.			31-Mar-2015	Helen Turley	Stock Condition Survey completed and incorporated into HRA Capital Plan to 6 February 2014 Council.
				CS/EAAP/098c	CMT monitors progress in relation to the capital plan on a regular basis and this is also regularly reported to HEED Committee and Council.			31-Mar-2015	Richard Cairns	Reports to SAMG/SMT and then to CMT.

Project 15. Annual Report on the 2012/13 Audit

Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
4. Financial Pressure: The Council currently has an assumed		31-Aug-2016	31-Aug-2016	CS/EAAP/117a	The Long Term Financial Strategy going to Council on 30 October 2013 asks CMT to identify efficiencies for			30-Oct-2013	Stephen West	Updated Long Term Financial Strategy provided to and agreed by Council

<p>cumulative funding gap of £21.68 million over the period 2013/14 - 2016/17 and continues to face an increase in demand for services due to the current economic climate and changes in demography.</p> <p>Risk: The Council may not be able to generate efficiencies and savings to bridge the funding gap.</p>					forward planning to meet the anticipated gap.					on 30 October 2013.
				CS/EAAP/117b	Updates of the Long Term Financial Strategy will be presented to Council on at least an annual basis to update the projections as new information becomes available.	<div><div>25%</div></div>		31-Aug-2016	Stephen West	Long Term Financial Strategy provided to Council on 30 October 2013. Further updates will be provided on an ongoing annual basis.
<p>6. Rent Arrears: The Council have the fifth highest gross housing rent arrears as a proportion of HRA dwelling rents in Scotland. This is likely to be further impacted by welfare reform and the rent increases required to fund the capital programme designed to meet the SHQS by 2015.</p> <p>Risk: Escalation of rent arrears may lead to a significant loss of income and jeopardise delivery of the</p>	<div><div>66%</div></div>	04-Feb-2015	04-Feb-2015	CS/EAAP/119a	The position of rent collection will be monitored and reported as part of the regular budgetary control process.	<div><div>100%</div></div>		30-Nov-2013	Stephen West	Rent collection is reported to HEED Committee and Council as part of Budgetary Control report on HRA revenue account on a regular basis. The rent collection performance is considered in relation to the income and bad debt provision position.
				CS/EAAP/119b	The expected impact of welfare reform will be provided for within new revenue budgets for the HRA	<div><div>33%</div></div>		04-Feb-2015	Stephen West	Work on producing the HRA budget for 2014/15 and onwards has commenced and is progressing well. This process includes consideration of

HRA capital programme.										likely impact of welfare reform on ability to collect rents. This will continue into future years.
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WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: National Fraud Initiative 2012/13 – Progress Report

1. Purpose

- 1.1** The purpose of this report is to advise Members of the results from investigating matched datasets provided to the Council through participation in the National Fraud Initiative 2012/13.

2. Recommendations

- 2.1** It is recommended that the committee note the contents of this report.

3. Background

- 3.1** The National Fraud Initiative (“NFI”) in Scotland is Audit Scotland’s data matching exercise that takes place every two years in line with the Audit Commission’s NFI timetable. The NFI is designed to help participating bodies identify possible cases of fraud or error and detect and correct any consequential overpayments from the public purse. A previous report on this NFI activity was submitted to the Audit and Performance Review Committee on 11 December 2013.

- 3.2** A new exercise has recently started, involving the matching of Council Tax data to Electoral Register data with the principal objective being to identify instances where the Council Tax single person’s discount has been incorrectly awarded.

4. Main Issues

- 4.1** Filtering facilities within the database allow the number of cases to be reduced according to a pre-determined set of criteria. This is known as the “recommended filter”. A total of 6,945 matched items was provided to WDC for investigation, with 1,299 (18.7%) of these items being classified as “recommended filter matches”.

- 4.2** The WDC approach to investigating these datasets has been to:

- Initially investigate all individual cases listed through using the “recommended filter” feature; and
- Review other cases, in order to determine if there is anything else of note, particularly where the amounts reported are relatively high.

The investigation of matched datasets by WDC is shared between Internal Audit and the Benefit Investigation Team.

- 4.3** A summary of progress as at 7th May 2014 on the examination of individual matches is as follows:

<u>Details</u>	<u>Recommended Matches</u>	<u>Other Matches</u>	<u>TOTAL</u>	<u>Value</u>
Matches cleared with no further action	1040	763	1803	0
Matches where fraud discovered	9	0	9	£39,748
Matches where overpayment discovered	8	15	23	£88,177
Matches where Investigations are in progress	40	11	51	Unknown
TOTAL	1097	789	1886	£127,925

- 4.4** Included in the total at 4.3 are 1,097 matches (84%) of the 1,299 recommended filter matches and 789 non recommended filter matches. To date all but 202 of the recommended filter matches have been investigated, and work continues to follow-up on these remaining matches, although some are dependent on other bodies supplying information to us for many of these matches.
- 4.5** Following investigation of matches a number of cases of fraud have been identified valued at £39,748 all of which relates to Benefit Fraud. Action is underway to recover £35,375 and the balance of £4,373 relates to Income Support and is being collected by DWP.
- 4.6** Investigations have also identified £88,177 of overpayments. Of the total £15,937 relates to 10 cases involving benefit overpayments which were errors and £72,240 involves 13 cases of overpayments to creditors.
- 4.7** Recovery of benefit overpayments is achieved via clawback of continuing benefit or where individuals are no longer in receipt of benefit an account will be issued.
- 4.8** The creditor's data submitted covered a 4 year period 2009/10 to 2012/13. Internal Audit and the Creditors Section are in discussion regarding the incidence of overpayments in the creditors system and the actions required to reduce the likelihood of this recurring. A total of £67,058 of creditors overpayments have been recovered with an amount £567 still being discussed with a supplier. Two suppliers owing a total of £4,615 have ceased trading and so there is no prospect of collecting these amounts.

4.9 Investigation work on data provided from the matching of Council Tax data to the Electoral Register data is at an early stage and further information will be provided in due course to this Committee.

5. People Implications

5.1 There are no personnel implications with this report.

6 Financial Implications

6.1 There are no financial implications other than those identified above.

7. Risk Analysis

7.1 If matched dataset cases are not investigated sufficiently, particularly the “recommended filter” matches (see Section 4 above), there is a risk that instances of error and fraud may not be detected.

8. Equalities Impact Assessment (EIA)

8.1 EIA is not appropriate.

9. Consultation

9.1 Consultation has taken place with Finance Services and Legal, Democratic and Regulatory Services and neither have reported any issues with this report.

10. Strategic Assessment

10.1 Participation with the National Fraud Initiative Exercise contributes to Council's strategic priorities by identifying and taking action to stop, reduce and recover fraud and error.

.....
Angela Wilson
Executive Director of Corporate Services
Date: 28th May 2014

Person to Contact: Colin McDougall, Audit and Risk Manager,
Council Offices, Garshake Road, Dumbarton
Telephone (01389-737436).
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Appendices: None

Background Papers: Audit and Performance Review Committee (11 December 2013) National Fraud Initiative 2012/13 – Progress Report

Wards Affected: All Wards

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: Audit Scotland Report: *Options appraisal: are you getting it right?*

1. Purpose

- 1.1** The report is to provide Members with information regarding a report recently published by Audit Scotland.
- 1.2** The Audit Scotland report provides a set of key messages for councils to consider.

2. Recommendations

- 2.1** Members are asked to consider the report the set of questions at Appendix 2 of the report and agree that:
 - i) a fuller consideration of the issues should form part of a Members Seminar to be arranged at a future date; and
 - ii) the contents of the report should be used as development route to challenge senior managers in consideration of future options for the delivery of services.

3. Background

- 3.1** The Accounts Commission and Audit Scotland are interested in the development of best value and how councils manage resources. The attached report from Audit Scotland is the latest in a series of reports under the “how councils work” series and provides councils with information which may be helpful in considering whether best value is being achieved.
- 3.2** The report highlights the importance of councils using rigorous options appraisals to:
 - deliver efficient and effective services to local communities; and
 - show they are achieving Best Value.
- 3.3** This report is intended as the first of two reports on options appraisal. A further report will include a study of existing practice in councils in how they undertake options appraisals

4. Main Issues

4.1 The report identifies a number of key messages for councils:

- The Accounts Commission report '*Responding to challenges and change: An overview of local government in Scotland*' highlighted that demand and resource pressures continue to build for councils, with one of the key recommendations being that councils should 'ensure rigorous and challenging appraisal of options for delivering services';
- Everything a council does has its roots in legislation but councils retain substantial discretion on how services are delivered and by whom.
- Councils need to consider a wide range of options when considering what services to provide and how to deliver them. They must assure themselves that the services they are providing are value for money, efficient and effective and demonstrate Best Value through continuous improvement. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.
- Councillors and officers need to be open to considering a broad range of options for delivering services. This might involve providing services in a different way, or even not providing some services at all. A robust options appraisal helps councils make such important decisions and provides assurance that all the relevant issues, including quality, cost and risk have been considered. It also helps to ensure that decisions are transparent and based on solid information.
- It is vital that councils clearly define the objectives of any options appraisal process. This might be about providing services in a different way to better meet the needs of residents, it might be about making existing services more effective or it may be about making savings to provide resources for other higher-priority areas. When deciding on the objectives, a council needs to ensure that the possible outcomes of any options appraisal are consistent with its strategic policy objectives.
- As with any process, options appraisal needs to be resourced properly to ensure that it works well. This involves devoting the appropriate time, money, skills and experience to ensure that sound decisions are made. The process needs to be proportionate to the significance of the decision to be made.

4.2 The report contains at Appendix 2 a set of questions for councillors to consider. It is planned to discuss this set of questions at a future Elected Members Seminar.

- 4.3 There is also at Appendix 3 a set of questions for officers. These will be used to review the current option appraisal processes undertaken and identify potential training needs.

5. People Implications

- 5.1 There are no personnel issues with this report.

6. Financial Implications

- 6.1 There are no financial implications with this report.

7. Risk Analysis

- 7.1 An effective options appraisal approach will assist in mitigating the risk of resources not being used in the most efficient and effective manner or inappropriate decisions being made.

8. Equalities Impact Assessment (EIA)

- 8.1 There are no issues identified.

9. Consultation

- 9.1 This report has been subject to a check by Legal, Democratic & Regulatory Services.

10. Strategic Assessment

- 10.1 This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

.....
Angela Wilson
Executive Director of Corporate Services
Date: 22 May 2014

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E-mail: stephen.west@west-dunbarton.gov.uk

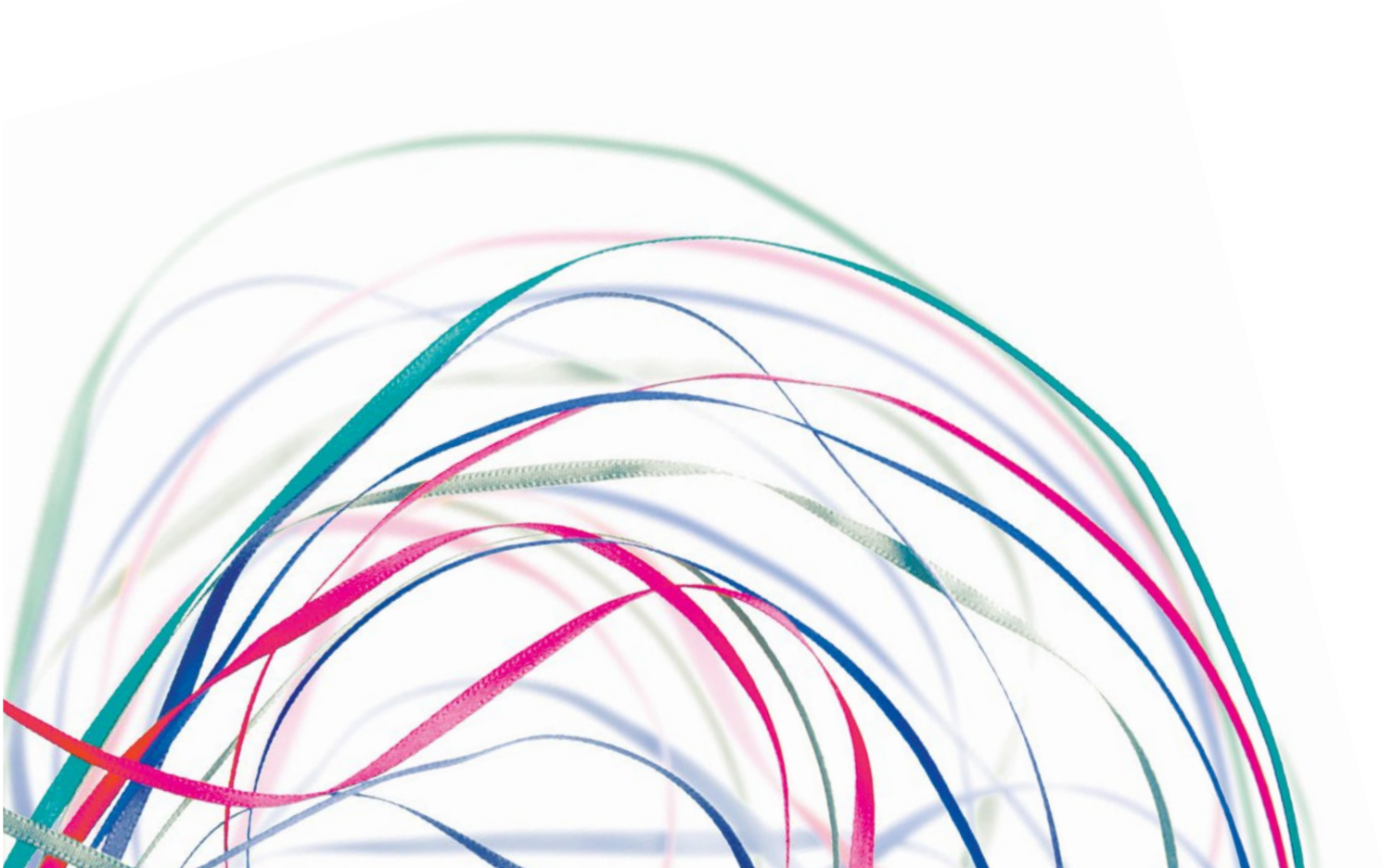
Appendices: Audit Scotland Report: *Options appraisal: are you getting it right?*

Background Papers: None

Wards Affected: All Wards

How councils work:
an improvement series for councillors and officers

Options appraisal: are you getting it right?



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
March 2014



The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

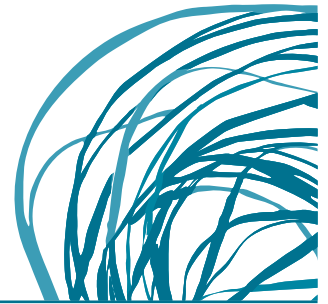
Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about/ac 

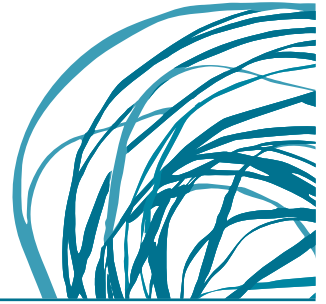
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Background



Who is this report for?

1. This report is for:

- **Councillors** – who are responsible for setting strategic direction, taking policy decisions and scrutinising performance. [Part 1 \(page 9\)](#) focuses on the crucial role that councillors have in ensuring that a wide range of options are considered when deciding what services their council should provide and how they are delivered. Councillors also have a leadership role in the options appraisal process itself. Councillors must have the information and support they need to enable them to do this. [Appendix 2 \(page 31\)](#) offers a set of prompt questions which councillors should use to critically appraise arrangements in their council.
- **Chief executives and corporate management teams** – who are responsible for delivering the council's objectives and ensuring that councillors receive the information they need to make informed decisions.
- **Managers** – who are responsible for managing a robust options appraisal process.

2. [Part 2 \(page 15\)](#) is of a more technical nature. Both councillors and managers are encouraged to read it, but its principal target is practitioners engaged in the preparation, implementation and review of options appraisals.

3. We want this report to stimulate discussion among councillors and managers and to support change and improvement. This is critical given the current financial climate and the need to challenge existing ways of doing things. The report supports councillors and officers by signposting sources of information and guidance. We have also included checklists that we hope councillors and officers will find helpful.

4. This report covers:

- The leadership role that councillors have in the options appraisal process.
- Identifying the main options for delivering services and critically assessing them.
- Implementing the decision and monitoring performance.
- Managing an options appraisal process.

What do auditors say?



These boxes appear throughout this report. They have been drawn from Accounts Commission and Audit Scotland audit reports.

Want to know more?



There is a wide range of guidance material available on options appraisal. We reference this material in the report where appropriate.

About our 'how councils work' series

5. The Accounts Commission seeks to support developments in Best Value and how to manage resources such as people and finance. We recognise these as two components vital to successfully delivering council services.

6. Our 'how councils work' series of reports aims to stimulate change and improve performance. We select topics based on the recurring themes and issues from our Best Value audit work, the work of local auditors and our annual overview report.

7. This is the seventh report in the series. Previous reports have examined:

- [The roles, responsibilities and working relationships of councillors and council officers in achieving best value \(PDF\)](#) (August 2010).
- [The relationships between councils and their ALEOs \(arm's-length external organisations\) \(PDF\)](#) (June 2011).
- [The importance of good-quality cost information in policy decision-making and scrutinising performance \(PDF\)](#) (May 2012).
- [The importance of effective performance-management systems \(PDF\)](#) (October 2012).
- [Good practice guide for councils in managing major capital investment \(PDF\)](#) (March 2013).
- [Charging for services \(PDF\)](#) (October 2013).

8. All reports are available on Audit Scotland's website, www.audit-scotland.gov.uk .

9. This report highlights the importance of councils using rigorous options appraisals to:


- deliver efficient and effective services to local communities
- show they are achieving Best Value.

10. We have worked with the Improvement Service in developing this report and we are grateful for their contribution. We also shared the draft report with some councillors from a number of councils and thank them for their comments.

11. This report is intended as the first of two reports on options appraisal. A follow-up report will consider existing practice in councils on how they undertake options appraisals.

Key messages

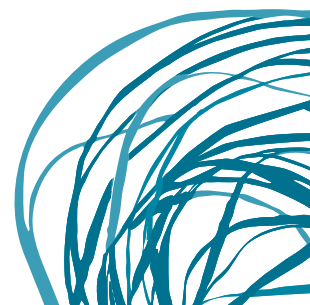


- 1** There are many challenges facing councils, the most pressing being the need to manage financial pressures and the increasing demands on services. The Accounts Commission report [*Responding to challenges and change: An overview of local government in Scotland 2013* \(PDF\)](#)  highlighted that demand and resource pressures continue to build for councils. One of our key recommendations was that councils should 'ensure rigorous and challenging appraisal of options for delivering services.'
- 2** Everything a council does has its roots in legislation. Some services are more prescribed in legislation than others, for example the collection of council tax and business rates. For other services, councils have a lot of discretion on the level of service provided. Even for those services where there is some prescription, it is relatively limited and councils retain substantial discretion on how services are delivered and by whom.
- 3** Councils need to consider a wide range of options when considering what services to provide and how to deliver them. They must assure themselves that the services they are providing are value for money, efficient and effective and demonstrate Best Value through continuous improvement. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.
- 4** Councillors and officers need to be open to considering a broad range of options for delivering services. This might involve providing services in a different way, or even not providing some services at all. These are difficult decisions to make as they affect residents and customers, partner organisations and council staff. A robust options appraisal helps councils make these important decisions and provides assurance that all the relevant issues, including quality, cost and risk have been considered. It also helps to ensure that decisions are transparent and based on solid information.
- 5** It is vital that councils clearly define the objectives of any options appraisal process. This might be about providing services in a different way to better meet the needs of residents, it might be about making existing services more effective or it may be about making savings to provide resources for other higher-priority areas. When deciding on the objectives, a council needs to ensure that the possible outcomes of any options appraisal are consistent with its strategic policy objectives.

- 6 As with any process, options appraisal needs to be resourced properly to ensure that it works well. This involves devoting the appropriate time, money, skills and experience to ensure that sound decisions are made. The process needs to be proportionate to the significance of the decision to be made.
-

Part 1

Councillors have a crucial role in options appraisal



Why is options appraisal important?

12. The Local Government (Scotland) Act 2003 introduced the statutory duty of Best Value in local government. The duty of Best Value requires councils to deliver continuous improvement. The public are entitled to services which are efficient, effective and represent the best possible value for money.

13. Councillors have to make difficult decisions about where to focus the council's resources. In the current financial climate it is even more important that councillors are confident that the council is providing the right services in the right way. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations. They should then consider a wide range of options for delivering services and assess the relative merits of the options. A robust options appraisal process helps provide assurance to councillors and the public that these decisions are being made on a sound basis and by considering all of the relevant information.

14. In addition to the widely accepted benefits of robust options appraisal process there are also significant consequences of not conducting a proper appraisal:

- Services may not be as efficient and effective as they could be.
- Services may not be achieving value for money.
- Resources may not be directed to priority areas, such as preventative expenditure, and the council's strategic objectives may not be achieved.
- The council may face criticism from residents and customers.
- The council may face criticism from the Accounts Commission, auditors and other scrutiny agencies.
- The council will not be able to demonstrate that it is achieving Best Value.

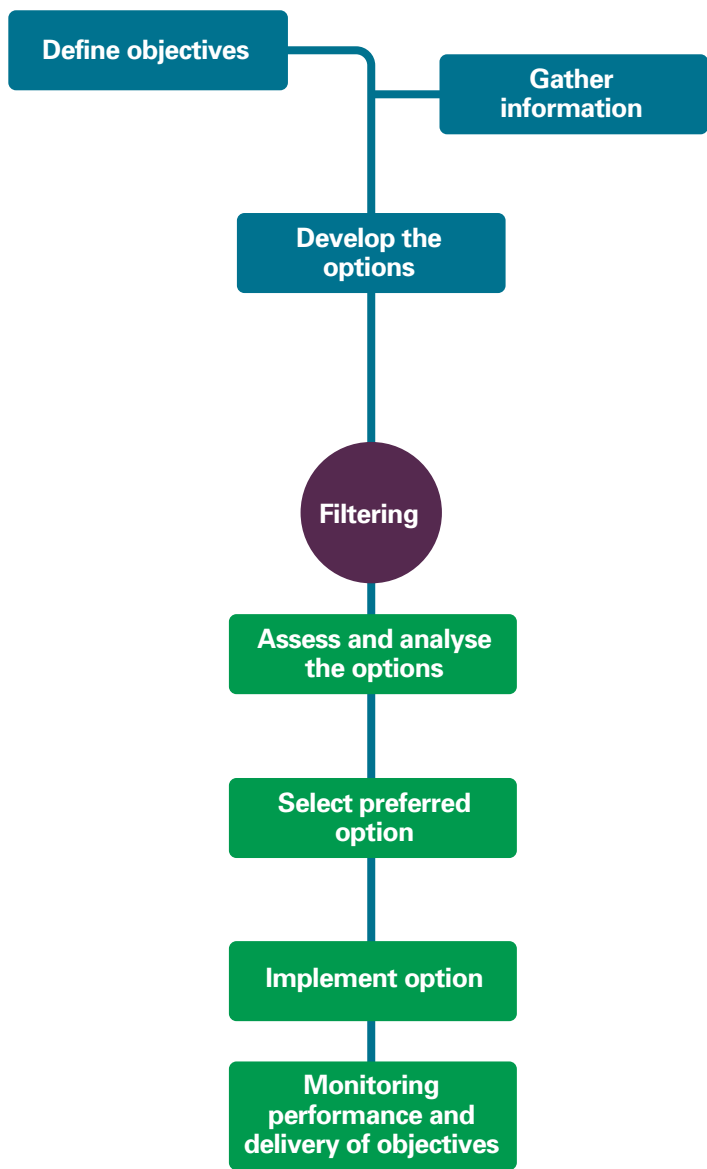
am I
considering
all of the
options on
how services
might be
delivered?

What is options appraisal?

15. An options appraisal is all about making well-informed decisions. The *Best Value – Making Choices, Volume One: A Manager's Guide to the Strategic Framework for Best Value, Procurement and Competitiveness* published by the Scottish Government in 2001 noted that, as with any decision-making tool, options appraisal provides support to the process, it does not provide the answers. The value of decision-making tools is that they take people through the process stage by stage, and they assist in making sure that everything relevant is taken into account.

16. The basic stages of an options appraisal process ([Exhibit 1](#)) were set out in our report [Arm’s-length external organisations \(ALEOs\): are you getting it right? \(PDF\)](#)  published in 2011.

Exhibit 1
Basic stages of an options appraisal process



Source: *Capital Planning and Option Appraisal – A Best Practice Guide for Councils*, CIPFA Local Government Directors of Finance, October 2006, adapted by Audit Scotland


17. We have developed this further to highlight the role of councillors, the key reporting stages and the importance of consultation with stakeholders. This more detailed process map is shown in [Exhibit 2 \(page 16\)](#).

18. There is a wide range of possible outcomes from an options appraisal process. These include:

- delivering services in partnership (with other councils, with other public or voluntary organisations or with the private sector)
- setting-up an arm's-length organisation like a charitable trust
- outsourcing services to a private sector supplier
- retaining services in-house
- setting-up an employee-owned cooperative or mutual company
- deciding not to deliver a service at all.

19. In 2011, the National Audit Office published *Options Appraisal: Making informed decisions in government*. The report found that the quality of options appraisal varied within and between departments across government. It is reasonable to assume that this is also the case in the public sector in Scotland.

What role does a councillor play in options appraisal?

20. Councillors have a crucial role in options appraisal. The Accounts Commission report [*Responding to challenges and change: An overview of local government in Scotland 2013* \(PDF\)](#)  recommended that councillors need to ensure rigorous and challenging appraisal of options is undertaken for delivering services.

What do auditors say?



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

Source: [*Arm's-length external organisations \(ALEOs\): are you getting it right?* \(PDF\)](#) 
Accounts Commission, June 2011

21. Councils that involve councillors in determining the need for an options appraisal to be carried out have often been more successful in obtaining a good outcome. At the outset, councillors should consider the significance of the options being considered and assure themselves that the options appraisal process being used to help them make the decision is robust and proportionate.


22. Councillors have an important role in ensuring strong corporate ownership of options appraisal. Councillors need to be involved in agreeing the framework, in effect they are agreeing 'the rules of the game' to ensure that they have confidence in the options being presented to them. This also helps to ensure a consistent and systematic approach to options appraisal is used across the council.

23. Weighing up the relative merits of the options is an important part of the process. Councillors may therefore have a role in setting the criteria which will be used to assess which options best fit the council's objectives. For example, if the priority is improving performance, this will feature strongly in the assessment criteria. In other cases achieving savings might be the priority, so that will feature more prominently. In any options appraisal, however, the criteria should include both quality and cost. The council also needs to consider the impact on equalities and sustainability.

24. The most important part of any councillor's role in an options appraisal is the decision on which option to implement. This can have far-reaching consequences on the services the council delivers, how it delivers them and ultimately on the users of those services.

25. Following the decision, councillors also have an important role in scrutinising the implementation of the decision and the impact it has on service delivery. This can be achieved by monitoring performance and the delivery of service objectives on a regular basis.

Important considerations

26. In our 2010 report *[Roles and working relationships: are you getting it right? \(PDF\)](#)*  we highlighted that councillors need to be open to considering a wide range of options for providing services and that decisions must be transparent and evidence based, taking cost and quality into account.

27. It is essential that councillors have the appropriate skills to scrutinise options appraisals. Councillors have an important role in asking officers challenging questions to assure themselves that the appraisal is robust and that all of the relevant issues are being considered.

28. Careful consideration also needs to be given to resourcing options appraisal as the outcome may have far-reaching consequences for residents, customers and the council. Councils also need to consider whether or not the council has the necessary skills and expertise in-house to carry out the appraisal. Some of the options being considered may be innovative or complex and it may be that specialist external support is required.

29. The council also needs to consider the timing of options appraisals. Wherever possible the process should align with a council's planning and budgeting timetables, so that any important decision on service delivery can inform and be informed by these processes. Councils also need to consider the timing in relation to the political cycle, including local and national elections. Experience indicates that difficult decisions become far more problematic politically in the run-up to an election.

30. [Appendix 2 \(page 31\)](#) to this report includes a checklist of prompt questions designed to help councillors evaluate their role in options appraisal and assess how effective current arrangements in their council are.

Potential barriers to an effective options appraisal

31. Options appraisal can be extremely challenging for councils, for councillors, for managers and for staff. Loyalties run deep in councils, councillors hold strong political beliefs and balancing competing interests is always difficult. But the duty of Best Value on making best use of public resources must always be paramount.

32. Councillors should be aware of things that might get in the way of an effective options appraisal. These include:

- **Unclear objectives:** a council needs to take the time and be clear about the reasons why services are provided in-house. There may be good reasons for this; it may be due to the specialist nature of the service, the vulnerability of the client group, the absence of an alternative provider or issues of equality and fairness. They need equally to be clear which services are open to alternative forms of service delivery through a rigorous options appraisal. We have seen examples, however, where councils have spent time and public money pursuing alternative service delivery options, only to withdraw late in the process.
- **The ‘Aye Bin’ principle:** change is never easy, it can be challenging for officers and for councillors to radically change the way a council has provided a service often over a lengthy period of time. Councillors might believe that options appraisal would be too difficult and fear that the alternatives seem too radical. Councillors may also be uncomfortable with alternatives given their personal and political sympathies and aspirations.
- **A short-term perspective:** focusing too much on the ‘here and now’ or on the short term can mean that the longer-term benefits are not fully considered.

What do others say?



Options should be appraised on their costs and benefits, not on personal preferences of key stakeholders or individuals.

Source: *Options Appraisal Workbook: Planning Advisory Service pilot projects*, Local Partnerships (jointly owned by HM Treasury and Local Government Association), 2012

33. The Accounts Commission has previously reported that the savings made to date have mainly been achieved by reducing workforces, but that this is not sustainable in the longer term. Councils must therefore critically examine their current arrangements for service delivery through rigorous options appraisal. But to gain acceptance of the need for options appraisal, councils need to invest the time, effort, staff and money. This would help councillors, managers, employees and other key stakeholders understand the importance of options appraisal and the use it can have to deliver the council’s overall objectives. Councillors have a crucial role in ensuring that local communities understand this as well.

34. Councils can address some of the perceived barriers by making sure that for any options appraisal, it has the right people involved, that those people have the right skills and that everyone has clear roles and responsibilities. Furthermore by putting in place clear governance structures at the outset of the options appraisal, this will ensure that the decisions on selecting the preferred options are transparent.

What do we mean by governance?



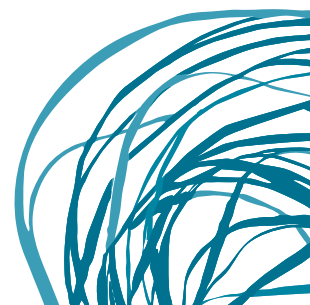
Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

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

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

Part 2

The options appraisal process



An options appraisal process is all about making well-informed decisions

35. Options appraisal is a tool that helps to inform decision-making. As with any decision-making tool it provides support to the process – it does not provide the decision itself. Best Value review teams, senior managers and elected members still have to make judgements and it may be necessary to explain those judgements to others. The value of decision-making tools is that they take people through the process stage by stage and they assist in making sure that all the relevant factors are taken into account. A decision that has been carefully considered in discussion with others and informed by a robust process is more likely to be successful.

36. Options appraisal typically includes a number of key stages:

- defining the objectives
- gathering information
- identifying, filtering and challenging the options
- assessing and analysing the options
- selecting the preferred option
- implementing the option
- monitoring performance and delivery against objectives.

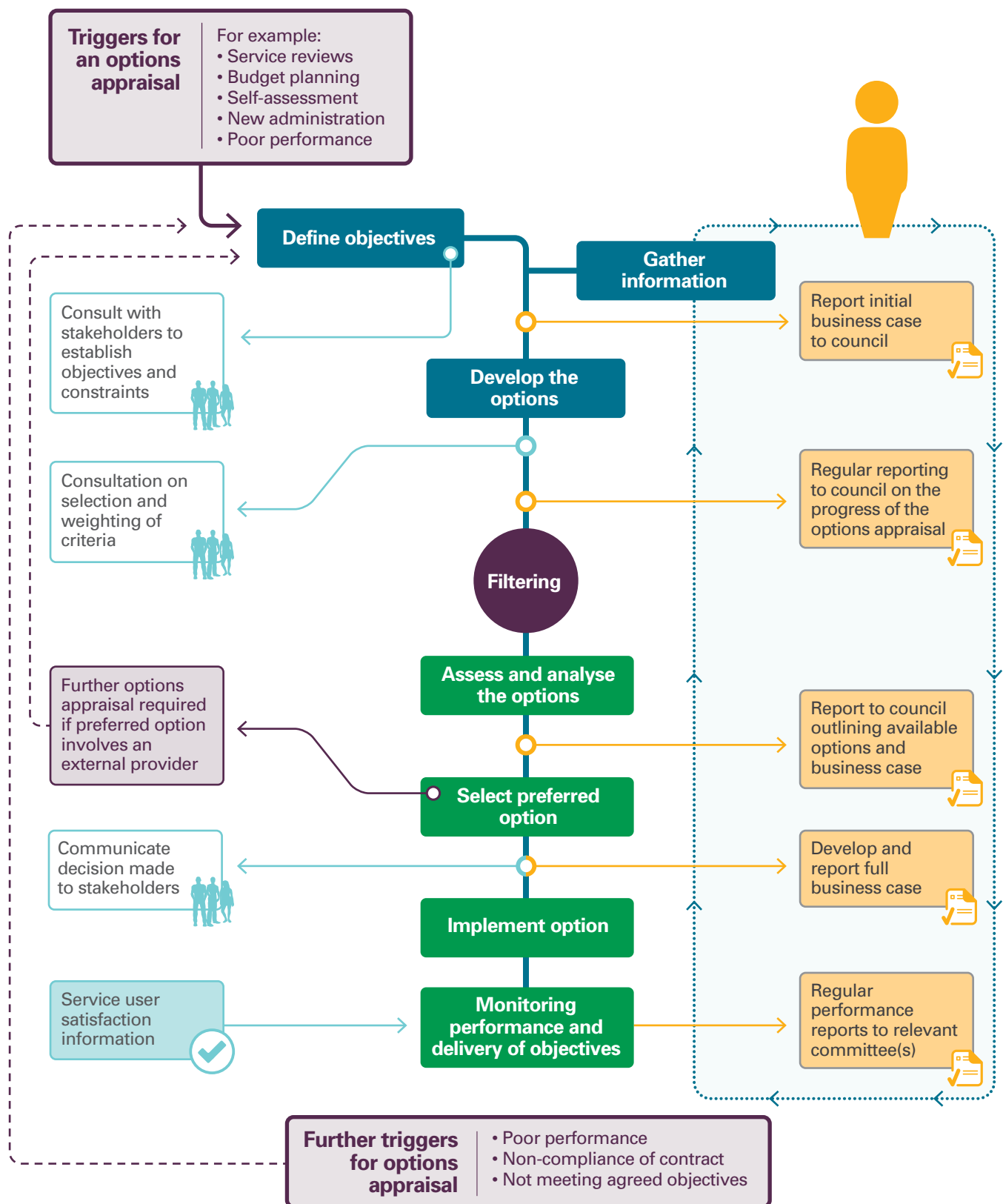
37. These stages are illustrated in [Exhibit 2 \(page 16\)](#) and we say more about each of them in the sections that follow.

38. The key stages of options appraisal can be used to help make decisions at a number of different levels, from strategic decisions about services to more specific decisions about projects or operational matters. Councils have choices about the size and scale of the options appraisal processes they use to ensure that it is proportionate to the significance of the decision to be made.

**a decision
that has been
carefully
considered
in discussion
with others
and informed
by a robust
process is
more likely to
be successful**

Exhibit 2

Stages of an options appraisal



Everyone involved needs to have clear roles and responsibilities

39. It is important to be clear about who is accountable for the options appraisal and who will be involved in the work. It is also important that those involved keep an open mind and remain objective. A range of people may be involved in the appraisal depending on the significance of the decision being taken and at different stages in the process. These might include:

- Councillors – to agree the overall approach to options appraisal and indicate a willingness to consider a wide range of options.
- Senior officers – to oversee the process, critically appraise the options, make recommendations and implement the chosen option.
- Council officers within the service areas being appraised – to provide service-specific knowledge and expertise.
- Chief financial officers and other finance officers – to provide specialist financial skills to the appraisal team.
- Trade union representatives – to represent any staff who may be affected by the decisions taken.
- External advisers – to provide specialist advice and an independent perspective.

40. Councils may also consider involving staff from other service areas or organisations in an appraisal team to provide fresh perspectives and insights from their own experiences.

41. Council officers need to ensure training is made available to councillors and other staff involved in the options appraisal process so that they can each fulfil their respective roles effectively.

Defining clear objectives is critical for success

42. The need to carry out an options appraisal process may come from a variety of sources. These 'triggers' might include:

- a strategic review of service delivery, for example as part of a council's transformation programme or improvement plan
- the outcome of a self-evaluation exercise
- the outcome of an external evaluation exercise
- poor service performance – highlighted by performance indicators and through benchmarking comparisons
- a new administration is formed
- budget imperatives
- policy direction.

43. It is vital that councils clearly define the objectives of any options appraisal process. When deciding on the objectives, a council needs to ensure that the possible outcomes are consistent with its policy objectives. In a practical sense this means checking the objectives with key strategic documents including the Single Outcome Agreement, the Corporate Plan and service plans.

Good-quality information informs good decisions

44. Good decisions are made when they are based on good information. The information should provide decision-makers with what they need to fulfil their role effectively.

45. How much information is needed will depend on the significance of the decision being made. The information requirements are likely to become more detailed at each stage of the options appraisal process. For example, the final stages of a process involving competitive bidding will require detailed financial and quality information, and may require legal advice in some cases.

46. At various stages of the process those involved are likely to need information about:


- The current position
 - the context – the demands facing the service and the environment within which it operates
 - current performance and costs.
- The options
 - 'strategic fit' with the council's policy objectives
 - impact on the quality of service for the customer
 - financial implications (both costs and savings) and value for money
 - legal implications
 - risk assessment
 - impact on other council services and partner organisations.

47. Councils should invest sufficient time to gather the relevant information. This leads to a more constructive challenge from the outset, provides for a more rigorous options appraisal process overall and therefore a well informed decision.

Consulting with stakeholders is a key to success

48. The size, nature and subject of the options appraisal will determine who the key stakeholders are. At the outset it is useful to do a stakeholder analysis to identify:

- who the stakeholders are
- what their interest and contribution to the process might be
- how and when to consult with them.

49. In our report [*Major capital investment in councils \(PDF\)*](#)  published in March 2013, we highlighted that engagement with a wide range of stakeholders is an important part of any project. While this related to major capital projects, it is equally applicable to the options appraisal process.

What do auditors say?




Every project has stakeholders. These can cover a range of different groups including local residents, businesses, employees, service users, suppliers and public sector bodies such as health boards. Engaging and consulting with stakeholders is essential in achieving a successful project outcome. Stakeholders' interest in a project can have both positive and negative effects on its progress. Their concerns may also create additional risks to a project's outcomes. Engaging with stakeholders effectively is therefore important and should be a vital part of project planning from the start. Consulting with stakeholders can often be a lengthy process. But it can shape the project at an early stage and help ensure a more successful outcome.

Source: Major capital investment in councils: Accounts Commission March 2013

Critically appraising a wide range of options ensures the process is robust

50. At an early stage of the process, councils should develop a 'long list' of options. This long list should include those which might be considered radical, for example ceasing to provide a service. This is to ensure that all options are considered, so that, even if they are then ruled out, this is done by design rather than oversight.

51. Those involved in the options identification stage need to be open-minded and creative in thinking what the options might be. The 1999 Accounts Commission report [*Better together? Making improvements by reconfiguring services* \(PDF\)](#)  highlighted the importance of 'thinking radically about options'. It suggested this be done right at the beginning of the process, generating ideas by, for example, benchmarking and looking beyond current boundaries and practices. This might include looking at good practice elsewhere in the public sector, the private sector and what happens more widely in the UK and internationally.

52. There is a range of possible outcomes from an options appraisal process and many different ways to deliver services. These include retaining services in-house, delivering services in partnership, outsourcing services or even choosing not to deliver a service at all. Some of the key features of these broad options are illustrated in [Exhibit 3 \(page 20\)](#). The exhibit is designed to be illustrative rather than comprehensive as there is a huge range of options a council can consider.

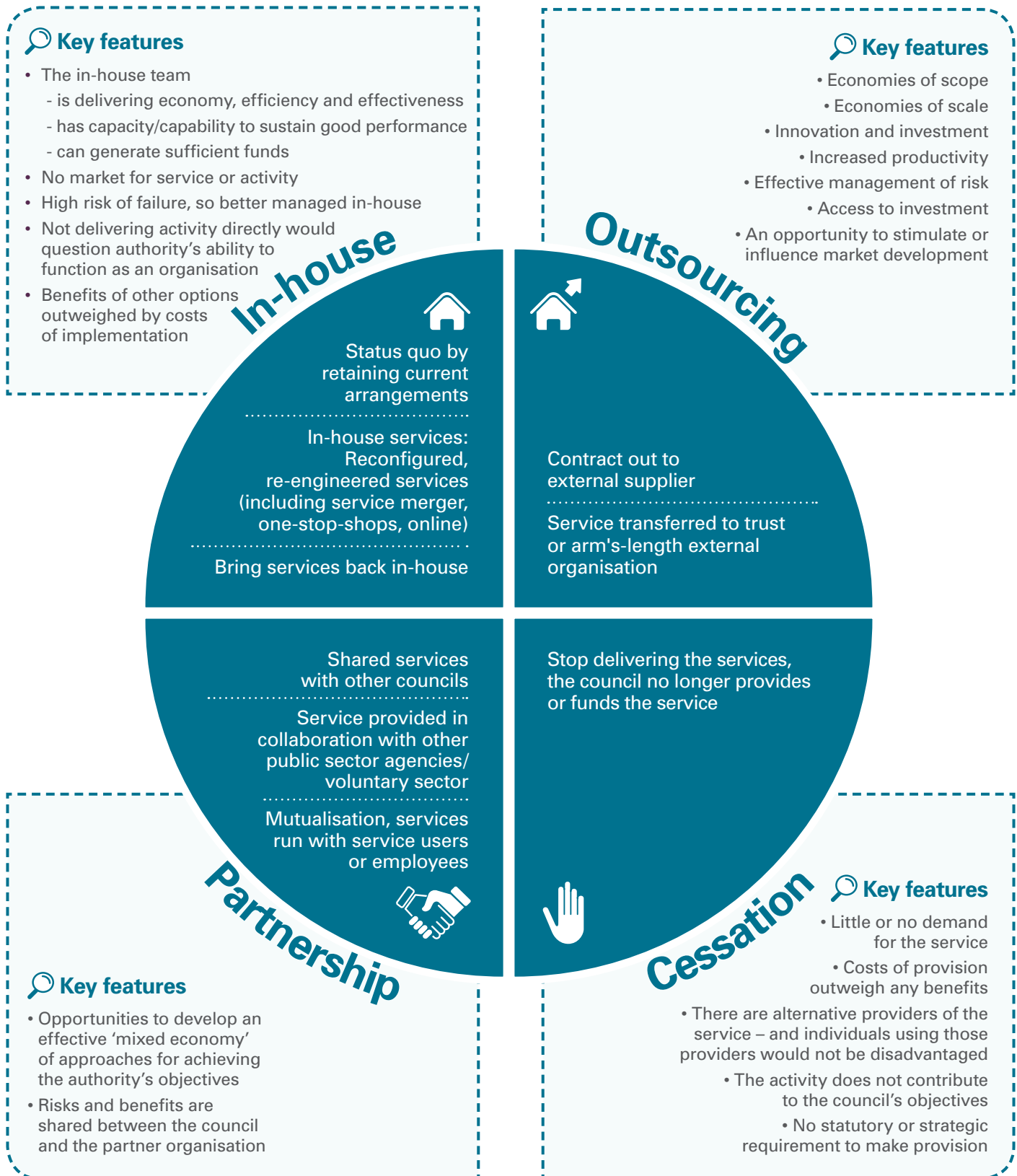
Filtering options

53. The next stage is filtering the 'long list' of options into a shorter list which will be the subject of more detailed analysis and assessment. To do this, councils need to agree a set of criteria. The criteria and the decision made to 'rule in' or 'rule out' options at this stage should be recorded. This is important for accountability and transparency.

54. This stage of the process shares many of the characteristics of the later, more detailed stages of assessment of the options ([Exhibit 4, page 21](#)).

Exhibit 3

Possible outcomes from an options appraisal



Note: Economics scope – as commercial and not-for-profit organisations concentrate on their specialisms or areas of expertise. An organisation specialising in the care of elderly people may be able to deliver better value than one that delivers services to a range of client groups. Economies of scope may also come from the development of a team of specialists working with a number of different clients.

Best Value – Making Choices, Volume Two: A Practice Guide to Best Value, Procurement and Competitiveness, Scottish Government, 2001

Source: Audit Scotland, 2014

Exhibit 4

The options appraisal process becomes more detailed as it progresses

At each stage the process of options appraisal can become more detailed and more focused on comprehensive, specially collected, data. In the early stages the process for options appraisal will be the guarantee of consistency of approach. At the final stages it will be both process and data that are important. If that final stage is one of tender evaluation in a competitive bidding process it will be possible to undertake sophisticated analysis of financial and quality data that simply did not exist at the early stages.

Source: *Best Value – Making Choices, Volume One: A Manager's Guide to the Strategic Framework for Best Value, Procurement and Competitiveness*, Scottish Government, 2001

55. Having developed a 'shortlist' the next stage is to carry out a detailed assessment. There is a range of ways to go about this.

56. At this stage, councils should refine the assessment criteria to help decide on the preferred option. The criteria will depend on what service or project is being considered, but will typically include three main areas:

- Performance appraisal.
- Financial appraisal.
- Risk appraisal.

Performance appraisal

57. In assessing the relative merits of options, decision-makers will need to consider what effect each of the options will have on service performance. This should include an assessment of current performance (to provide a 'baseline') and what the anticipated effect each option would have on future performance. The performance appraisal should include a mix of both quantitative and qualitative measures. These might include an assessment of:

- customer experience and satisfaction
- contribution to the council's policy objectives and outcomes, including equalities and sustainability
- changes to the services, including when they are available and what services are offered.

58. This kind of appraisal is most effective when it uses a broad range of performance criteria and where data and projections include comparisons:

- over time
- against targets
- with other organisations.

What do auditors say?



The characteristics of good performance information is that it is:

- accurate
- timely
- meaningful (but not overly detailed)
- relevant
- high quality
- well presented.

Source: [Managing performance: are you getting it right? \(PDF\)](#) Accounts Commission, October 2012

Financial appraisal

59. A robust financial appraisal is another important part of an options appraisal process. In developing a financial appraisal of the options, councils will need to consider:

- initial set-up/transfer costs associated with each option
- operational costs/savings
- staff costs/savings
- tax and non-domestic rates implications
- central/recharge costs/savings.

What do auditors say?



As with other performance measures, it is important that councils understand the key assumptions on which any unit costs are based to ensure that any comparisons are relevant and that any differences are understood. For example, when comparing costs, councils must be clear about what overheads are included in the make-up of a unit cost. If this is not clear there is a risk that councils are not comparing like with like. This is particularly important when councils are using cost information to inform an options appraisal process. For example, if comparing the costs of an external supplier with an 'in-house bid', councils must ensure that the cost information is comparable to ensure that the bids are being assessed consistently.

Source: [Using cost information to improve performance: are you getting it right? \(PDF\)](#) Accounts Commission, May 2012

60. The assessments of costs and benefits should also include adjustments for 'optimism bias' and assess risks and uncertainties. Optimism bias is the tendency for appraisers to be over-optimistic about estimates of costs, timescales and benefits. As a result councils should build in appropriate allowances to estimates to take account of this, for example by increasing the cost estimates, decreasing the projected benefits or extending the timescales over which costs and benefits are being considered. *The Green Book – Appraisal and Evaluation in Central Government* by HM Treasury (2003) has further guidance on addressing optimism bias and provides an adjustment procedure to help address 'systematic optimism that historically has afflicted the appraisal process.'

Risk assessment

61. Carrying out a robust risk assessment is also an important part of an options appraisal process. This is even more important when the options being considered are very different to the way things are currently done. However, even the status quo has associated risks which decision-makers need to take into account.

62. Those responsible for carrying out the options appraisal should identify any risks and uncertainties associated with each of the options. It is important that councillors are made aware of and fully understand the nature and degree to which any risks identified influence the appraisal results.

63. There are a variety of tools to support risk assessment processes, though these typically include an assessment of risk in terms of:

- strategic/commercial risks
- economic/financial/market risks
- legal/regulatory risks
- organisational/management/human resource risks
- political risks
- environmental risks
- technical/operational/infrastructure risks.

The decision on selecting the preferred option needs to be transparent

Scoring and weighting systems

64. Some of the costs and benefits cannot be valued in monetary terms, but they still need to be taken into account. These include environmental, social, political or legal considerations. It is important that these considerations are recorded and, where possible, quantified.

65. Scoring and weighting systems offer a way of systematically assessing a range of factors to assess the relative merits of the options. There is a range of guidance available on using scoring and weighting systems ([Want to know more?, page 29](#)).

66. Exhibit 5 illustrates a scoring and weighting approach, using a simplified worked example.

Exhibit 5

Key stages in the weighting and scoring method

- Identify the various objectives/criteria/factors against which the options are going to be scored. These should relate closely to the project objectives.
- Give each of these objectives a weighting (a value within a certain range) to reflect relative importance. Good practice would be to consult or involve stakeholders in identifying the criteria and weighting their relative importance.
- Each option is then allocated a score to reflect how closely it meets the identified objectives.
- Multiply the weight of each factor by the relevant score and sum to find the total weighted score for each option. Generally the highest score against the criteria would be the best option.

		Option 1		Option 2		Option 3	
Criteria	Weight	Score	Weighted score	Score	Weighted score	Score	Weighted score
Criteria 1 – performance	40	2	80	4	160	3	120
Criteria 2 – cost/savings	30	5	150	1	30	3	90
Criteria 3 – policy fit	15	1	15	3	45	5	75
Criteria 4 – risk	15	2	30	1	15	3	45
	100						
Total weighted score			275		250		330

Source: Audit Scotland, 2014

Having a good business case supports effective decision-making and accountability

67. Having a robust business case is vital for good decision-making, accountability and transparency. A clear business case will include a summary of the analysis done so far and set out the relative merits of the options clearly. The business case is a key document in an options appraisal process. [Exhibit 6 \(page 25\)](#) outlines what a good business case might include.

68. In our recent report [Managing Capital Projects \(PDF\)](#)  we found that business cases were not being used effectively enough.

Exhibit 6

The options appraisal process becomes more detailed as it progresses

A business case should:

- provide an assessment of whether spend/save proposal is worthwhile
- clearly communicate conclusions and recommendations.

An effective business case should help you answer three questions

- Have you taken into account all relevant factors in deciding what the project should be?
- Should you go ahead with the project?
- What is the best way to carry out the project?

Source: Options Appraisal training material, CIPFA, 2013

What do auditors say?



Many councils do not have established processes for developing and using business cases. Where available, business cases are often short and highly summarised and do not all reflect good practice. Without good-quality and realistic business cases, particularly at the initial approval stage, key performance information on aims, cost, time, scope and risk may not be clearly defined. This may make it more difficult to hold decision-makers to account if problems arise on a project.

Source: [Major capital investment in councils \(PDF\)](#) Accounts Commission, March 2013

69. HM Treasury and the Improvement Service make reference to three types of business case:

- The preliminary or initial business case, which establishes the case for change and defines the strategic objectives of the options appraisal work.
- The outline business case, which sets out the options being considered, draws together the main findings of the appraisal and recommends a preferred option.
- The full business case will follow the selection of the preferred option and may lead to the selection of a preferred provider or procurement of a service.

Good governance arrangements underpin good decisions

70. For an options appraisal process to be effective there needs to be strong governance arrangements in place. Any significant decision arising from an options appraisal is likely to be made within the council's existing governance arrangements, through its committees and full council.

What do auditors say?



Good Practice – managing capital programmes (options appraisal)

Put a clear and effective governance structure in place and ensure responsibilities are clearly defined, allocated and understood. The structure should provide scope for constructive challenge and effective scrutiny at all stages of the programme.

Source: [Major capital investment in councils \(PDF\)](#) Accounts Commission, March 2013

71. It is good practice to set out a clear reporting framework at the start of an options appraisal. Regular reporting on progress should be built into the process, so that senior officers and elected members are kept informed.

72. Reports should be clear and contain the most relevant information. They should be detailed enough, but avoid being unnecessarily long and overly complicated, as this risks diluting important messages. Reports should also avoid using technical jargon.

73. When considering difficult and potentially controversial options, it is important that the decision-making process is – *and is seen to be* – robust. The decisions must be open to public scrutiny, although there will be stages in the process where some information is managed carefully to respect commercial confidentiality.

Implementing the chosen option and monitoring performance

74. Councils need to monitor the implementation of the decision and what difference this is making to services. The 1999 Accounts Commission report [Better together? Making improvements by reconfiguring services \(PDF\)](#) highlighted the key factors to consider when implementing a chosen option. These factors are just as relevant today and focus on people, planning and performance ([Exhibit 7, page 27](#)).

75. The Scottish Government 'Making choices' guidance highlights that 'implementation must be properly managed and planned so the benefits of the proposed option can be achieved. Authorities should have a clear plan for implementing the changes proposed, with clear milestones for the completion of key stages.' This involves the careful consideration of transition arrangements including communicating with service users, resource management (budgets, staff and assets) and performance monitoring.

Exhibit 7

Success factors for implementing a decision

Attention needs to be paid to people, planning and performance management to implement change successfully.

<p>People</p> 	<p>Who will manage the project?</p> <p>Who else needs to be involved in running the project?</p> <p>Is a project sponsor needed - a councillor and/or member of the management team?</p> <p>Who will be affected by the change?</p> <p>How will we communicate with them?</p> <p>What training will be required?</p>
<p>Planning</p> 	<p>What budget approvals are required?</p> <p>What is the timetable for the work?</p> <p>What are the milestones?</p> <p>What needs to happen, and when, to meet the milestones?</p>
<p>Performance</p> 	<p>What are the objectives of change?</p> <p>What are the performance targets?</p> <p>What monitoring arrangements are there?</p> <p>What are the reporting arrangements?</p>

Source: [Better together? Making improvements by reconfiguring services \(PDF\)](#)  Accounts Commission, May 1999

76. Where a council has chosen to go into partnership or externalise a service it is important that this is supported by an appropriate contract or service level agreement (SLA). This should set out the services to be provided, the level of service required and the standards to be maintained throughout the duration of the agreement. The performance of the service provider should be monitored on a regular basis to ensure compliance with these conditions. Service level agreements should include:

- defined objectives
- roles and responsibilities (for both the council and the service provider)
- clear performance targets
- clear monitoring arrangements (including what information is to be supplied and when)
- escalation arrangements (which may be required if the service provider is not meeting the requirements of the agreement).

What do auditors say?



...the council remains accountable for the funds used to deliver public services, regardless of the means by which the service is delivered. Consequently, it is important for the council to be able to 'follow the public pound' to the point where it is spent. This requires well-thought-through governance arrangements from the outset and action to ensure those arrangements are applied effectively in practice.

Source: [Arm's-length external organisations \(ALEOs\): are you getting it right? \(PDF\)](#) Accounts Commission June 2011

Reviewing the process can help decisions in the future

77. In addition to monitoring the effectiveness of the new service delivery arrangements, councils should also review the options appraisal process itself. It should consider:

- How effective was the options appraisal process in delivering the stated objectives?
- Was the appraisal process itself delivered on time and on budget?
- What lessons have been learned which should inform future options appraisals?










Further work

78. This report is intended as the first of two reports on options appraisal. A further report will include a study of existing practice in councils in how they undertake options appraisals.

Want to know more?

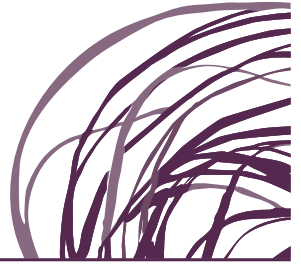


There is a wide range of guidance material available on options appraisal. Some of this is general in nature and some is more specific to particular circumstances or projects.

-  [*The Local Government in Scotland Act 2003: Best Value guidance \(PDF\)*](#), Scottish Government, 2003, Chapter 5
-  [*Best Value – Making Choices, Volume One: A Manager's Guide to the Strategic Framework for Best Value, Procurement and Competitiveness \(PDF\)*](#), Scottish Government, 2001
-  [*Best Value – Making Choices, Volume Two: A Practice Guide to Best Value, Procurement and Competitiveness \(PDF\)*](#), Scottish Government, 2001
-  [*Better together? Making improvements by reconfiguring services \(PDF\)*](#), Accounts Commission, 1999
-  [*The Green Book – Appraisal and Evaluation in Central Government \(PDF\)*](#), HM Treasury, 2003
-  [*Options appraisal: Making informed decisions in Government \(PDF\)*](#), NAO, 2011
-  [*Scottish Transport Appraisal Guidance – Best practice transport appraisal guidance*](#), Transport Scotland, 2008
-  [*Building Our Future: Scotland's School Estate \(PDF\)*](#), Scottish Government, 2004
-  [*Healthy Competition: How councils can use competition and contestability to improve services \(PDF\)*](#), Audit Commission, 2007
- *Capital Planning and Options appraisal – A best practice guide for councils*, CIPFA Local Government Directors of Finance, 2006
- *Options Appraisal: A Practical Guide for Public Service Organisations*, CIPFA, 2011

Appendix 1

What an effective council looks like

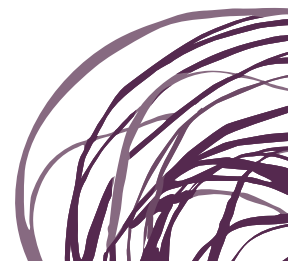


An effective council will:

- Consider a wide range of options for services:
 - what services it wants to deliver
 - how services are delivered (in-house, in partnership, by others).
- Have a robust process in place to:
 - define the objectives of any options appraisal process
 - identify options
 - analyse the options.
- Make clear and transparent decisions based on good-quality information.
- Implement the decision it has taken effectively.
- Have robust performance management arrangements in place to monitor service performance (regardless of whether the service is being delivered in-house, in partnership, or by another service provider).
- Review the effectiveness of its decision – to check that objectives are being delivered.

Appendix 2




Questions for councillors
























References found within the councillor part of the report.



References to more detailed information which can be found elsewhere in the report.

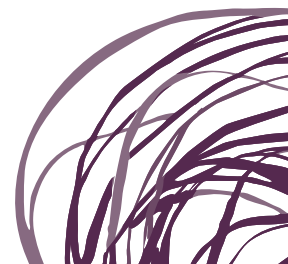
Reference	Questions for councillors	Yes/No	Action
On the options for delivering services			
 Key messages 2-3	Are there any restrictions, for example legal or financial, to providing this service in a different way?		
 Paragraphs 18 and 23	Am I considering all of the options on how services might be delivered?		
 Paragraphs 50-52 and Exhibit 3	<ul style="list-style-type: none"> Does the current service provider: <ul style="list-style-type: none"> – deliver economy, efficiency and effectiveness? – have the capacity and capability to sustain good performance? – generate sufficient funds or make the required savings? Does the service directly contribute to the council's objectives? Am I clear about what the full range of alternatives are for providing this service? <ul style="list-style-type: none"> – Are there alternative providers for the service? Is the risk of failure so high that risks are better managed in-house? Are the potential benefits of other options outweighed by the costs of implementation? Are there opportunities to: <ul style="list-style-type: none"> – develop an effective 'mixed economy' of approaches for achieving the council's objectives? – share the risks and benefits with partner organisations? 		

Reference	Questions for councillors	Yes/No	Action
On the options for delivering services (continued)			
 Paragraphs 18 and 23  Paragraphs 50-52 and Exhibit 3	<ul style="list-style-type: none"> • Would the service benefit from: <ul style="list-style-type: none"> – economies of scope (by providing a more specialised service)? – economies of scale (by being bigger)? – innovation and investment? – increased productivity? – access to investment? – an opportunity to stimulate or influence market development? • Is there a demand for the service? 		
On the options appraisal process			
 Paragraph 23  Paragraphs 42-43	Am I clear about what the options appraisal is trying to achieve?		
 Exhibit 2	Does my council have a robust process in place to help me decide on the options?		
 Paragraph 43  Paragraph 42  Paragraphs 39-41  Paragraphs 70-73  Paragraphs 48-49	<p>At the start of the process:</p> <ul style="list-style-type: none"> • Have we set clear objectives? • Am I clear about why we are considering the options? • Are those objectives consistent with the council's strategic objectives and policies? • Have we set out clear roles and responsibilities? • Have we agreed a clear plan which identifies what decisions need to be made and by whom? • Have we identified the key stakeholders who need to be consulted? 		
 Exhibit 2	<p>During the process:</p> <ul style="list-style-type: none"> • Am I getting regular updates on progress? • Am I involved at the appropriate decision points? • Is the process progressing to plan? 		
 Paragraph 27	<ul style="list-style-type: none"> • Am I getting the support I need from officers? 		

Reference	Questions for councillors	Yes/No	Action
On making sound decisions			
 Paragraphs 44-47	Am I getting the information I need to make the decision?		
 Paragraphs 57-58	<ul style="list-style-type: none"> On the performance implications? 		
 Paragraphs 59-60	<ul style="list-style-type: none"> On the financial implications? 		
 Paragraphs 61-63	<ul style="list-style-type: none"> On the risks? 		
 Paragraphs 67-68	<ul style="list-style-type: none"> Is there a clear business case? 		
 Paragraph 43	<ul style="list-style-type: none"> Is the decision consistent with the council's strategic objectives? 		
 Paragraphs 48-49	<ul style="list-style-type: none"> Have stakeholders contributed to the options appraisal process and what are their views? 		
 Paragraph 31	<ul style="list-style-type: none"> Am I clear about how I balance my personal and political views with my statutory duty of Best Value? 		
On implementing the decision			
 Paragraphs 74-76	<p>Am I getting the information I need to be assured that:</p> <ul style="list-style-type: none"> the decision is being implemented effectively? it is having the desired effect? 		

Appendix 3






Questions for officers







References found within the councillor part of the report.



References to more detailed information which can be found elsewhere in the report.

Reference	Questions for officers	Yes/No	Action
Defining the objectives			
 Paragraphs 42-43	<ul style="list-style-type: none"> Are the main reasons/drivers for considering other delivery arrangements clear? <ul style="list-style-type: none"> performance financial risk strategic priorities. Am I clear about how the options relate to the council's corporate priorities? 		
Agreeing the process			
 Paragraph 21  Paragraphs 39-41	<ul style="list-style-type: none"> Have the elected members approved a robust options appraisal process? Is everyone aware of the roles and their responsibilities in the options appraisal framework being used? Have I developed a clear plan for the process and identified: <ul style="list-style-type: none"> timescales? resource implications? roles and responsibilities? skills and expertise? governance arrangements? 		
Identifying and filtering options			
 Paragraph 18  Paragraphs 42-52	<ul style="list-style-type: none"> Am I confident that I am identifying the full range of options? <ul style="list-style-type: none"> Do I know how similar services are delivered by other councils in Scotland and in the UK? Do I know how similar services are delivered in the private sector? 		

Reference	Questions for officers	Yes/No	Action
Identifying and filtering options (continued)			
 Paragraph 18  Paragraphs 42-52	<ul style="list-style-type: none"> • Am I clear about the relative merits of the options? <ul style="list-style-type: none"> – 'Strategic fit' with the council's policy objectives – Impact on the quality of service for the customer – Financial implications (both costs and savings) – Legal implications – Risk assessment – Impact on other council services. 		
Assessing and analysing options			
 Paragraphs 53-69	<ul style="list-style-type: none"> • For the 'shortlist' of options have I considered: <ul style="list-style-type: none"> – all of the current and future costs and benefits? – legal and financial implications? – risks? – practical implications of delivering the option? • Is there a robust process in place to help members take the decisions? • Have I clearly presented all of the information members will need to make the decision? <ul style="list-style-type: none"> – On current and projected costs, performance and risks – Business case(s) including assumptions. 		
Implementing the option			
 Paragraphs 74-77	<ul style="list-style-type: none"> • Have I developed a clear action plan to implement the decision? <ul style="list-style-type: none"> – Timetable – Resources – Managing the risks. • Have I ensured that there are robust arrangements in place to monitor and report performance, regardless of the option chosen? <ul style="list-style-type: none"> – Contract – Service level agreement – Performance and financial reporting – Escalation arrangements if things go wrong. • Have I carried out a 'lessons learned review' to inform future options appraisals? 		

Options appraisal: are you getting it right?

This report is available in PDF and RTF formats,
along with a podcast summary at:

www.audit-scotland.gov.uk 

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WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: The Accounts Commission Report: An overview of local government in Scotland 2014

1. Purpose

- 1.1** The report is to provide Members with information regarding a report recently published by the Accounts Commission.
- 1.2** The report provides the Accounts Commission's perspective on local government in Scotland based on recent audit work. It builds on previous years' reports (reported to this Committee on 29 August 2012 and 22 May 2013) and focuses on how Councils are responding to the pressures which were identified in the previous report.

2. Recommendations

- 2.1** Members are asked to consider the report and the checklist at Appendix 2 of the report and agree:
- i) that a fuller consideration of the issues should form part of a Members Seminar to be arranged at a future date; and
 - ii) that the Chief Executive takes the report to the Community Planning Partnership Board for a wider consideration of the issues highlighted.

3. Background

- 3.1** The Accounts Commission is interested in the impact of various pressures on local government and in how Councils are dealing with these pressures.
- 3.2** In the last two years the Accounts Commission provided overview reports which concentrated on the pressures that local government is facing and how Councils were planning to meet those challenges. This year's report can be considered as a follow-up to these reports. It examines how councils have responded, and provides a high-level, independent view on the progress councils are making in managing their finances and achieving Best Value. The report aims to provide help to councillors in identifying priorities in 2014.
- 3.3** The report focuses on what more needs to be done, setting out the context for local government and the key role of councillors within that; considering what more councillors need to know about current services and the options for providing services; and focusing on key elements needed to deliver Best Value, i.e. leadership and governance, and how more can be achieved through partnership working.

4. Main Issues

- 4.1** The report highlights a number of issues for Councils including on page 7 of the report a set of key messages. On page 8 a key recommendation is identified which identifies a number of key priorities for Councils, summarised as follows:

4.1.1 Members require to understand the changing context and crucial role of members

Councils are continuing to operate in challenging financial circumstances and against a backdrop of increasing expectations and demands on services. To achieve success for their local communities, councillors need to maintain a good understanding of the rapidly changing economic, social and political context within which their council operates.

i) Continuing pressures of finances and services

Funding has been relatively flat recently but is a real-terms reduction (given inflationary pressures) and is likely to reduce in future. Demand for some services is increasing and the demographic demand issues around care for older people will become more apparent;

ii) Public service reform provides challenges and opportunities for new approaches to services

Options for service delivery models should be considered when planning for future delivery and some public reforms may be catalysts to this, for example Welfare Reform, Health and Social Care Integration, etc. Some of these opportunities may be in supporting community empowerment.

iii) Keeping up to date through training and development

Due to the ongoing changing political, financial and service demand contexts it is important that Members continue to develop and take part in training opportunities.

4.1.2 Meeting User Demands and Financial Challenges

The report advises that Councils need to consider options to decide which services best meet the needs of the people and communities they serve. In so doing, they must comply with their statutory duty to provide Best Value. Pressures are building and councils need to identify innovative and ambitious approaches to services and then make consistent use of options appraisal to decide the way forward. Changes always carry some degree of risk and Audit Scotland's expectation is that councils should be risk aware, not risk averse.

In order to meet these demands the report advises that Members will need:

i) Good information to support decision-making and accountability, consistent with Best Value responsibilities

To scrutinise and assess services, councillors need good information on performance and costs of current service activities and this information should comprehensively cover cost, outcomes and service

user views and more information on best value is required along with outcomes of self-evaluation processes. The planning and scrutinising of outcomes is particularly highlighted as good practice.

ii) Councils need to consider options for new ways of working and changes in the way services are delivered and paid for

The report advises that whilst service provision is often founded in legislation, Councils have substantial discretion around how and to what extent services are provided. The report suggests that Members, in considering how to best allocate scarce resources will need good option appraisal information and Audit Scotland expects option appraisals to be a standard part of the decision-making process. Any consideration of the use of Arms-Length External Organisations should be made in full considerations of all issues around best value. The report highlights opportunities to ease the cost of service provision through good procurement practices and by appropriate charging regimes.

iii) Making better use of benchmarking to support service improvement and public reporting

Using cost and performance information to benchmark with other organisations can be a useful tool in identifying options for new or different ways of working and providing services.

4.1.3 Providing strong leadership and governance to support change

The report recognises that there has been a significant change in the political make-up of councils in recent years alongside significant changes at senior officer level. Trust, confidence and good conduct between councillors, and between councillors and officers, are essential for good working relationships. The report also emphasises the importance of good governance, including the structures which provide the basis for good financial governance, and the role and behaviours of councillors and officers in ensuring effective governance in practice.

i) There is evidence of increasing political tensions and instability which is leading to strained working relationships

The report highlights examples where lack of political stability threatened progress and improvement and emphasises that in the best performing councils are able to identify when to set aside political differences and work on a constructive basis to support the council as a whole. In these councils, councillors from all political groups generally agree on the overall priorities for the area, with debate focusing on how best to deliver them.

ii) Decisions on services are becoming increasingly difficult and require strong leadership and governance

It is noted that as resources become more restricted staff reductions have taken place and the report advises that it is important that these decisions are made in the understanding of potential impact on service provision, including support functions. Audit Scotland's view is that

ongoing staffing reduction is not sustainable and options around service provision are more likely to be more common; noting that such decision-making requires strong leadership – both to implement and see-through.

iii) Effective governance of finances is more important than ever

In the current financial circumstances, the principles of good governance are more important than ever. This means providing clear direction and strong control, regardless of how services are provided. The role and independence of the Audit Committee is seen as important. The report emphasises the importance of the role of the Chief Financial Officer and other statutory officers.

iv) Reserves have increased but the level of ‘free’ reserves has fallen, partly because they have been applied to reduce funding gaps

All Councils in 2012/13 balanced their finances and most reported underspends. Some Councils used “free” reserves to ease financial pressures. Reserves increased, though the majority of these reserves were earmarked for specific purposes, rather than being “free” and free reserves actually reduced.

v) Achieving more from partnership working requires strong shared leadership supported by more effective governance

Community Planning is seen as a key driver to develop and improve partnership working and the Statement of Ambition published by the Scottish Government and COSLA highlights that significant improvement is required, due to the likely future financial circumstances.

vi) Partnerships need to identify and make better use of the overall resources available in their area

The report advises that Community Planning Partnerships (CPP) need to focus more clearly as to where they can make the most difference in the challenges facing communities. CPP plans need to show how the combined resources of the CPP are aligned and targeted at inequalities to achieve agreed outcomes. CPP service planning and budget planning should be aligned to ensure that partner budget and priority setting is aligned to the community planning priorities.

4.2 At Appendix 2 of the report there is a checklist for Councils to consider as a focus for improvement.

5. People Implications

5.1 There are no personnel issues.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

7. Risk Analysis

- 7.1** The report from the Accounts Commission highlights the important role of councillors in financial planning and financial governance. The continued input of councillors in these processes going forward is necessary in order to provide leadership to the community and to ensure effective financial governance within the Council. The checklist provided at Appendix 2 of the report may be helpful for councillors to consider.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no issues.

9. Consultation

- 9.1** This report has been subject to a check by Legal, Democratic & Regulatory Services.

10. Strategic Assessment

- 10.1** This report relates to delivering Fit for Purpose Services as the main thrust of the report considers how best to prepare and support Elected Members to undertake their role in the decision making of the Council.

Angela Wilson
Executive Director of Corporate Services
Date: 26 May 2014

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Appendix: The Accounts Commission report: An overview of local government in Scotland 2014

Background Papers:

1. Report to Audit and Performance Review Committee 29 August 2012: *An overview of local government in Scotland – Challenges and change in 2012*
2. Report to Audit and Performance Review Committee 22 May 2013: The Accounts Commission's overview of local government in 2013: *Responding to the challenges*

Wards Affected: All wards affected.

An overview of local government in Scotland 2014



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
March 2014

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

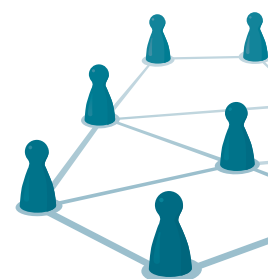
Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about/ac 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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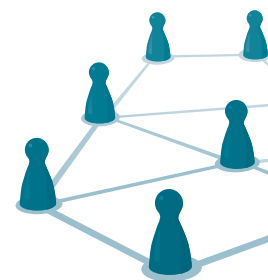
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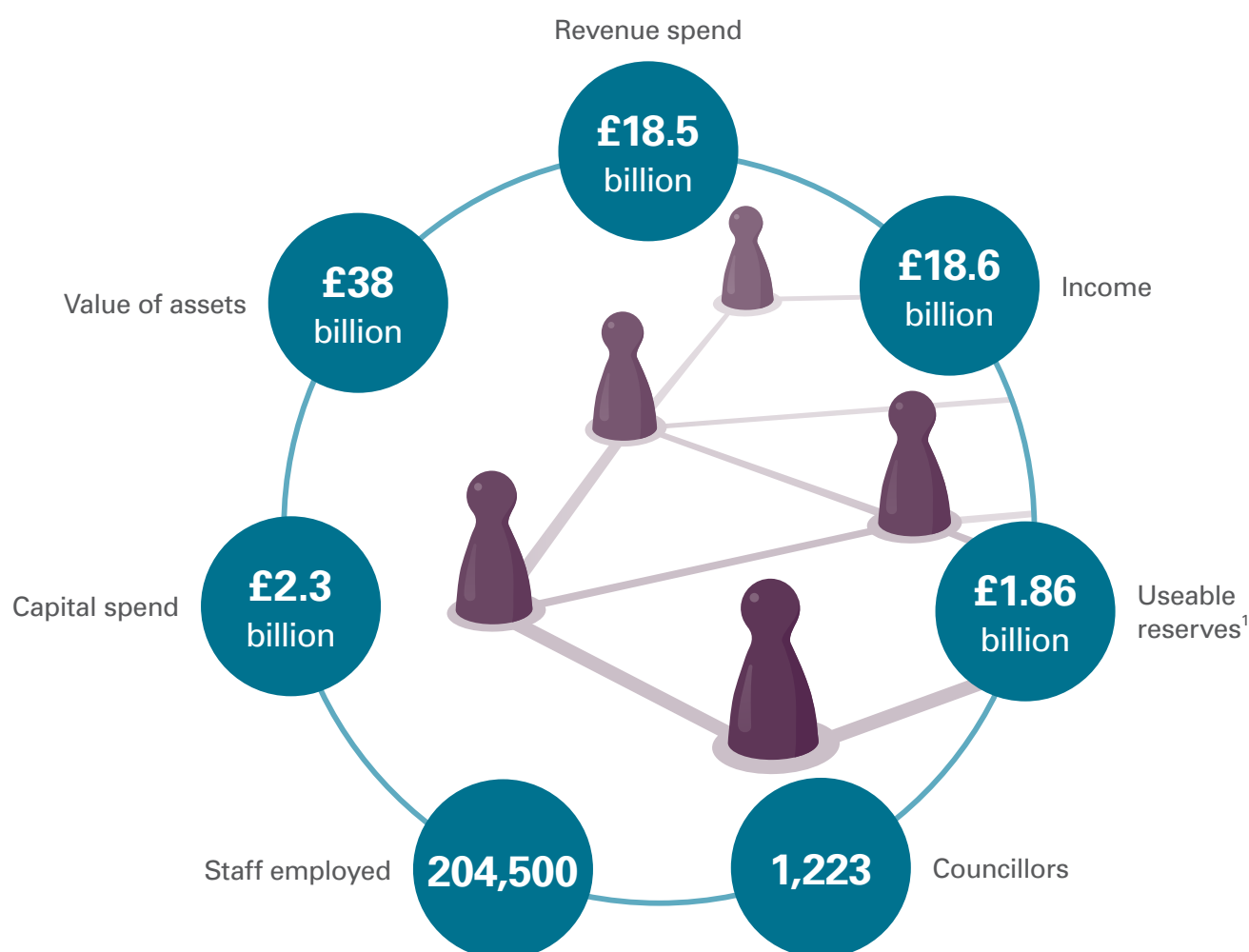
Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Summary



Key facts



Note: 1. Excludes Orkney and Shetland Islands councils which hold large reserves and balances arising mainly from harbour and oil-related activities.

Chair's introduction

1. Scotland's 32 councils provide vital public services from the cradle to the grave. Delivered directly or in partnership with others, these services involve substantial resources. In 2013 councils spent nearly £21 billion, employed 204,500 staff and used buildings and other assets with a value of around £38 billion. Councils face reducing budgets and increasing demand. Finances remain tight and councils anticipate further budget reductions. To date they have balanced budgets mainly by reducing staff numbers but this alone is not sustainable in the longer term. Increasing numbers of older people, who typically need more public services – notably health and social care, as well as the public's rising expectations of service quality are among a range of factors contributing to increased demands on services.

2. Thus councils face increasingly difficult choices. To help make these decisions they need to make better and consistent use of options appraisal so that they can deliver the best possible value-for-money services to their communities. Councils need to ask the question, 'What works best and can we prove it?' The Commission recognises that options appraisal is challenging for councils, councillors, managers and staff. Loyalties run deep in councils, strong political beliefs are held and balancing competing interests is always difficult but the duty of Best Value – making best use of public resources – must always be paramount. Potential cuts require rigorous appraisal of alternatives so that decisions are transparent and based on solid information. Over and above these internal challenges, councils are having to deal with the impact of welfare reform, to plan with their partners for changes in health and social care and to deepen and strengthen the effectiveness of community planning.

3. In this complexity of change, the foundation stones of good governance and accountability remain constant. A fundamental principle of good governance is councillors and officers operating in clearly defined and understood roles. The role of the councillor can best be described as being at the start and the end of the process; at the start deciding policy, and at the end holding officers to account for their performance in implementing the policy. The part in the middle, the management of the council, is the responsibility of officers. Our audits have consistently shown that where roles are clear and respected and where Best Value is at the heart of its business, a council will be best placed to meet the challenges of 2014 and beyond. In contrast, bad governance is debilitating, time-consuming and expensive.

4. Strong political and managerial leadership is also more important than ever. While political coalitions have worked well in recent years there is evidence of heightened tensions in council chambers. Of course there will always be different views and approaches across political parties; that is the essence of local democracy. However, the Commission has expressed its consistent view that it is unacceptable if political tensions become so extreme that they compromise a council's ability to ensure effective leadership, demonstrate good governance and, as a result, weaken the public's trust and confidence in the integrity of the council and its councillors to conduct public business.

5. The Commission's messages and recommendations are not new; they reflect recommendations and messages in previous overview reports. The fact they are similar serves to underline their continuing relevance and importance.

Douglas Sinclair
Chair of the Accounts Commission

About the report

6. The Accounts Commission's overview report is based on the local government audit work in 2013. We use this to provide a high-level, independent view on the progress councils are making in managing their finances and in achieving Best Value, and to help councillors identify priorities in 2014.

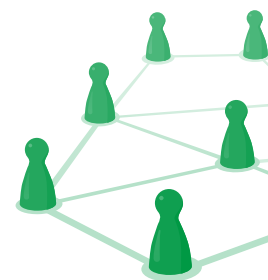
7. The report focuses on what more needs to be done. First, we set out the context for local government and the key role of councillors within that. We then consider what more councillors need to know about current services and the options for providing services. We conclude by focusing on key elements needed to deliver Best Value, ie leadership and governance, and how more can be achieved through partnership working.

8. The report is supported by two appendices:

- [Appendix 1](#) summarises how councils used resources in 2013.
- [Appendix 2](#) contains a checklist and links to other material which is available to support improvement in 2014.

9. The report is primarily for councillors, as a source of information to support them in their role. However, councillors will need to work closely with officers to identify the position in their councils and to address the priorities we identify. We also expect councils to discuss the report with their community planning partners.

Key messages



- 1** Councillors need to maintain a good understanding of the rapidly changing economic, social and political context. Demands on services and resources continue to increase and need to be managed alongside public service reforms, including changes in the welfare system and in health and social care.
 - 2** Achieving Best Value requires good information about the cost and performance of current services and robust analysis of the options and the related risks associated with alternative ways of delivering services.
 - 3** Governance is more important than ever. Councillors need to scrutinise reports from officers on the financial position and service performance: get the right information; ask the right questions; and ensure issues are resolved. They also need to scrutinise reports from auditors and get assurances from officers that weaknesses in financial systems are addressed. Councillors should assure themselves that the officer responsible for the council's finances retains appropriate access and influence within management structures.
 - 4** The total level of reserves has increased but the level of 'free' reserves has fallen, with councils predicting future funding gaps. More work is needed to develop longer-term resource plans that show connections between savings, staff changes and how assets, such as land and buildings, are used to best effect in providing services.
 - 5** Councils are working with their partners to meet the challenges of significant service reforms. Achieving more from Community Planning Partnership (CPP) working requires strong shared leadership, more effective governance and making the most of the combined public sector resources in the area.
 - 6** There is increased evidence of political tensions and instability which is leading to strained working relationships. This comes at a time when decisions on services are becoming increasingly difficult and require strong political and managerial leadership. There will be additional demands on councillors in the run-up to the independence referendum. This will require a balance between their council responsibilities and their wider political activities.
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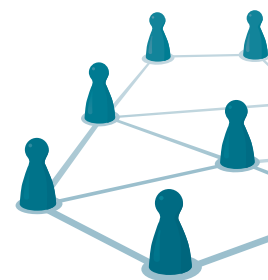
Key recommendations

Councils continue to face significant challenges. They need to review how services are currently delivered and consider options as to how services might be delivered in future. They also need to increase the focus on partnership working and longer-term resource planning. Councils that place Best Value at the heart of all they do are best placed to deal with the challenges in 2014 and beyond.

Key priorities for councillors in 2014

- **Understanding the changing context and the crucial role of councillors**
 - Maintaining a clear understanding of the financial position.
 - Understanding the public reform agenda, including the impact of welfare reform.
 - Preparing for changes in health and social care.
 - Keeping up to date through training and development.
 - **Meeting user demands and the financial challenges**
 - Appraising the options for delivering services and charging for services.
 - Requiring good-quality cost and performance information for decisions and scrutiny.
 - Making better use of benchmarking to support service improvement and public reporting.
 - **Providing strong leadership and governance to support change**
 - Maintaining good professional working relationships and providing strong political leadership.
 - Getting assurance that governance is sound, including where arm's-length external organisations (ALEOs) are in place.
 - Providing stronger leadership of CPPs and working with partners to make the best use of the overall public resources available in the area.
-

Priorities in 2014



Understanding the changing context and the crucial role of councillors

10. Councils are continuing to operate in challenging financial circumstances and against a backdrop of increasing expectations and demands on services. To achieve success for their local communities, councillors need to maintain a good understanding of the rapidly changing economic, social and political context within which their council operates.

11. In this section of the report we set out the context for services in 2014 and review the councillor's role, which is crucial to success.

There are continuing pressures on finances and services

12. Pressures on resources in local government are not new. Councils, as with other parts of the public sector, have always faced difficult choices in allocating limited money, staff and other assets such as buildings across competing priorities. However, against a backdrop of savings and staff reductions to date, these decisions are increasingly difficult.

13. Local government's share of the Scottish budget has remained fairly constant but, for revenue funding, translates to a real terms reduction, ie after factoring in the effects of inflation. The funding settlement to councils for 2014/15 is £10.6 billion, an increase of about 2.9 per cent in cash terms or 0.8 per cent in real terms. Revenue funding has remained constant at £9.8 billion which represents a decrease of 1.2 per cent in real terms. Capital funding has increased to £0.8 billion in 2014/15, an increase of 40 per cent in cash terms or 37.1 per cent in real terms. The majority of this increase is due to the reprofiling of capital funding which resulted in £120 million moving from 2012/13 to 2014/15 and £100 million moving from 2013/14 to 2015/16.

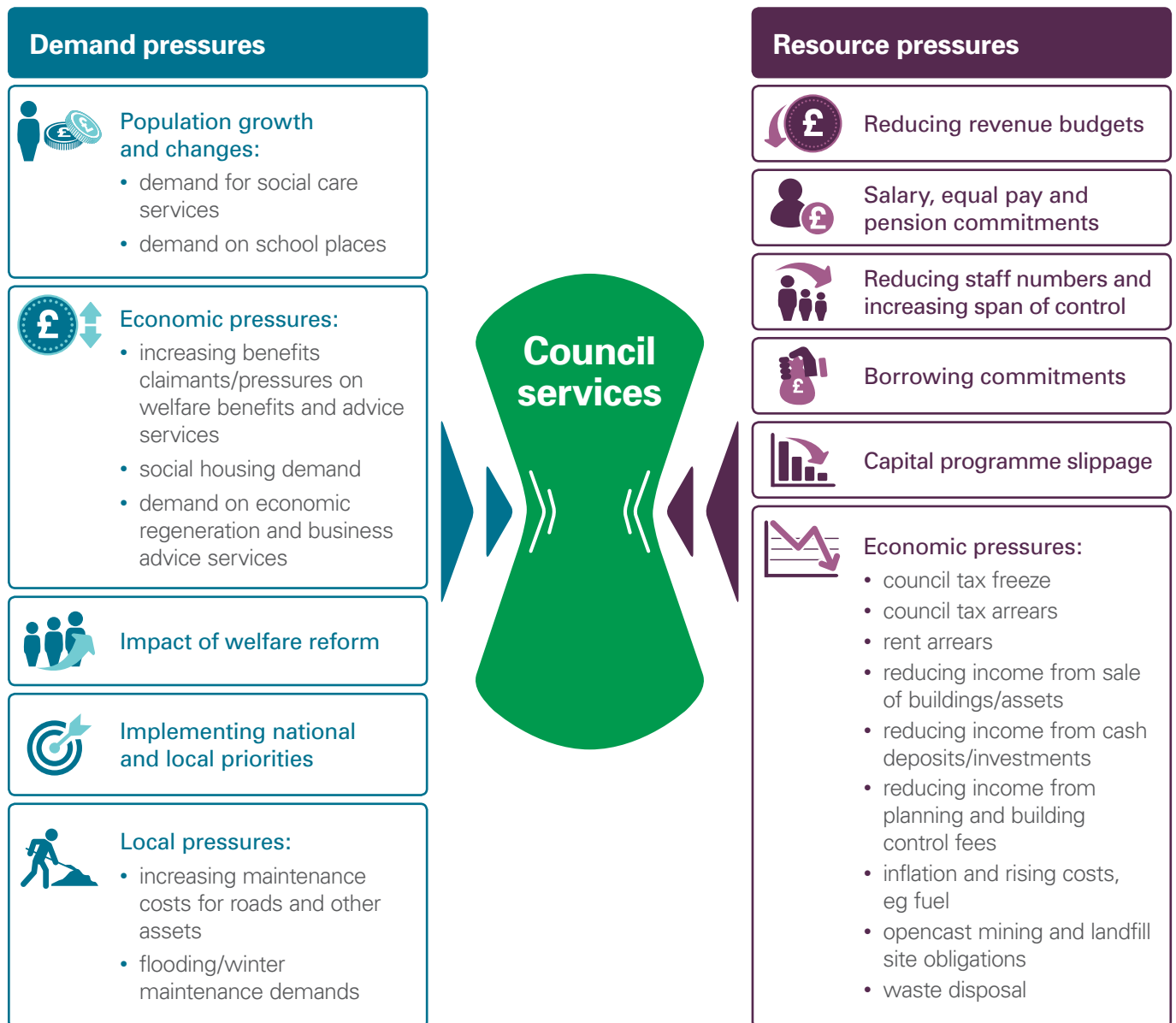
14. Key information about council finances is included in [Appendix 1 \(page 33\)](#). This shows that spending on services is around £21 billion, ie £18.5 billion on the day to day business of providing services and £2.3 billion on buildings and other assets used to provide services over time. The day-to-day costs are matched broadly by income from government grants, council tax, charges for services and the application of reserves. Upward pressures on the costs involved in providing services, including energy costs, waste disposal and maintenance, are continuing and need to be managed alongside increasing expectations and demands for services [Exhibit 1 \(page 10\)](#).

15. The public sector faces significant challenges in reshaping care for older people. This involves changing the way services are delivered while continuing to meet current need. People are living longer with more complex care needs and


the councillor role is crucial in meeting the challenges in 2014 and beyond


Exhibit 1

Demand and resource pressures in 2014 and beyond



Source: Audit Scotland

this has implications for councils and other organisations that provide services for older people. Our report [Reshaping care for older people \(PDF\)](#)  found that the programme has brought together the different bodies involved in these services, which cost £4.5 billion a year. These organisations now need to better target resources at preventing or delaying illness and at helping people to keep living at home.

16. There are also substantial pressures within individual services. In housing, for example, councils have a long-standing role and wide-ranging responsibilities, including specific legal requirements to tackle sub-standard housing and homelessness. Our report [Housing in Scotland \(PDF\)](#)  highlighted significant challenges from population and policy changes in the next few years. For example, the ageing population is likely to increase demand for supported living, the number of single-person households is set to rise and welfare reform will further increase pressures on housing services.

17. Dealing with equal pay claims and the associated costs remains a significant issue. Councils continue to settle equal pay claims and make provision for those cases not yet settled. Cumulatively, councils had paid out £507 million by March 2013, including payments of over £32 million in 2012/13. A further £73.2 million is set aside to meet expected future amounts. In addition, around two-thirds of councils anticipate future costs which cannot yet be quantified.

18. The costs of settlements are significant but there are also unquantified workforce resources and associated costs, particularly for legal and human resource departments. It is in councils' interests to resolve these cases as quickly as possible, not least to eliminate the continuing uncertainties this issue presents in terms of their overall financial position.

19. Councils' experience of dealing with equal pay claims has identified the ongoing need to deliver pay equality. The Convention of Scottish Local Authorities (COSLA) has been working with the Society of Personnel Directors in Scotland and unions to review the terms and conditions of service for local government employees. This review will reflect the developing legislative environment and best employment practices. These changes are not anticipated to raise difficult matters for negotiation, but will ensure that the employment schemes are compliant with the latest legal position at European and UK levels.

Public service reform provides challenges and opportunities for new approaches to services

20. Alongside demand and resource pressures in services, councils are at the centre of wider public service reforms introduced by the Scottish Parliament and by the UK Parliament. The Scottish Government's approach is founded on 'four pillars' for change: shifting resources towards prevention; integrated local services through better partnership working; workforce development; and transparent and improving performance.

21. Responding to public service reform is challenging but it can also help councils deal with demand and resource pressures, address inequality and better meet the expectations of people and communities. The increasing emphasis on partnership working and community empowerment, while challenging, also provides opportunities for new approaches to services.

22. Single police and fire and rescue services came into effect in April 2013. This was one of the largest and most complex restructuring reforms in the public sector for many years, involving services with annual expenditure of the order of £1.4 billion.

23. Councils retain an important role in helping to strengthen connections between the police and fire and rescue services and local communities and are responsible for monitoring services in their areas. They are working with their local commanders (police) and local senior officers (fire and rescue) to develop approaches to local scrutiny and engagement, including links to community safety partnerships and CPPs.

24. The Welfare Reform Act 2012 aims to improve work incentives, simplify the benefits system and deliver savings. This is the biggest reform of the UK welfare system for 60 years and has significant implications for households, and for councils and the services they provide.

25. We have been monitoring the position and our survey in 2013 indicated that councils have carried out a significant amount of work to plan for and to mitigate the impact of the reforms. They are working closely with partners such as COSLA, the Scottish Government and the UK's Department for Work and Pensions to deliver the changes. However, uncertainties remain that make it difficult for councils to plan ahead, particularly in relation to the shift from housing benefits to universal credit and the level of support they are expected to provide to customers in future.

26. It will be some time before the full impact of welfare reform is clear. However, surveys by the Scottish Housing Regulator¹ and COSLA² indicate that the removal of the spare room subsidy may be contributing to increasing levels of rent arrears. More widely, a report commissioned by the Scottish Parliament in April 2013 estimated that, when fully implemented, welfare reform will take more than £1.6 billion out of the Scottish economy each year. Councils with higher levels of deprivation are likely to be hardest hit and, over time, the reforms could have a substantial impact on local economies.

27. The integration of health and social care services affects major parts of the public services and, potentially, represent the biggest change in local government since reorganisation in 1996. The aim is to improve the quality and consistency of care for adults, and to shift resources away from institutional to community care.


28. Councils are at various stages in preparing for health and social care integration. We support the principle that public services should be designed around the needs of the service user, and that public bodies should seek to overcome the organisational barriers that get in the way of delivering seamless integrated health and social care. It is essential that services are able to work well together to respond to needs while making the best use of existing resources and delivering high-quality services. We have highlighted in several reports the need for barriers to partnership working to be addressed and the importance of a joint vision and clear priorities for the use of shared resources.

29. Looking further ahead, the Scottish Government has brought forward proposals in the Community Empowerment Bill.³ These highlight the important role that communities can play in participating in new models of service delivery and developing models of 'co-production' that draw upon the knowledge, skills and experience of local people in ways that maximise the impact and value of public assets, eg people, buildings and local knowledge. This may lead to changes in the relationship between councils and communities.

30. We provided a response to the Bill covering areas such as common good, community planning, scrutiny and the possible accounting implications of the transfer of assets to communities. Our response reflects on our experience in the scrutiny of community planning and of our responsibilities in holding councils to account and encouraging improvement. We welcome the increased emphasis for CPPs on delivering outcomes and the opportunity for clarity on responsibilities, accountability and governance.

Councillors have a complex and demanding role, which is crucial to the success of their councils

31. Councillors represent their constituents, provide leadership and direction and scrutinise service performance and how resources are used. The effectiveness of councillors has a strong bearing on the achievement of Best Value and the overall success of councils.

32. As we state in our 'how councils work' report [*Roles and working relationships: are you getting it right? \(PDF\)*](#)  this is a complex and demanding role, made more so in the current context where reduced budgets mean that choices and decisions are more difficult. Councillors are involved at the start of the process (getting views from people and communities and setting policies) and at the end (holding officers to account for the implementation of policies and keeping people and communities informed about services changes and performance), [Exhibit 2 \(page 14\)](#). The part in the middle, the management of services, is the responsibility of council officers.

33. The political context in 2014 is particularly challenging with local, national and international interest in the referendum on Scottish independence. This is likely to mean additional demands on councillors, requiring a careful balance between their crucial role in councils and their political interest in the referendum.

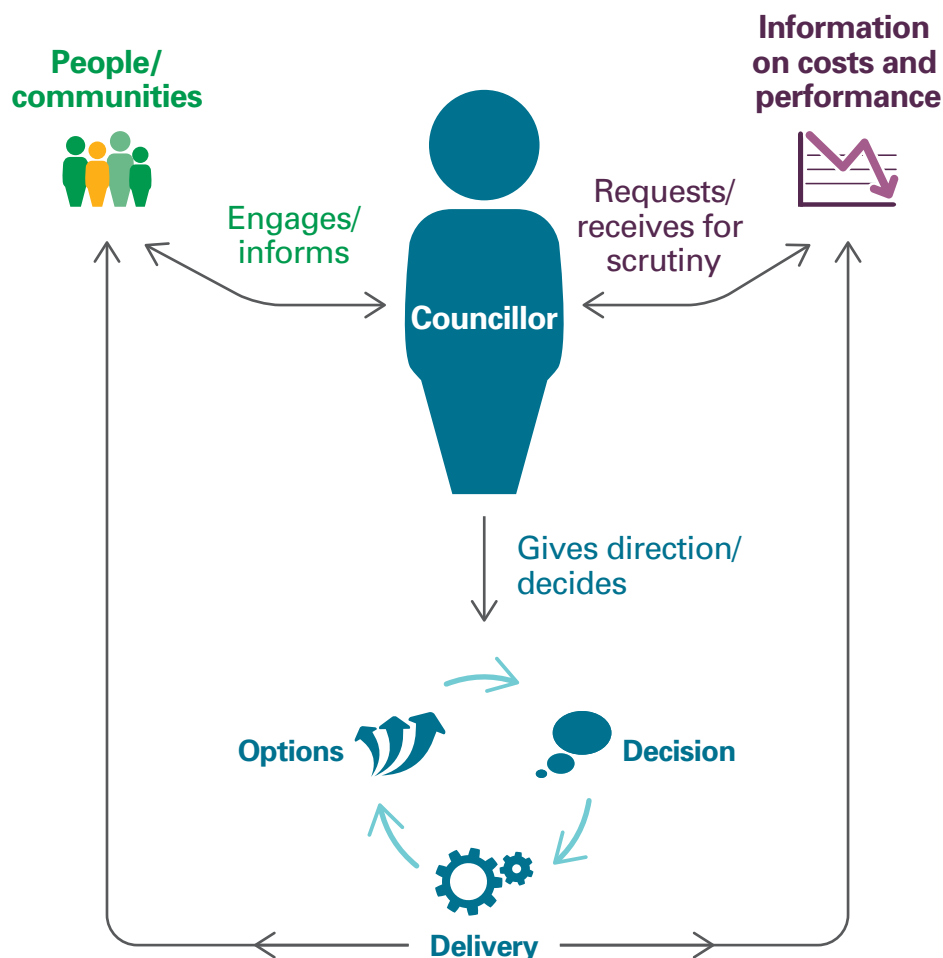
34. Whatever the outcome of the independence referendum, further discussions are likely on local services, governance and accountability. In October 2013, COSLA established a commission on Strengthening Local Democracy to consider how local democracy and accountability might be improved and to provide advice on what is needed for that to happen. Discussions are also ongoing on the the joint initiative 'Our Islands Our Future' which seeks greater powers for the islands councils. More recently the Scottish Parliament's Local government and Regeneration Committee launched an inquiry into the flexibility and autonomy of local government.

35. In this quickly changing context it is more important than ever that councillors are supported in their role. We are of the firm view that effective democratic decision-making can only take place when councillors have the right skills, information and support to carry out their roles. It is essential that officers provide councillors with sufficient, well-researched and presented information to enable them to carry out this role. Other key requirements are awareness and understanding of governance processes; our audits confirm that there is a continuing demand and need for more training and development.

36. There is already a wide range of material and resources available to councillors. For example, the Continuous Professional Development (CPD) framework established by the Improvement Service in consultation with local government provides professional and personal development opportunities in a wide range of important skills.

Exhibit 2

The councillor role



Source: Audit Scotland

37. However, the onus is on councillors to ensure that they regularly review personal development plans and discuss training needs. A recent Improvement Service survey of councillors showed that, of those who responded, around 80 per cent said that local induction programmes addressed their needs.⁴ Around two-thirds felt that they had been given adequate training to carry out their scrutiny role effectively. This is encouraging but also suggests that there is still a long way to go before all councillors have the support they feel they need.

Summary and points for action in 2014

- Maintaining a clear understanding of the financial position.
- Understanding the public reform agenda, including the impact of welfare reform.
- Preparing for changes in health and social care.
- Keeping up to date through training and development.

Meeting user demands and the financial challenges

38. Councils need to consider options to decide which services best meet the needs of the people and communities they serve. In so doing, they must comply with their statutory duty to provide Best Value. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability.

39. Faced with reducing finance and increasing demands and expectations of services, councils are reviewing the way they deliver services. Pressures are building and councils need to identify innovative and ambitious approaches to services and then make consistent use of options appraisal to decide the way forward. Changes always carry some degree of risk; our expectation is that councils should be risk aware, not risk averse.

40. In this section of the report, we consider what more councillors need to know about current services and about options for future services.

Councillors need good information to support decision-making and accountability, consistent with Best Value responsibilities

41. To scrutinise and assess services, councillors need good information on performance and costs of current service activities. This is crucial information which highlights what is working well and where there may be emerging problems, where improvement may be needed and whether value for money is being achieved.

42. Our 'how councils work' report [*Managing performance: Are you getting it right? \(PDF\)*](#)  sets out the key aspects of performance management, including the key characteristics for managing performance and improvement. The report emphasises that everyone in the council has a role in managing performance and that, together, council officers and councillors are responsible for ensuring their council meets the Best Value duty.

43. Councils are working to review and refine performance arrangements. However, more needs to be done to ensure the quality of performance information and that there is clear read-across between the information which is collected and councils' objectives, so that progress can be measured. The evidence indicates, in particular, that the priorities in 2014 are to:

- Include more information on costs, outcomes and service users' views.
- Use performance information alongside cost information to assess value for money.
- Identify and prioritise areas for improvement.
- Evaluate the impact of improvement activity, including the impact of self-evaluation using approaches such as the Public Service Improvement Framework (PSIF).

44. Managing performance based on the 'plan-do-review-revise' cycle provides a systematic framework for performance management. Within that, councillors need to focus on the crucial contribution they make in this process [Exhibit 3 \(page 16\)](#). In summary, councillors:

- Need to be clear about what the council is wanting to achieve and how they will monitor and review performance.
- Need to be prepared and equipped to challenge officers on service performance and to ensure that priorities are delivered and that the needs of local communities are being met.
- Can support improvement by showing they are actively interested in performance management and taking action based on what performance information is telling them.

Exhibit 3

Councillors' role in managing performance: the 'plan-do-review-revise' cycle



Source: Audit Scotland

45. As part of their Best Value responsibilities, councils have a duty to report their performance publicly so that local people and other stakeholders know what quality of service is being delivered and what they can expect in the future. Public Performance Reporting (PPR) has significantly improved over the last three years, with improvement across all corporate themes and service areas. However, there is still room for improvement [Exhibit 4 \(page 17\)](#).

46. We are encouraged by developments in local government benchmarking. SOLACE, COSLA and the Improvement Service have been leading work in

Exhibit 4

Public Performance Reporting

Improvements achieved in 2013:

- More information on comparisons over time.
- Improved coverage of the statutory performance indicators.

Improvements required in 2014:

- More narrative and contextual information to help the reader understand the indicators and performance information provided.
- More use of targets, trends, progress with initiatives or actions being taken to address underperformance, to help the reader understand how well the council is performing.

Source: Audit Scotland

this area through the Local Government Benchmarking Framework (LGBF). This provides comparative benchmarking covering all major service areas, with a strong emphasis on costs. Data for 2012/13 was recently released accompanied by an overview⁵ covering broad trends and variations. The benchmarking website has interactive capabilities to extract data sets both on a council basis and for individual indicators, allowing councils to undertake their own detailed analysis.

47. A key element of PPR is comparing performance with other councils. Consistent with the improvements in PPR generally, more councils are including this as part of their reports. However, fewer than half of councils include information showing how they are performing relative to other councils. With the increasing availability and refinement of LGBF data we expect there will be opportunities for greater use of comparisons with other councils in PPR material in 2014 and that this will result in better information for the public.

48. More generally, the LGBF will facilitate comparisons on spend and performance between similar councils so that councils can identify strengths and weaknesses, learn from councils that seem to be doing better and improve their performance. The data covers 60 per cent of the total spend of local government and provides the opportunity for services to use the data to determine why disparities exist between services in different councils and to support change and accountability for service performance.

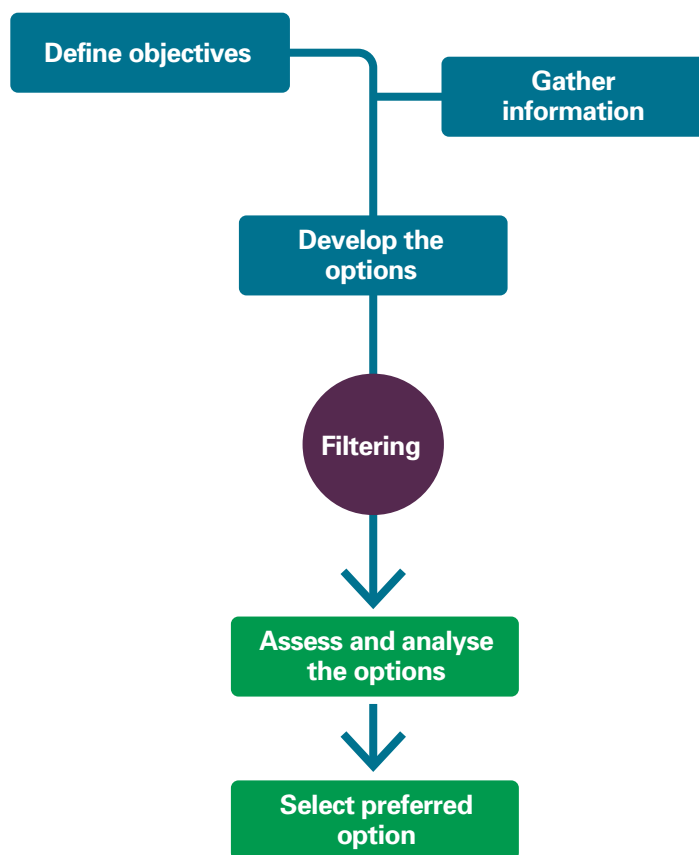
Councils need to consider options for new ways of working and changes in the way services are delivered and paid for

49. Everything councils do has its roots in legislation. Some services are more prescribed in legislation than others, for example collection of council tax and business rates; for other services councils have discretion on the level of service provided. Even for those services where there is some prescription it is normally relatively limited and councils have substantial discretion on how services are delivered and by whom.

50. An options appraisal is all about making well-informed decisions; the basic stages are shown in [Exhibit 5](#). The '*Best Value: Making Choices*'⁶ guidance published by the Scottish Government in 2001 noted that, as with any decision-making tool, options appraisal provides support to the process, it does not provide the answers. The value of decision-making tools is that they take people through the process stage by stage, and assist in making sure that everything relevant is taken into account.


Exhibit 5

Basic stages of options appraisal



Source: *Capital Planning and Option Appraisal – A Best Practice Guide for Councils*, CIPFA Local Government Directors of Finance, October 2006

51. Our expectation is that options appraisal is a standard part of decision-making involving changes in how services are delivered and involving major capital projects. We recently published a further report in the 'how councils work' series, [Options appraisal: Are you getting it right? \(PDF\)](#) .

52. Cost information is important in assessing performance and value for money in existing services over time. Looking at service performance alone is not sufficient - what it costs to provide the services is an important factor in forming overall judgements. Cost information is also crucial in reviewing options for new ways of delivering services. Our 'how councils work' report [Using cost information to improve performance: are you getting it right? \(PDF\)](#)  identified what cost information involves and how it can be used more effectively.

53. In redesigning services, councils need to ensure they are designed around the needs and expectations of the people who use that service. A decision to pursue an alternative method of service delivery can change long-standing arrangements and can have far-reaching consequences for service users, services, systems and staff. Successful engagement with the public and staff can help manage expectations about what can be achieved in the context of reducing budgets.

54. Options for the delivery of council services include the use of arm's-length external organisations (ALEOs). ALEOs offer an alternative to more traditional 'in-house' or contract-based service delivery and usually take the form of companies or trusts. ALEOs provide recognised 'council services', such as leisure services, but they can also deliver commercial operations such as exhibition facilities. While the ALEO takes on responsibility for services, the council remains responsible for both the public money it gives to the ALEO and for the quality of services the ALEO delivers.

55. We have an ongoing interest in ALEOs. With COSLA, we published a *Code of Guidance on Funding External Bodies and Following the Public Pound*⁷ which set out the principles of best practice for councils when establishing funding relationships of this type. While the context has changed since the Code was published in 1996, the principles remain valid [Exhibit 6](#).


Exhibit 6


The 'following the public pound' code principles

The principles of openness, integrity and accountability apply equally to funds or other resources which are transferred to ALEOs. The code sets out six principles that require councils to:

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

Source: Audit Scotland

56. Our 'how councils work' report [Arm's-length external organisations: Are you getting it right? \(PDF\)](#)  pointed out that delivering projects or services through ALEOs is likely to make governance complex but that the same principles of good governance apply. For those councils that have not done so already, the time is right for a systematic review of their involvement in ALEOs and underlying agreements.

57. Our report [The Highland Council: Caithness Heat and Power: Follow-up statutory report \(PDF\)](#)  demonstrated the serious consequences of weak governance in dealings with ALEOs. This case provides useful learning points


for all councils, particularly the need for robust governance and accountability in which roles and responsibilities are clear, particularly those of councillors. We have shared our findings with all councils.

58. Options not only include changing who provides the service; there will be opportunities to simplify, standardise or adjust existing approaches to achieve better value for money, eg by reviewing existing systems for paying for goods and for collecting money.

59. Intelligent purchasing may help public bodies to improve the quality of services they provide and help them to reduce costs. Public bodies need to have well-trained staff and effective systems to provide the procurement capability to achieve good results. While some bodies perform well in these areas others have a significant amount of work to do to demonstrate value for money in procurement. We will shortly publish a report on procurement in local government.

60. We welcome the Scottish Government's proposals to set a new general duty on public bodies to conduct procurement in a transparent and proportionate manner. The requirement on authorities with significant procurement expenditure to produce a procurement strategy and annual procurement reports will support this duty.

61. Also, within existing service arrangements, charges can be a means to sustain and improve services. They can also be used to bring in new sources of income or help a council to improve the services it offers.

62. Our 'how councils work' report [*Charging for services: Are you getting it right? \(PDF\)*](#)  looked at the contribution charges make to budgets and how charges can influence how people choose to use services ([Exhibit 7, page 21](#)). The report also contains examples of good practice, including understanding costs and getting the views of people who use services, and a guide to managing charges.

63. Our report found councils can make more effective charging decisions when they consult with service users, community planning partners, residents and other stakeholders over proposed charges. Councils need to provide leadership in ensuring that these decisions do not adversely impact on particular groups of people. Equalities-impact assessments should be considered as part of any significant charging decision or service change.

64. We concluded that councils should have clear policies in place for charges and concessions and that they should regularly review charges to ensure that they are appropriate and meet their intended objectives. The report also recognised the important role of councillors in determining charging policies, participating in the design of charges and concessions and understanding the contribution charges make to their council's overall financial position.

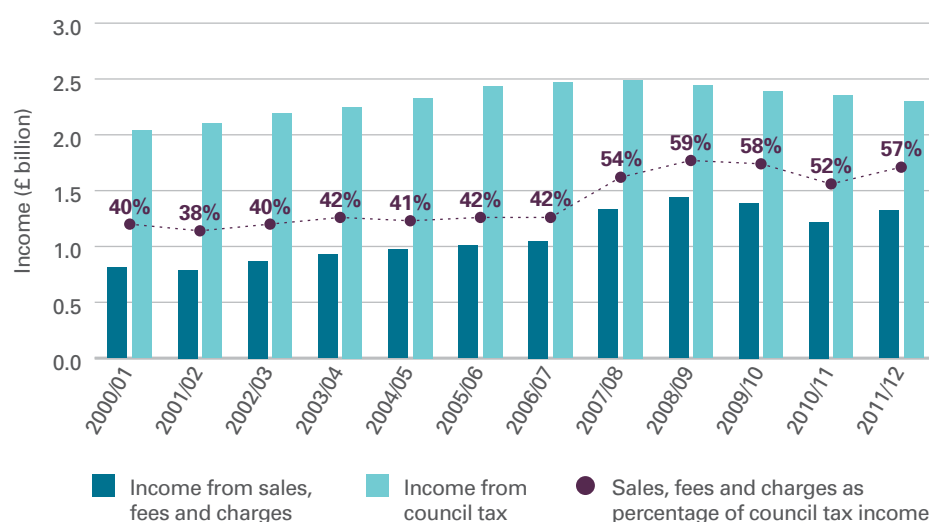
Summary and points for action in 2014

- Appraising the options for delivering services and charging for services.
- Requiring good-quality cost and performance information for decisions and scrutiny.
- Making better use of benchmarking to support service improvement and public reporting.

Exhibit 7

Income from sales, fees and charges compared to income from council tax (shown in 2011/12 prices)

Income from charges is increasing, while income from council tax has declined in real terms.



Note: Figures adjusted in real terms to 2012.

Source: Audit Scotland and Scottish Government Local Financial Returns



Providing strong leadership and governance to support change

65. In previous reports we highlighted the significant changes in the make-up of the people leading, managing and working in councils. Over a third of councillors elected in May 2012 were new to local government. There have also been substantial changes in council senior management teams in recent years, including changes in the chief executive in nearly half of all councils.

66. Working together, councillors and officers lead and manage their councils to provide vital services for the people and the communities they serve. Trust, confidence and good conduct between councillors, and between councillors and officers, are essential for good working relationships. Against a background of changes in the people leading and managing councils, we have highlighted the need to build and maintain strong working relationships, and the potential risks to leadership and Best Value where problems emerge.

67. We have also emphasised the importance of good governance, including the structures which provide the basis for good financial governance, and the role and behaviours of councillors and officers in ensuring effective governance in practice.

68. In this section of the report we focus on leadership and governance, and how to make more from community planning.

There is evidence of increasing political tensions and instability which is leading to strained working relationships

69. Our 'how councils work' report [*Roles and working relationships: are you getting it right? \(PDF\)*](#)  acknowledges that politics is an integral and important part of local government decision-making and that tensions are inevitable given the differing policy objectives of political parties and individuals. The best performing councils are able to identify when to set aside political differences and work on a constructive basis to support the council as a whole. In these councils, councillors from all political groups generally agree on the overall priorities for the area, with debate focusing on how best to deliver them.

70. There is increasing evidence of political tensions and instability which is leading to strained working relationships or where working relationships have broken down and present risks to the council's ability to do business effectively and achieve Best Value.

71. For example, in Argyll and Bute Council the auditors concluded that political instability meant that there was a lack of collective strategic leadership by councillors. They also found that the council's political management arrangements were contributing to the problems rather than helping the council do business effectively. Working relationships between councillors and between a few councillors and officers were strained and the challenges facing the council were affecting the capacity of senior managers.

72. While the problems were not yet affecting frontline services, they were beginning to inhibit progress with strategic planning and there was a risk that services may suffer in the future if the difficulties were not addressed. We expressed concerns in our findings and requested a report on progress within six months ([Exhibit 8, page 23](#)).

73. In Falkirk Council auditors reported that not all councillors were participating in new decision-making structures. Some councillors were not attending executive and scrutiny committee meetings and scrutiny and policy development panels because of their concerns about the lack of effective scrutiny. The auditors noted significant risk to the effectiveness of the council's governance arrangements.

74. At Aberdeen City Council the auditors highlighted the importance of setting aside politics to support the constructive working of the council. They had observed political tensions among councillors in several meetings which affected the effectiveness of decision-making. Behaviour in the council chamber was regularly disrespectful and it had been necessary for councillors to be reminded of the requirements of the councillors' Code of Conduct. A number of local issues had been particularly challenging and had added to the political tensions.

75. Helping to improve working relationships can absorb a large amount of councillor and senior manager time when there are already pressures on senior managers to deliver the changes required to address existing service and financial issues.

76. Looking ahead, further pressures and tensions are likely. Locally, the political make-up of councils is closely balanced, with half of councils run by coalitions, and reduced budgets mean that choices and decisions on services are harder. Nationally, the referendum on independence is the main political issue in Scotland in 2014, with heightened political activity for all parties and elected representatives, including councillors.


Exhibit 8

Argyll and Bute Council: extract from the Accounts Commission's findings

'...the Commission is seriously concerned about substantial risks to the council caused by the instability of leadership by elected members since the last council election. The council's ability to set and maintain a clear strategic direction is at risk of being compromised and the Commission is concerned that this will, in time, negatively affect the services that the council provides for the people of Argyll and Bute. We are also concerned about the negative effect that this is having on the council's reputation.

The quality of leadership of the council has been inadequate. We urge the elected members and the corporate management team to work together to provide stronger and effective leadership of the council. Effective working relationships between elected members, and between members and officers, need to be based upon mutual trust, respect and transparency. Elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council and the best interests of the whole community of Argyll and Bute...'

Source: Accounts Commission's findings, Argyll & Bute Council Statutory report, October 2013

77. Councils are also changing the way services are managed. Management restructuring and significant changes in the role of officers need to be handled carefully to ensure consistency and continuity of leadership and governance. This can provide opportunities to review and develop the senior management arrangements. For example, our report [*The City of Edinburgh Council: the Audit of Best Value and Community Planning \(PDF\)*](#)  highlighted significant changes at managerial level and that good relationships and strong leadership resulted in a more corporate and strategic approach.

78. Building and maintaining good working relationships are vital to the success of all organisations. In local government, good working relationships are a key component in the conditions necessary to achieve Best Value ([Exhibit 9, page 24](#)).

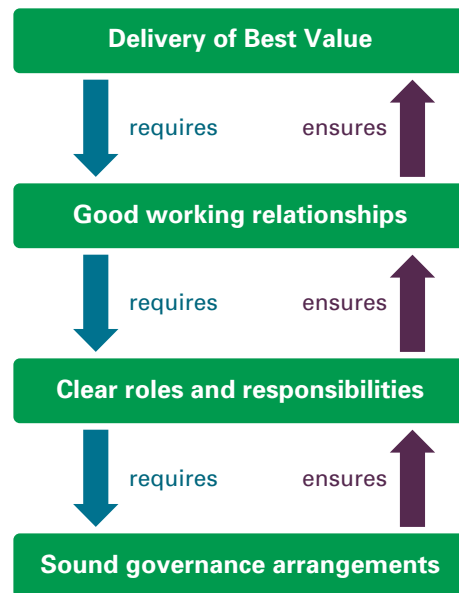
Decisions on services are becoming increasingly difficult and require strong leadership and governance

79. So far, tighter budgets have been met by reducing staff numbers ([Appendix 1, page 33](#)). Our report [*Scotland's public sector workforce \(PDF\)*](#)  identified that councils have managed workforce costs and numbers in a number of ways including pay restrictions/freezes, managing vacancies and redeploying staff to new areas of work. All councils have used voluntary departures to reduce staff costs. As part of a wider review across the public sector in Scotland, we considered the use of voluntary departures in local government.⁸ In view of the likelihood of further early departures to reduce costs we took the opportunity to emphasise good practice standards including the need for clear policies, to consider all costs and potential savings, and to check that savings are delivered ([Exhibit 10, page 25](#)).

80. More work is needed to monitor the impact of staff reductions on front-line services but also on the capacity and resilience of support functions, including

Exhibit 9

Governance, working relationships and Best Value



Source: Audit Scotland

finance departments, ICT and people management. This may be apparent from routine performance information but may also require connections to be made with other information, including audit reports. For example, councillors should consider whether delays in performing key, routine accounting controls or delays in receiving up-to-date information on the financial position are indicative of understaffing or reduced skills and capacity in finance departments.

81. More widely, increasing levels of staff overtime may be indicative of pressures in services which in time may affect service performance and diminish the savings anticipated from decisions to reduce the size of the workforce.

82. While councils have relied mainly on staff reductions, this is not sustainable in the longer term and they face having to consider policy options which they may have previously rejected because they are politically unacceptable or unpopular. There is emerging evidence that councils are considering options to reduce or stop services by, for example, removing subsidies for bus services, closing libraries or reducing support for arts development. As indicated earlier, good decision-making requires good-quality information on costs and performance and rigorous options appraisal.


83. Having taken difficult decisions, strong leadership is required to see them through. Councillors need to explain the rationale to local people and to monitor the impact. Officers need to implement the changes agreed by the council and ensure systems are in place to provide information on the consequences of the changes in terms of cost, performance and value for money. Our report [*Maintaining Scotland's Roads: An audit update on councils' progress* \(PDF\)](#) , for example, highlighted the need for councils to continue to monitor the impact of changing levels of maintenance expenditure on the condition of their roads.

Exhibit 10

Early departures – principles of good governance

The Accounts Commission's report on voluntary departures re-emphasised key principles in the governance of early retirements.

Framework for decision-making

- Early retirement policies should be approved by councillors and reviewed regularly.

Informing members

- Councillors should receive a report at least annually that details the number of early retiral decisions, along with information on the associated costs and savings.

Decision-making

- Councils should rigorously appraise individual cases to ensure the expected savings associated with a retiral outweigh the costs.
- To improve accountability and assist in monitoring, the costs of early retirement should be charged to the appropriate service budget.
- Councillors should be involved in approving early retirement decisions for senior staff.

Source: Audit Scotland

Effective governance of finances is more important than ever

84. In the current financial circumstances, the principles of good governance are more important than ever. This means providing clear direction and strong control, regardless of how services are provided, ie by in-house services, through contracts and, as set out in the previous section of this report, through other options including ALEOs.

85. Audit committees provide a focus on financial control and risk and enhance public trust and confidence. We remain strongly of the view that audit committees should be separate from the executive and chaired by someone who is not a member of the political administration. We are pleased to note that this has been achieved in councils where that was previously not the case. Elsewhere, councils need to monitor their approach to ensure transparency and that the actual and perceived independence of the Audit Committee is not compromised.

86. The effectiveness of the Audit Committee depends on the committee members and their approach. They need to know how services and resource management work and be prepared to ask challenging questions. Particular areas for focus include cases where weaknesses in basic accounting systems and controls, under-resourcing of internal audit (generally, and in relation to pension funds) and under-developed risk management are reported to the Audit Committee. If basic financial information is compromised so are decisions based on that information.


87. Councillors need to be firmer in asking what officers are doing to address these problems and to follow through to obtain assurances that effective action is

implemented within acceptable timescales. This in itself requires particular skills, and there is evidence that councillors see the need for more training to support their scrutiny activities.

88. The chief officer for finance (also known as the statutory officer for finance or the section 95 officer) has a crucial role in providing professional advice to colleagues and councillors on all aspects of the council's finances and is central to effective financial governance. CIPFA's guidance⁹ develops the requirements of the role.

89. The focus on finances means that the chief financial officer role is increasingly important. The role carries overall responsibility for financial management and reporting, contributing to the strategic management of resources and advising on the financial aspects of what are often complex options for new ways of delivering services. However, management restructuring and the shift to smaller management teams means that in about half of councils the chief financial officer is not now a member of the senior management team.

90. There is a risk, therefore, that the statutory role is less visible and that financial governance is affected. Where the chief financial officer is not a member of the senior management team, we re-emphasise that councillors need to understand why that is the case and satisfy themselves that the officer has appropriate access and influence to perform this crucial role.

91. Councillors also need to be aware of the important contributions provided by the other statutory officers who, like the proper officer for finance, act independently to promote and enforce good governance. The monitoring officer, for example, is responsible for advising councillors on the legal position on proposals and ensuring that the council follows proper procedures. More details about the statutory officers can be found in our 'how councils work' report [***Roles and working relationships: are you getting it right? \(PDF\)***](#) .

Reserves have increased but the level of 'free' reserves has fallen, partly because they have been applied to reduce funding gaps

92. Annual audited accounts show a council's financial performance and position and are important in demonstrating the proper stewardship of public money. The accounts should be published as soon as possible after the end of the financial year, along with an opinion from the independent, external auditor stating whether the accounts present a 'true and fair' view. This provides important assurance on financial reporting.

93. For financial year 2012/13, accounts for all councils and other local authority organisations, including the 11 local authority-administered pension funds, were presented for audit on time and signed off by auditors without qualification. We welcome this achievement and the assurance it provides to the public and other stakeholders.

94. Despite the financial pressures that they face, all councils managed to balance finances and most identified underspends at the end of 2012/13. Reduced staff numbers and the corresponding reduction in costs was the main reason for under-spending but the reasons varied. Some councils used 'free' or unearmarked reserves to ease financial pressures.

95. Councils hold cash-backed reserves (useable cash funds as opposed to reserves which are the product of accounting practice) which are available to

finance service expenditure, to ensure stability in cash flow, to build up funds for predicted costs pressures, and as a contingency for unforeseen expenditure. The overall level of reserves increased by £174 million to £1.86 billion at 31 March 2013.

96. Within the overall figure, general fund balances totalled £1.05 billion. Councils earmark these reserves for reasons including devolved school management, workforce change or voluntary redundancy and corporate improvement programmes. Earmarked reserves increased by £170 million to £743 million at 31 March 2013. The remaining reserves are deemed unearmarked or 'free'. The level of 'free' reserves has fallen for the first time in recent years, from £334 million at 31 March 2012 to £312 million at 31 March 2013, a reduction of 6.7 per cent.

97. The amounts in cash-backed reserves are substantial and we remain of the view that more needs to be done to provide more information on why reserves are held, how this fits with the council's overall financial strategy and how they will be used. Councillors in particular need good information about movements in earmarked funds, to assist their full understanding of their council's overall financial position.

98. While the short-term (this year and next) financial position is relatively stable, councils are identifying medium-term funding gaps and need to make substantial savings, at least over the next four years. Few councils have longer-term financial plans, beyond a four-year period, which identify gaps and how these will be addressed, with full explanations of the assumptions and risks underpinning projections.

99. More work is also needed in these longer-term financial plans to show the links between finances, workforce and assets, to build a complete picture of how the overall resource will be applied and the connections between resources.

100. As indicated, there is some evidence that reserves are being used in the short term to narrow funding gaps. However, this is not sustainable because reserves can only be used once and can not support recurring expenditure.

101. In terms of annual budgets, we are encouraged by the extent to which councils are engaging with the public, employees and other key stakeholders, sometimes with the assistance of external researchers. This helps build a better understanding of the council's financial position and the choices that have to be made within available budgets. Particularly, within councils, it helps further reinforce awareness of costs and the need to make the most of available resources.

102. There is also evidence of councils developing a priority-based approach to budgets, which is an alternative to the traditional, incremental approach to budget-setting. It involves a clear understanding of how services contribute to the council's strategic priorities, developing options for services and agreeing options which are prioritised to achieve particular outcomes.

103. Following our previous reports on *Scotland's public finances*¹⁰ we have collected further information on how councils are addressing the financial pressures in budgets. We will summarise key issues in a report later this year, in advance of the next budget cycle. This will include materials for councillors to assist their consideration of 2015/16 budgets.

104. We will continue our focus on other key aspects of councils' finances. In our [previous overview report](#) we noted that councils determine programmes for capital investment in accordance with the prudential code, which supports local authorities' capital investment decisions.

105. In the period since the code was introduced in 2004, the overall level of net indebtedness increased by around 45 per cent, from £9.1 billion to £13.3 billion. Bearing in mind local circumstances, there is wide variation across councils in the change in net indebtedness in the years since the prudential code came into effect. We will review the position, including the use of the code, as part of our audit of council treasury management and borrowing.

Achieving more from partnership working requires strong shared leadership supported by more effective governance

106. Community planning is the process by which councils and other public bodies work together, with local communities, businesses and voluntary groups, to plan and deliver better services and improve the lives of people who live in Scotland. It was given a statutory basis by the Local Government in Scotland Act 2003 (the Act). That Act, and the statutory guidance supporting it, sought to establish community planning as the key means of leading and coordinating partnership working at the regional, local and neighbourhood level.

107. The Scottish Government and COSLA reviewed community planning and Single Outcome Agreements (SOAs) in 2012. They then published a joint Statement of Ambition. This sets out high expectations for community planning and puts the community planning process at the heart of public service reform [Exhibit 11](#). It also emphasises that all partners are collectively accountable for delivering services.

108. The Statement of Ambition is clear that significant changes to improve community planning are needed to respond to the challenges of reducing public finances while demand for services increases. CPPs also need to be equipped to reduce the stark variations in outcomes experienced by different communities.

Exhibit 11


Expectations of community planning:

- taking the lead role in securing integrated public services
- focusing more on potential problems and identifying ways to prevent them happening
- ensuring public bodies continue to improve the ways in which they manage and provide services
- achieving better outcomes for communities, such as better health and lower crime
- providing the foundation for effective partnership working, within which wider reform initiatives will happen.

Source: Audit Scotland

109. There is now a renewed focus on community planning which provides a clear opportunity to deliver a step change in performance. This will require strong and sustained shared leadership from CPP boards.

110. Partnership working is now generally well established and many examples of joint working are making a difference for specific communities and groups across Scotland. But overall, and ten years after community planning was introduced, CPPs are not able to show that they have had a significant impact in delivering improved outcomes across Scotland.

111. [Improving community planning in Scotland \(PDF\)](#)  identified key issues from the CPP audits carried out in 2013. To implement the Statement of Ambition successfully we concluded that CPPs need to:

- focus more clearly on where they can make the greatest difference in meeting the complex challenges facing their communities
- ensure that all partners align their service and financial planning arrangements with community planning priorities
- significantly improve their governance and accountability, and planning and performance management arrangements.

112. Community planning is at a crossroads. This offers a significant opportunity to establish a system of leadership, governance and performance that ensures continuous improvement in community planning ([Exhibit 12, page 30](#)). This will not be easy. Barriers stand in the way, and this virtuous cycle will only be achieved through a level of sustained leadership that is significantly stronger than we have seen to date.

113. Our other national report work supports our key findings. For example, our report [Housing in Scotland \(PDF\)](#)  recognises that planning arrangements are complicated and have many partners. Councils must demonstrate leadership and work to influence partners. Our report [Maintaining Scotland's Roads: An audit update on councils' progress \(PDF\)](#)  recommends that councils need to work with partners to produce a strategy for developing the best service and structural models to deliver roads maintenance.

Partnerships need to identify and make better use of the overall resources available in their area

114. CPPs need to focus more clearly on where they can make the greatest difference in meeting the complex challenges facing their communities. They need to make their SOAs a true plan for the communities that they serve. They need to show how they are directing the significant public money and other resources available to CPP partners to target inequalities and improve outcomes. SOAs need to specify what will improve, how it will be done, by whom, and when.

115. CPPs also need to ensure that partners align their service and financial planning arrangements with community planning priorities. This means ensuring that budget setting and business planning decisions by CPP partners such as councils and NHS boards take full account of community planning priorities and SOA commitments.

116. The national Community Planning Group agreed that it should focus on getting partners to deploy their resources jointly towards partnership objectives.

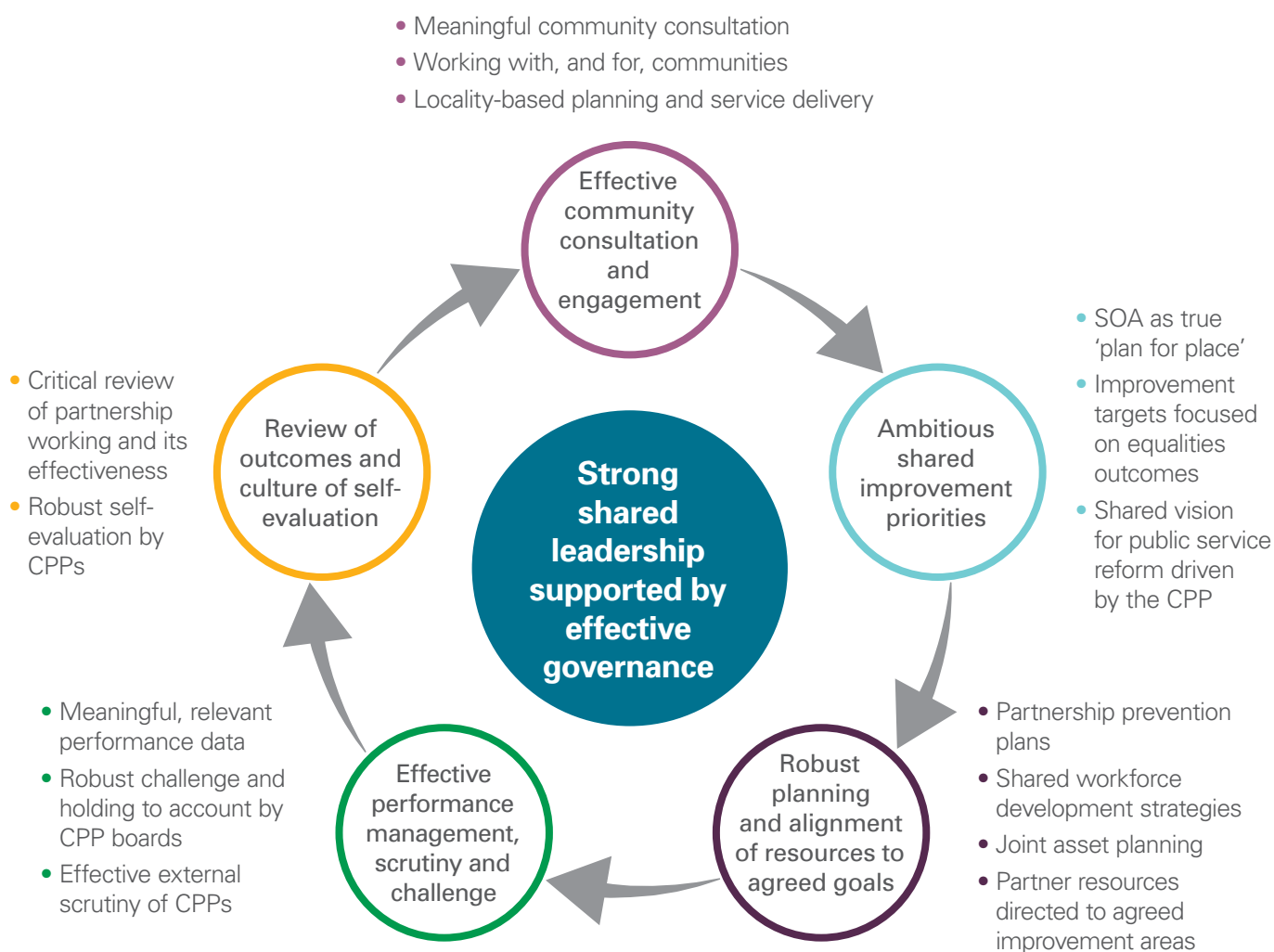
As a result an Agreement on Joint Working on Community Planning and Resourcing was published in September 2013 ([Exhibit 13, page 31](#)). We will review progress during our CPP audits.

Summary and points for action in 2014

- Maintaining good professional working relationships and providing strong political leadership.
- Getting assurance that governance is sound, including where ALEOs are in place.
- Providing stronger leadership of CPPs and working with partners to make the best use of the overall public resources available in the area.

Exhibit 12

A virtuous cycle of continuous improvement in community planning



Improved outcomes for communities and demonstrable impact of community planning

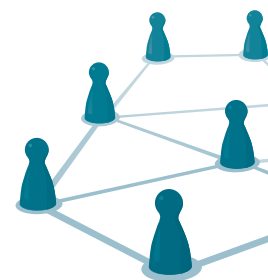
Exhibit 13**Resourcing CPPs – Agreement on joint working**




Individually and collectively the relevant partners in each CPP will:

- ensure the SOA is the focal point for the planning and deployment of resources locally
- share budget, investment and resource planning information through the CPP, at an early stage in the decision-making process, including setting out the broad financial parameters they are working to, key milestones, and how resources are already utilised and can further support SOA delivery
- agree how total resources can most effectively be deployed and aligned between partners to achieve the outcomes set out in the agreed SOA and ensure that deployment and alignment in practice
- demonstrate commitment and adherence to this agreement through their engagement with CPPs and in relevant governance and budget-making processes, including final budget documents, delivery plans and subsequent accountability arrangements.

Source: National Community Planning Group

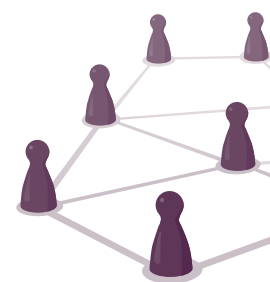
Endnotes



- ◀ 1 *Early Impacts of Welfare Reform on Rent Arrears - Research Report*, Scottish Housing Regulator, October 2013.
- ◀ 2 *Housing Impacts of Welfare Reform - Survey of Councils*, COSLA, July 2013.
- ◀ 3 Community Empowerment (Scotland) Bill, November 2013.
- ◀ 4 *Scotland's Councillors 2013, Research Report*, Improvement Service, December 2013.
- ◀ 5 *2014 Scottish Local Government Benchmarking Overview report*, Improvement Service, March 2014.
- ◀ 6 *Making Choices: Volume 2: A Practice Guide to Best Value, Procurement and Competitiveness*, Scottish Government, December 2001.
- ◀ 7 *Code of Guidance on Funding External Bodies and Following the Public Pound*, Accounts Commission/COSLA, 1996.
- ◀ 8 [*Managing early departures from the Scottish public sector \(PDF\)*](#)  Audit Scotland, May 2013.
- ◀ 9 CIPFA statement on the role of the chief finance officer, CIPFA.
- ◀ 10 [*Scotland's public finances: Preparing for the future \(PDF\)*](#)  Audit Scotland, November 2009 and [*Scotland's public finances: Addressing the challenges \(PDF\)*](#)  Audit Scotland, August 2011.

Appendix 1

Resource use in 2013 – summary

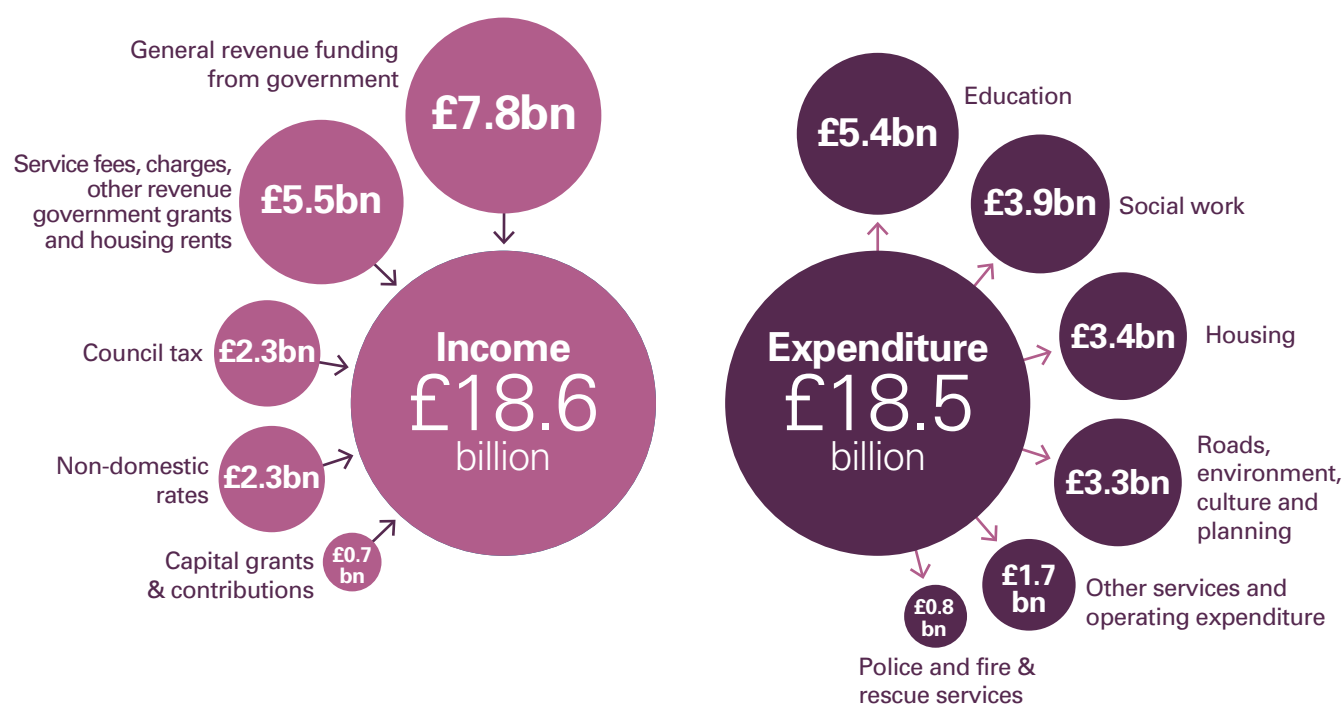


Finance

- Total income was £18.6 billion ([Exhibit 14](#)), the same as in 2011/12. The Scottish Government provided around 80 per cent of total income through revenue and capital funding and the redistribution of non-domestic rates.
- Councils spent £20.8 billion, £18.5 billion on services and £2.3 billion on capital.
- Spending on services was £18.5 billion ([Exhibit 14](#)), a one per cent reduction on 2011/12 (£18.7 billion). The proportion of spend on individual services was broadly the same as 2011/12.

Exhibit 14

Council income and expenditure 2012/13

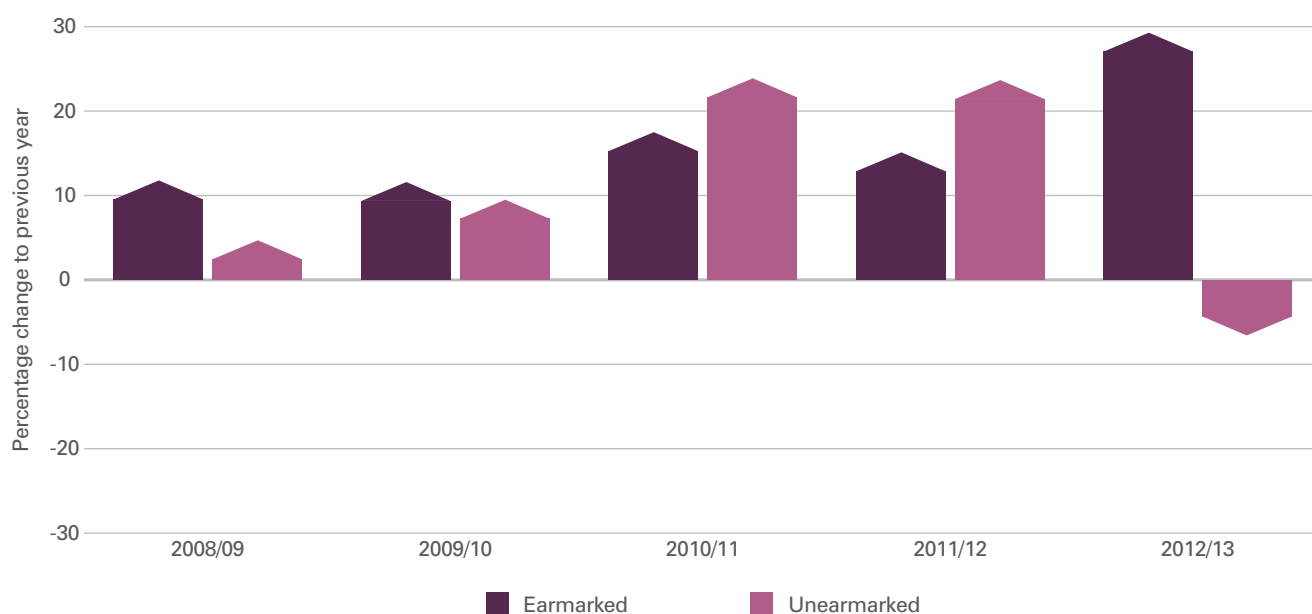


- Spending on capital assets was around £2.3 billion, three per cent less than 2011/12 (£2.4 billion) and around ten per cent less than planned (£2.6 billion). Three-quarters of councils spent less than they planned.
- Useable cash-backed reserves increased by £174 million (over ten per cent), they totalled £1.86 billion at 31 March 2013. Within that **General Fund balances increased by £147 million to £1.05 billion** at 31 March 2013. The amounts earmarked for specific purposes increased significantly by £170 million to £743 million at 31 March 2013.
- The unearmarked portion of council General Fund balances reduced by £22 million, around seven per cent, to £312 million ([Exhibit 15](#)). This is the first time in recent years that there has been a reduction in unearmarked balances.
- Net indebtedness has increased. From a level of £9.1 billion in 2003/04 net indebtedness has increased by around 45 per cent to £13.3 billion at 31 March 2013 (£12.9 billion at 31 March 2012).

Exhibit 15

Earmarked and unearmarked General Fund balances

Percentage increase or decrease on previous year



Source: Audit Scotland

Assets

- **Councils held assets worth £38 billion at 31 March 2013.** This is a slight increase in the balance sheet value of assets of £37.4 billion at 31 March 2012 and reflects changes in valuation and accounting adjustments, in addition to spend on assets.
- **Major capital projects generally cost significantly more than councils estimate.** An audit of major capital projects reported that only two-fifths of projects were completed within initial cost estimates. Estimating improved significantly as projects advanced, plans became clearer and contracts were awarded.

Procurement

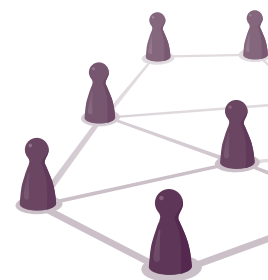
- **Councils spend over £5 billion annually in procuring goods** to deliver public services, around half of the total for the whole Scottish public sector.
- **Most spending is on social care (23 per cent) and construction/construction materials (30 per cent),** spending on goods and services is diverse.
- **Four councils have still to achieve the 50 per cent target level of procurement capability** that the Public Procurement Reform Board set for all public bodies. This is based on the results of the 2013 Procurement Capability Assessment.

Workforce

- **Workforce numbers are falling.** In March 2013 there were 204,500 whole-time equivalent staff employed by councils. In 2009 there were 228,300 whole-time equivalent staff but numbers have fallen by an average of 2.6 per cent each year. This is in part due to the transfer of staff to ALEOs. In the four year period since March 2009, around 9,000 staff transferred to ALEOs. Councils forecast that numbers will continue to fall over the next two years.
- **Staff costs are at least £6 billion,** one-third of the £18.5 billion spent on providing services.
- **Councils paid out £32 million on equal pay claims** in 2012/13. Council balance sheets identify future payments of £73.2 million. Twenty-three from 32 councils have identified the need for potential future payments but their uncertainty means they can not yet be quantified.
- **Sickness absence increased in over two-thirds of councils** in 2012/13. Overall sickness absence rates were 6.6 days for teachers (6.2 the previous year) and 10.9 days for other council staff (10.4 the previous year). These increases go against the trend of recent years.

Appendix 2

Checklist and resources



Checklist to support the local government overview report

Do I have a good understanding of the changing context in my council around:		
<ul style="list-style-type: none"> financial and service pressures? 	Y	N
<ul style="list-style-type: none"> the impact of police and fire reforms? 	Y	N
<ul style="list-style-type: none"> the impact of welfare reform? 	Y	N
<ul style="list-style-type: none"> the integration of health and social care? 	Y	N
Do I understand my role and responsibilities and those of officers?	Y	N
Am I supported in my role?	Y	N
Do I have access to, and take up, appropriate development opportunities?	Y	N
Do officers provide me with performance information which is clear and concise and enables me to judge how well we are doing?	Y	N
Does the information I receive cover:		
<ul style="list-style-type: none"> service performance? 	Y	N
<ul style="list-style-type: none"> service costs? 	Y	N
<ul style="list-style-type: none"> customer satisfaction? 	Y	N
<ul style="list-style-type: none"> trend data? 	Y	N
<ul style="list-style-type: none"> benchmarking data? 	Y	N
<ul style="list-style-type: none"> targets and outcomes? 	Y	N

Question	Assessment	
Do I have good understanding of performance and value for money across the council?	Y	N
Do we, as a council, provide clear information to the public on our performance?	Y	N
Am I provided with options and supporting information to support the decisions on services and capital projects that I have to take?	Y	N
Do I receive cost information that helps me make decisions?	Y	N
Does the way our services are designed and delivered meet people's needs?	Y	N
Am I clear on our objectives, purpose and role when involved with ALEOs?	Y	N
Do I give direction over aims and priorities for charges (in areas where the council has discretion)?	Y	N
Do I understand the non-financial contribution of charges, eg to behaviours and service uptake?	Y	N
Providing strong leadership and governance to support change (paragraphs 65 – 116)		
Is my relationship with other councillors, and with officers, professional and constructive?	Y	N
How effective am I in contributing to constructive challenge and debate at meetings?		
How well do we work together as councillors, and with officers, to deliver the best outcomes for our communities?		
Do I receive information on early retirements along with associated costs and savings?	Y	N
How effective is the Audit Committee (or equivalent)? Is it challenging to officers?		
Do I know who the council's statutory officers are and what they do?	Y	N
How well is the council working with the leaders of community planning partners to deliver better outcomes for communities?		
Are we working with community planning partners to deploy resources jointly in our partnership objectives?	Y	N


Useful resources

Councillors may find the following publications in our 'how councils work' series, along with their checklists useful. These publications explore some of the issues highlighted throughout this report in more detail.


[*Roles and working relationships: are you getting it right? \(PDF\)*](#) 

[*Arm's-length external organisations \(ALEOs\): are you getting it right? \(PDF\)*](#) 

[*Using cost information to improve performance: are you getting it right? \(PDF\)*](#) 

[*Managing performance: are you getting it right? \(PDF\)*](#) 

[*Major capital investment in councils: good practice guide \(PDF\)*](#) 

[*Charging for services: are you getting it right? \(PDF\)*](#) 

[*Options appraisal: are you getting it right? \(PDF\)*](#) 

An overview of local government in Scotland 2014

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WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: Audit Scotland: Review of Governance Arrangements and Main Financial Systems Report – May 2014

1. Purpose

- 1.1** The purpose of this report is to provide Committee for information a report which has been received from our external auditors – Audit Scotland – and to provide information to Members as to management actions implemented following receipt of this report.

2. Recommendations

- 2.1** The Committee is invited to note the report and the agreed improvement actions.

3. Background

- 3.1** Part of the planned work of Audit Scotland as the Council's external auditors, which was described in their report to this Committee on 12 March 2014, is to produce on an annual basis a report on financial governance..
- 3.2** As part of the work required, the auditors undertook a high level review of the governance arrangements and the main financial systems operated by the Council. The purpose of this review was to evaluate whether the Council have sound governance arrangements in place and whether the key internal controls operating within the main financial systems are adequate.

4. Main Issues

- 4.1** Representation from the Audit Scotland team will be in attendance at the Committee to present the report and to answer questions.
- 4.2** The report states that the auditors are satisfied that the Council has adequate governance arrangements and control operating within the main financial systems.
- 4.3** The report identifies 15 areas where improvements could be made, identifying agreed management actions against these areas. These are listed, together with management responses, within the action plans detailed on pages 11 to 16 of the report.

- 4.4** Members will be aware that this is the third such report from the current external auditors, the previous report being reported to this Committee on 25 September 2013. In that report there were 13 improvement actions agreed and the report this year notes that 7 have been fully completed and 1 has been partially completed. The remaining 5 outstanding actions have been repeated in this new report as actions 4, 7, 9, 13, 14 and 16.

5. People Implications

- 5.1** The people issues arising from this report are in relation to implementing improved processes in a number of systems and can be implemented from within existing resources.

6. Financial Implications

- 6.1** There are no financial implications arising from this report.

7. Risk Analysis

- 7.1** Failure to address the recommendations outlined in the report could impact on the final audit opinion awarded to the Council in respect of the audit in future financial years.

8. Equalities Impact Assessment

- 8.1** There are no equalities issues arising from this report.

9. Consultation

- 9.1** The views of Legal Services have been requested on this report and no issues or concerns have been identified.

10. Strategic Assessment

- 10.1** The report is for noting and, therefore, does not directly affect any of the strategic priorities.

.....
Angela Wilson
Executive Director of Corporate Services
Date: 28 May 2014

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Appendix: *Audit Scotland report: West Dunbartonshire Council
2013/14: Review of Governance Arrangements and Main
Financial Systems Report*

Background Papers: None

Wards Affected: All

West Dunbartonshire Council 2013/14

Review of Governance Arrangements and Main Financial System Report



Prepared for West Dunbartonshire Council
May 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Introduction

1. As part of our 2013/2014 audit activity, we undertook a high level review of the governance arrangements and the main financial systems operated by West Dunbartonshire Council (“the Council”), which were identified during our planning process. The purpose of this review was to evaluate whether the Council have sound governance arrangements in place and whether the key internal controls operating within the main financial systems are adequate. It should be highlighted that these reviews were restricted to a subset of the overall controls for each system. Those reviewed were the ones we determined to be the key controls to meet our audit objectives and therefore these reviews do not represent a comprehensive review of the controls in place over any of the specified systems.
2. A listing of the systems reviewed is shown on page 5. The code of audit practice requires us to establish that controls are operating in accordance with our understanding, through discussions with officers, walkthrough tests and tests of control.
3. This report summarises the findings from our reviews highlighting, on an exception basis, where we have identified any governance issues or control weaknesses or areas where procedures are deemed adequate but could be improved further. The issues outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist. It should be noted that the members and officers of the Council are responsible for the management and governance of the organisation and, as such, communication of issues arising from this audit does not absolve management from its responsibility to address the issues raised and maintain an adequate system of governance, internal control and performance management.
4. In our Annual Audit Plan issued in February 2014 we highlighted issues which could affect the financial statements of the Council. Note that these risks have not been repeated in this report unless we are of the opinion that there has been a material update which it is appropriate to comment on.
5. The co-operation and assistance afforded to audit staff during these reviews are gratefully acknowledged.

Scope

6. Our review of the Council's governance arrangements drew upon a variety of information sources including committee minute review, council reports, meetings with council officers, corporate and directorate plans and governance documentation such as financial regulations, workforce plans, scheme of delegation and standards of conduct.
7. We identified the key controls and completed walkthrough tests in the following main financial systems:

- | | |
|-------------------------------|--|
| • Trade Payables (Creditors) | • Council Tax Billing & Collection |
| • Trade Receivables (Debtors) | • Non Domestic Rates Billing & Collection |
| • Main Accounting | • Unified Benefits |
| • Payroll | • Council Tax / Non Domestic Rates Valuation |
| • Cash & Banking | • Treasury Management |
| • Housing Rents | |

8. Our audit approach enables audit judgements to be based on current year testing of controls and, in accordance with ISA 330, para 14 and 15, where appropriate, prior year results. We performed an assessment of the wider control environment, and specific reviews of audit work performed in 2012/13 and concluded that reliance could be placed on certain systems based on the prior year work. Responsibility for the performance of more detailed tests of control on the remaining systems was split between External Audit and the Council's Internal Audit Team. The table below shows how responsibility for the reviews was split.

Audit Scotland	Internal Audit	Reliance on Prior Year's Testing
Cash & Banking	Non Domestic Rates Billing	Trade Receivables
Payroll	Treasury Management	Housing Rents
Council Tax Collection	Council Tax Recovery and Enforcement	Council Tax / Non Domestic Rates Valuation
Trade Payables	Main Accounting	Non Domestic Rates Collection

Summary of Main Findings

9. Overall we are satisfied that the Council's governance arrangements and internal control systems are operating as planned. The Council has made progress implementing the actions agreed in our 2012/13 Review of Governance Arrangements and Main Financial Systems report although we note that 38% of these issues have been highlighted again in this report. Of the 13 actions agreed in the 2012/13 report:
- 7 are fully complete
 - 1 is partially complete and an updated position is reflected in this report
 - 5 are repeated (these are tagged with an (R)' in their titles within this report).
10. Areas where improvements could be made are highlighted below.

Governance

11. **Strategy for the Prevention and Detection of Fraud & Corruption** - The Council has arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: a Strategy for the Prevention and Detection of Fraud & Corruption, codes of conduct for elected members and staff; and defined remits for committees. The Council's Strategy for the Prevention and Detection of Fraud & Corruption was updated in June 2013 however it is noted that it requires further revision to reflect the provisions of the 2010 Bribery Act.

Action Plan 1

12. **National Fraud Initiative (NFI) Training** - Online training is made available to those council employees involved in the NFI process. Three of the Council's registered NFI users have not completed the training and are active users of the NFI website.

Action Plan 2

13. **NFI Reporting** - A NFI progress report was considered by the Audit & Performance Review Committee (A&PRC) in December 2013. The previous progress report was considered by the A&PRC in August 2012. We would also encourage the Council to consider publicising outcomes of the NFI exercise (internally and/or externally) to demonstrate its commitment to taking action against fraud and deterring potential fraudulent activity.

Action Plan 3

Review of Internal Audit Files

14. As documented in our Annual Audit Plan issued in February 2013 we planned to place reliance on the work of internal audit in the following areas:
- General ledger (main accounting)
 - Council tax recovery and enforcement
 - Treasury management

- Non domestic rates billing
15. We have completed our review of these internal audit files and concluded that we can place reliance upon the work performed.

Cash and Bank

16. **Bank Reconciliations (R)** – A sample review of bank reconciliations highlighted items in the Council's bank account which take in excess of a month to be posted to the Agresso financial ledger system.

Action Plan 4

17. **Bank Imprest Accounts** - The Council has 140 imprest accounts held with five different banks and a further 33 petty cash holdings which are not held in a bank. Council policy is that all imprest accounts should be held with the Clydesdale Bank unless there is no Clydesdale branch local to the department. It is also considered good practice within the Council that the accounts include the Council in their name. Testing highlighted:

- 39 accounts held by financial institutions other than the Clydesdale Bank, some of which had a Clydesdale Bank in close proximity.
- Not all bank accounts referred to the Council in their name. Eight accounts of 100 reviewed have no reference to the Council and a further two have unusual variations of the Council's name.

Due to the volume of bank imprest accounts and relatively low balances held in them, the control testing we performed was restricted. We would recommend a more detailed review of the management of imprest accounts be considered as part of the 2014/15 Internal Audit plan.

18. A comparison of the authorised signatory list held by the cash office and the individual records held by Council departments was performed on a sample of ten imprest accounts. This highlighted the following discrepancies:

- three officers on the cash office authorised signatory list were not on the department's record
- three officers not recorded on the cash office authorised signatory list, but were included on the department's record
- one officer on the cash office authorised signatory list who had not been employed by the Council for over a year.

Action Plan 5

- 19. RADIUS System Administration** – The RADIUS cash receipting system has four profiles called 'System Administrator' and one called 'Temp Admin' which can be used to process system administrator functions. These accounts enable extensive system access and, as the account user is not readily identifiable, there is an increased risk of unauthorised or inappropriate access. They are mainly used to unlock IT staff user profiles however this functionality is rarely required. It is recognised that a system administration user is required, however consideration should be given to reducing the number of these accounts, allocating this access level to a named staff member and implementing monitoring controls over activity processed by that account

Action Plan 6

Trade Payables (Creditors)

- 20. Exception Reporting (R)** – In 2011/12 and 2012/13 we highlighted that there was no exception reporting to identify outstanding invoices past their payment due date. The action to address this is still outstanding.

Action Plan 7

- 21. Supplier Masterfile Changes** – Out of a sample of 15 supplier bank detail changes we identified two instances where supporting evidence could not be provided.

Action Plan 8

Non Domestic Rates (NDR) Billing & Collection

- 22. NDR Debtor Reconciliation (R)** – A monthly reconciliation is performed between the outstanding debtor balance on the NDR Orbis system and outstanding debtor as per the Agresso ledger. Sample testing of eight reconciliations was performed. This highlighted that:
- four were not carried out within a reasonable time of the period end. Approximately six weeks elapsed after the period end before they were performed.
 - all eight were not subject to independent review and authorisation.

Action Plan 9

- 23. Orbis Super User Access** - The NDR Orbis system has a user profile called 'SUPERUSER' which can be used to process system administrator functions. It is predominantly used as a backup to four system administrator profiles used by named employees. If used the account user is not readily identifiable on an audit trail. Therefore there is an increased risk of inappropriate access by users who are aware of the account's password. Further steps should be considered to secure this profile.

Action Plan 10

Payroll

- 24. Employee Validity Check** - On a monthly basis the payroll department send details of current employees to section managers throughout the Council to verify the validity of employees on the Chris21 payroll system. Managers are only asked to respond to payroll on an exceptions

basis. Nil returns are not required. This does not provide assurance that the control is being carried out as expected. Consideration could be given to reducing the frequency of the control but implementing a process whereby managers are asked for positive confirmation that there are no issues with the employee list sent to them.

Action Plan 11

25. **Accessing Own Payroll Records** - On a monthly basis a report detailing instances of payroll staff accessing their own payroll records is reviewed to ensure no inappropriate or unauthorised changes are made. It is noted that some staff have system access called "FRONTIER" which enables them to access their own records. These staff are currently excluded from the monthly review.

Action Plan 12

Information Communication Technology (ICT)

26. **Disaster Recovery Plan (DRP) (R)** - A DRP is a documented process or set of procedures to recover and protect the Council's ICT infrastructure in the event of a disaster. In 2013 the ICT department produced a high level DRP supported by several detailed procedures covering the recovery of a particular application / system. Further work to complete the supporting documentation associated with the DRP has been delayed due to competing priorities. It is also noted that the approach to disaster recovery will change upon completion of the ICT Modernisation Project and shared data centre projects.

Action Plan 13

27. **ICT Change Management (R)** - A change management process should ensure system changes are logged, assessed and authorised prior to implementation and are subject to post implementation review. We identified that overseeing of the Council's ICT change management process by a Change Advisory Board (CAB) is still to be implemented.

Action Plan 14

28. **Use of unsupported and older software** - Microsoft ended support for Windows XP and Microsoft Office 2003 on 8 April 2014; this means that if a security flaw is discovered, Microsoft have no obligation to release an update to fix it. The ICT department purchased a Microsoft Enterprise Agreement as part of their ICT Modernisation Project. Under this agreement, they are current replacing the older unsupported software products, Windows XP and Microsoft Office 2003, with the more up-to-date products of Windows 7 and Microsoft Office 2010. However, the council is still using some unsupported software. The Information Commissioner has recently warned this could become a serious problem. This risk will increase as more vulnerabilities are discovered, creating more opportunities for an attacker to exploit and potentially gain unauthorised access to systems.

Action Plan 15

Conclusion

29. On the basis of the work undertaken, we have concluded that overall, we are satisfied that there are adequate governance arrangements and controls operating within the main financial systems.

Action Plan

Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
Finance & Governance					
1	11	Strategy for the Prevention and Detection of Fraud and Corruption The Council's Strategy for the Prevention and Detection of Fraud and Corruption requires to be updated to reflect the 2010 Bribery Act. Risk: Staff might not be aware of the policy on, and approach to, instances where the Council is exposed to bribery.	Audit & Risk Manager	The Council's Strategy for the Prevention & Detection of Fraud and Corruption will be updated to include mention of the Bribery Act 2010	30 June 2014
2	12	NFI Training Three of the Council's registered NFI users have not completed the online training package. Risk: Inappropriate and inefficient usage of the NFI system..	Audit & Risk Manager	Council Staff involved in NFI activity will complete the online training packages which are provided	Ongoing
3	13	NFI Reporting Internal and external reporting of NFI progress is limited and intermittent. Risk: The extent to which the NFI exercise can act as a deterrent is not maximised.	Audit & Risk Manager	Officers will consider approaches to the wider publication.	31 August 2014
Cash and Bank					
4	16	Bank Reconciliations Items in the Council's bank account can take over a month to be posted to the Agresso financial ledger. Risk: The financial ledger might not represent an accurate reflection of	Section Head Financial Administration & Control	In some cases, it is not possible to post income due to lack of information received from the source	Complete

Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
		the Council's financial position.		documentation. Staff have been reminded of the importance of timely and accurate postings and asked to take every reasonable step to post within 4 weeks.	
5	17 - 18	<p>Bank Imprest Accounts</p> <p>The Council has 140 imprest accounts held with five different banks and a further 33 petty cash holdings which are not held in a bank. Sample testing has highlighted concerns about compliance with Council practice in relation to:</p> <ul style="list-style-type: none"> the financial institutions selected to hold some of these accounts the naming convention for accounts discrepancies in the authorised signatory list. <p>Consideration should be given to performing a detailed review of the management of imprest accounts as part of the 2014/15 Internal Audit plan.</p> <p>Risk: There are insufficient controls in place to safeguard Council funds held in imprest accounts.</p>	Section Head Financial Administration & Control	<p>A full review of the current policy will be carried out.</p> <p>The 140 imprest accounts will also be review to ensure the title on the account and the signatories are correct.</p> <p>Departments will be reminded of their responsibility to ensure they advise Finance of any changes to their signatory list</p> <p>Thereafter, an annual housekeeping exercise will be introduced to validate the accounts</p>	31 October 2014

Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
6	19	Radius System Administration The Radius cash receipting system has five user profiles which are used for system administration functions. It enables extensive system access and the staff member using it is not identifiable on any audit trail. Risk: Staff might have inappropriate access to the Radius system.	Section Head Financial Administratio n & Control	The system admin accounts will be reviewed and reduced where possible.	August 2014
Trade Payables (Creditors)					
7	20	Exception Reporting There are no exception reports produced to identify outstanding invoices past their payment due date. Risk: The Council might be subject to adverse publicity or financial penalties due to non-compliance with supplier's payment terms.	Section Head Financial Administratio n & Control	The section will investigate putting in place exception reports for payments processed but not paid.	30 June 2014
8	21	Supplier Masterfile Changes Sample testing identified instances where no documentation could be provide to support changes made to supplier bank details. Risk: Unauthorised or inappropriate changes to supplier bank details can increase the risk of fraud and/or erroneous payments.	Section Head Financial Administratio n & Control	All back up to be scanned and file in a folder on the shared drive. Creditors staff have been reminded that supporting documentation must be retained for bank/payment detail changes.	31 May 2014
NDR Billing & Collection					
9	22	NDR Debtor Reconciliation The monthly reconciliation to ensure the outstanding debtor on the NDR Orbis system reconciles to the outstanding debtor as per the	Section Head Financial Administratio n & Control	The workload within the team has now been adjusted with the aim to meet the target deadline	Complete

Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
		<p>general ledger is not always performed in a timely manner and it not subject to independent review and authorisation.</p> <p>Risk: Reconciliation errors might not be identified and corrected in a timely manner.</p>		<p>for reconciliation and independent review.</p> <p>The reconciliation and review are currently up to date</p>	
10	23	<p>Orbis Super User Access</p> <p>The NDR Orbis system has a 'SUPER USER' profile which can be used for system administration functions, predominantly as a backup to four named system administrator profiles. It enables extensive system access and any staff member using it is not identifiable on any audit trail.</p> <p>Risk: Staff may make inappropriate changes to the Orbis system which they will not be accountable for.</p>	Section Head Financial Administration & Control	<p>The role of super user is allocated to named individuals in ICT. Currently the user called 'superuser' still exists and we will consider options to either close this access, or if not possible to better monitor activity.</p>	30 June 2014
Payroll					
11	24	<p>Employee Validity Check</p> <p>On a monthly basis the payroll department send details of current employees to section managers to verify the validity of employees on the payroll system. Managers are only asked to respond on an exceptions basis. Nil returns are not required.</p> <p>Risk: There is a lack of accountability over employee validity checks being performed.</p>	Lead HTR adviser (payroll)	<p>Payroll will ensure relevant Line managers confirm changes to establishments every 6 months. This will be done in July 14 and every 6 month thereafter. "Nil" returns will be required.</p>	31 July 2014
12	25	<p>Accessing Own Payroll Records</p> <p>The control to review instances where staff access their own payroll</p>	Manager of Audit & Risk	<p>A report will be developed to allow monitoring</p>	30 June 2014

Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
		records excludes staff with the 'FRONTIER' system access permissions. Risk: Inappropriate amendments to payroll records might not be identified.		of all staff with full 'FRONTIER' system access permissions.	
Information Communication Technology					
13	26	Disaster Recovery Plan The ICT department has produced a high level disaster recovery plan however further work is required to complete the supporting documentation which underpins the overall plan. Risk: The Council might not be able to protect and/or recover their ICT infrastructure in the event of a disaster.	Manager of ICT	Underlying technology at WDC is changing and the DR plan will be produced to reflect the changing environment	30 June 2015
14	27	ICT Change Management The Council have not yet introduced the Change Advisory Board to oversee the change management process. Risk: Poorly managed system changes could impact on the stability or integrity of the Council's ICT systems.	Manager of ICT	WDC has introduced Information Technology Infrastructure Library Change Management processes and has a change manager role in place. The change management processes are a best practice framework and are not prescriptive but rather a framework to adapt. WDC	Complete

Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
				therefore accept this risk.	
15	28	<p>Use of unsupported and older software</p> <p>Microsoft ended support for Windows XP and Microsoft Office 2003 on 8 April 2014; this means that if a security flaw is discovered, Microsoft will not release an update to fix it.</p> <p>Risk: Operating older unsupported versions of software may result in security weaknesses.</p>	Manager of ICT	In addition to major investment in ICT Modernisation Project, WDC has purchased the extended support for XP	Complete

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Audit and Performance Review Committee: 11 June 2014

Subject: Accounts Commission Report – Procurement in Councils

1 Purpose

- 1.1** This report provides the Audit and Performance Review Committee with an update on the recent report by the Accounts Commission titled “Procurement in Councils”.

2 Recommendations

- 2.1** It is recommended that the Committee notes the findings of the Accounts Commission report and acknowledges West Dunbartonshire Council’s (WDC) approach and progress in fulfilling the reports recommendations.

3 Background

- 3.1** The Scottish Government published the “Review of Public Procurement in Scotland (the McClelland report) in March 2006 which concluded that public sector structures, people and technology were not in place to improve procurement. The report identified the opportunity to achieve savings across the public sector through increased use of collaborative contracts. Since then the Scottish Government and Scotland Excel, who procure collaborative contracts for Local Authorities, have launched several initiatives to improve procurement in councils.
- 3.2** A 2009 Audit Commission report, titled “Improving Public Sector Purchasing”, identified variable and slower improvement than expected across the Public Sector.
- 3.3** In 2009 the Scottish Government introduced the Procurement Capability Assessment. This is an annual assessment of each public sector organisation which measures progress in procurement activity. The PCA measures, not just the central procurement function, but the whole Council.
- 3.4** Between September 2013 and January 2014 Audit Scotland, on behalf of the Accounts Commission, conducted an audit of procurement in councils and the recently published report, titled “Procurement in Councils”, presents the findings and recommendations. The report is attached at Appendix 1.
- 3.5** The report focuses on the performance of councils and Scotland Excel. It does not look at procurement by arms length bodies set up by councils to provide services or the wider work of the Public Procurement Reform Board, although the report does draw on information from these areas where relevant.

- 3.6** The Council's Corporate Procurement Manager, Angela Salmons, was invited to participate as a member of the project advisory group providing input and advice to Audit Scotland throughout the audit.

4 Main Issues

- 4.1** The aim of the audit was to assess whether councils are efficiently and effectively managing how they procure goods and services.

- 4.2** All council's were surveyed and an extract of data from the Scottish Government Procurement Information Hub was also analysed. Scotland Excel and 6 councils were selected for fieldwork. Interviews also took place with representatives from organisations including the Scottish Government, Scotland Excel, private sector organisations such as the Scottish Chamber of Commerce and the Federation of Small Businesses, along with the Scottish Council for Voluntary Organisations.

- 4.3** The key messages communicated by the report are summarised as follows:

- Councils spent over £5.4 billion on goods, services and works in 2012/13 which is over half of the total public sector procurement spend in Scotland;
- Over half of the councils spend is on Social Care and Construction;
- Procurement now has a higher profile and more procurement is being done collaboratively, with potential for Scotland Excel and Scottish Procurement to introduce more collaborative contracts;
- New legislation and EU directives will bring about further change;
- Councils can use procurement to improve service quality and achieve benefits for the community and councils are using procurement spending to support local economic development, with community benefits and environmental improvements increasingly being written into contracts;
- Some councils are relying on procurement savings to meet budget pressures;
- Scottish Procurement, Scotland Excel and councils reported a total of £71m savings in 2012/13, of which £43m was generated through Scottish Procurement and Scotland Excel collaborative contracts;
- Further savings are possible if councils make greater use of collaborative contracts and replace paper based systems with "purchase to pay" compliant ICT systems;
- All councils have improved their PCA score since 2009. With the average score only reaching 56%, the rate of improvement varies and some need to improve more quickly.

- 4.4** The report makes a number of recommendations directly to Scottish Government, Scotland Excel and councils as applicable. With a PCA score of 58%, placing WDC in the “Improved Performance” category, the majority of the recommendations are already embedded into WDCs procurement systems and processes. Attached at Appendix 2 is a table providing details of the recommendations applicable to councils, along with a brief summary of WDCs approach and progress in relation to each recommendation.

5 People Implications

- 5.1** There are no people implications arising as a result of this report.

6 Financial Implications

- 6.1** There are no financial implications arising as a result of this report.

7 Risk Analysis

- 7.1** There are no additional risks arising as a result of this report.

8 Equalities Impact Assessment (EIA)

- 8.1** There are no adverse equality implications as a result of this paper.

9 Consultation

- 9.1** The Head of Finance and the Head of Legal and Democratic Services have been consulted on this report.

10 Strategic Assessment

- 10.1** The Corporate Procurement Strategy supports proper budgetary control and sound financial practice, which are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan. This report seeks to improve the long-term corporate and financial governance of the Council and ensure that procurement efficiencies are generated.

Angela Wilson
Executive Director of Corporate Services

Date: 11 June 2014

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Appendices: Appendix 1 – Accounts Commission Report:
“Procurement of Councils”
Appendix 2 – Recommendations for Councils

Background Papers: Procurement Strategy and Policy 2012-2015;
Corporate and Efficient Governance Committee
21 March 2012.

Procurement Capability Assessment (PCA) 2012
Corporate Services Committee
12 February 2014.

Equality Impact Assessment (EIA) – May 2014

Wards Affected All

A collection of colorful wooden toys arranged on a white surface. The toys include several cars (red, green, blue, and orange), a blue truck with a recycling symbol, two houses with red roofs, two tall buildings with black window patterns, a green tree, and a green road. There are also three traffic lights and a pedestrian crossing sign. The toys are made of wood and are painted in various colors.



The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

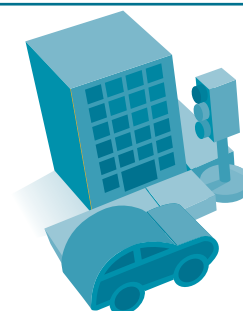
Our work includes:

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- assessing the performance of councils in relation to Best Value and community planning
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- requiring councils to publish information to help the public assess their performance.

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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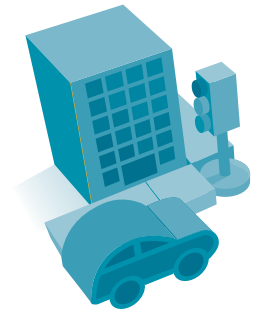
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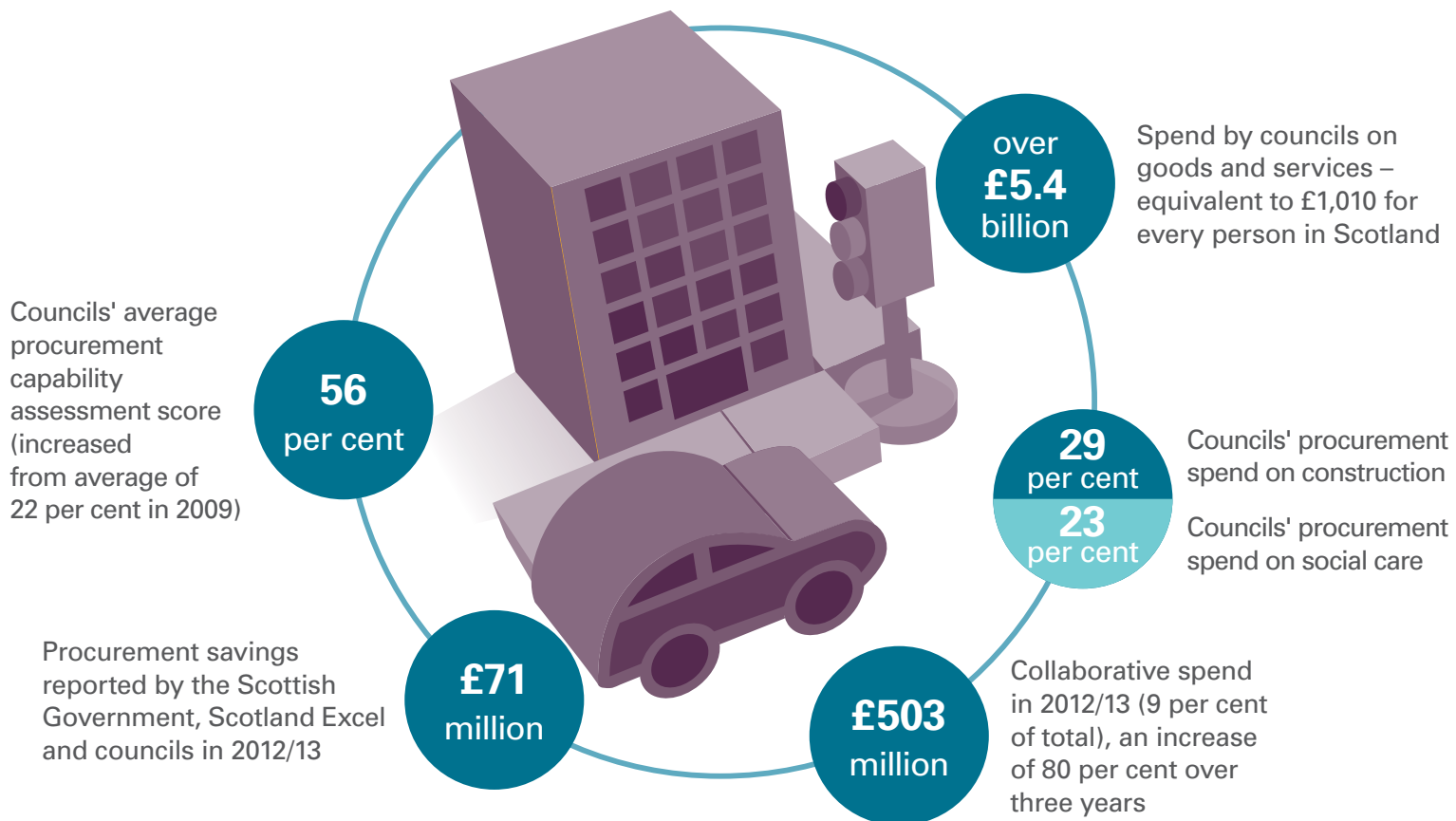
Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Summary



Key facts




Background

1. Procurement is the process that councils follow to buy the goods and services they need to provide public services. Effective procurement is important in helping councils achieve their local outcomes and priorities, secure value for money and deliver other benefits. Effective procurement involves the following:

- Having the right people in the right place – does the council have adequate numbers of appropriately qualified staff and appropriate organisational structures?
- Defining the supply need – does the council have a well-planned process for deciding what it needs, including deciding how it should provide services and looking at alternative ways of delivering services?
- Sourcing strategies and collaborative procurement – does the council have a good idea of how it can best meet its needs?
- Contract and supplier management – does the council manage its suppliers and contracts effectively?
- Purchasing processes and systems – does the council have effective and reliable processes and ICT systems to support procurement?

2. Councils spent over £5.4 billion, over a quarter of their total capital and revenue spend, on procurement in 2012/13. This represents over half of the public sector procurement spend and about £1,010 for every person in Scotland.

3. In March 2006, the Scottish Government published the *Review of Public Procurement in Scotland* (the McClelland report). This concluded that public sector structures, people and technology were not in place to improve procurement. The report identified the opportunity to achieve significant, recurring financial savings across the public sector through increased use of collaborative contracts (agreements between one or more contracting authorities and one or more companies, which set out the terms under which the companies will enter into contracts with a contracting authority). Since 2006, the Scottish Government and Scotland Excel have launched several initiatives to improve procurement in councils.

4. Our 2009 report, [Improving public sector purchasing \(PDF\)](#)  concluded that public bodies' progress in making savings from better procurement had been variable and slower than expected. It also identified wide variation across public bodies in the quality of purchasing data, practice and skill levels. Our other performance audits have also examined aspects of councils' procurement. These include:

- [Improving public sector efficiency \(PDF\)](#)  (2009)
- [Getting it right for children in residential care \(PDF\)](#)  (2010)
- [Commissioning social care \(PDF\)](#)  (2012)
- [Major capital investments in councils \(PDF\)](#)  (2013).

About our audit

5. The aim of our audit was to assess whether councils are efficiently and effectively managing how they procure goods and services. The specific objectives were to determine:

- How much do councils spend on goods and services and what savings and other benefits have councils identified through better procurement?
- Do councils manage procurement well and have good governance for it in line with good practice?
- How well is Scotland Excel helping councils to improve procurement and achieve savings in spending on goods and services?

6. This report focuses on the performance of councils and Scotland Excel; the latter is the centre of procurement expertise for Scottish councils. We did not look at procurement by arm's-length bodies set up by councils to provide services. We did not evaluate procurement activities outside local government such as the operation of Public Contracts Scotland or the wider work of the Public Procurement Reform Board (the PPRB brings together leaders from across the public sector to champion procurement reform and influence their sectors). We did draw on information from these areas where they were relevant.


7. We gathered audit evidence from:

- published and unpublished information on procurement, including the results of councils' Procurement Capability Assessments (PCAs) undertaken by Scotland Excel
- fieldwork at six councils and Scotland Excel
- our survey of 32 councils and analysis of data from the Scottish Government Procurement Information Hub (the Hub)
- interviews with representatives from organisations including the Scottish Government, Scotland Excel, private sector organisations such as the Scottish Chambers of Commerce and the Federation of Small Businesses, and the Scottish Council for Voluntary Organisations.

8. Further details of our audit approach are included at [Appendix 1](#).

9. This report has three parts:

- [Part 1. Setting the scene](#)
- [Part 2. The benefits of effective procurement](#)
- [Part 3 How councils are performing.](#)

10. In addition to this report, we have prepared a [Checklist for elected members in councils \(PDF\)](#)  to help them in their scrutiny role.

11. The Accounts Commission may undertake a follow-up audit, depending on councils' progress.

Key messages



- 1** Councils spent over £5.4 billion on goods and services in 2012/13; over half of the total public sector procurement spend in Scotland. This spending is extremely diverse, although more than half is on social care and construction. Since 2006, initiatives by the Scottish Government and Scotland Excel have led to significant changes in councils' procurement practices. Procurement now has a higher profile and councils are buying more goods and services collaboratively. New legislation and EU directives will bring about further change.
 - 2** Councils can use procurement to improve service quality and achieve benefits for the community. Councils are systematically using procurement spending to support local economic development. Councils have recently begun to make community benefits such as apprenticeships and environmental improvements an integral part of contracts.
 - 3** Councils' spending through collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of their total procurement spend. This percentage is likely to increase further as Scotland Excel and the Scottish Government introduce more collaborative contracts. The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13, 1.3 per cent of procurement spend; with £43 million (61 per cent) of these savings arising from Scotland Excel or Scottish Government collaborative contracts. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts and replace paper-based systems with 'purchase to pay' compliant ICT systems.
 - 4** Councils and Scotland Excel have used the Procurement Capability Assessment process to improve procurement practice. All councils have improved their procurement capability since 2009; however, the average assessment score has only reached 56 per cent. The rate of improvement varies among councils and some need to improve more quickly. Councils that invest in qualified improvement staff and improved systems can both improve service quality and achieve financial savings.
-

Recommendations

The Scottish Government should work with councils to:

- review and update the Best Practice Indicators (BPIs), drawing on councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to councils.

Scotland Excel should:

- maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies
- set realistic timescales for contract development, particularly in new areas of contracting.

Councils and Scotland Excel should:

- review and formalise arrangements to fund procurement reform activity beyond 2016.

Council staff involved in procurement should:

- submit accurate and complete information to the procurement Hub on a regular and timely basis (ideally quarterly, and as a minimum within three months of the end of the financial year)
- examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions
- make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress
- engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts
- use the Public Contracts Scotland tender module for all applicable contracts
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis
- calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement
- make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements

- aim to achieve the superior performance level in the PCA, particularly in relation to:
 - spend covered by agreed commodity/project strategies
 - participation in Scotland Excel contracts
 - automation of procurement and payment processes
 - spend captured in the council's contract register.

Councils' corporate management teams should:

- benchmark their procurement staffing against similar-sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have lower staffing levels
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts
- phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis
- raise staff awareness of accountability and controls by:
 - implementing a written code of ethics
 - requiring staff involved in procurement to complete a register of interest statement
 - require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud.

Councils should:

- require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis
 - encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.
-

Part 1

Setting the scene



Key messages

- 1** Since 2006, Scottish Government and Scotland Excel initiatives have led to significant changes in councils' procurement practices. Procurement now has a higher profile and councils buy more goods and services collaboratively. New legislation and EU directives will bring about further change.
- 2** Councils spent over £5.4 billion on goods and services in 2012/13; over half of the total public sector spend in Scotland. This spending is extremely diverse, although more than half is on social care and construction.
- 3** The Scottish Procurement Information Hub is a powerful source of information for analysing council spending data, but not all councils are fully using it. Councils populate the Hub with information on BPIs, but we found little evidence that they use these effectively.

Since 2006, Scottish Government and Scotland Excel initiatives have led to significant changes in councils' procurement practices

12. In March 2006, the Scottish Government published the *Review of Public Procurement in Scotland* (the McClelland report). The report concluded that public sector structures, people and technology were not in place to improve how the public sector buys goods and services and that the public sector needed to improve quickly. Since then, the Scottish Government has implemented several measures that have changed the organisation of procurement across the public sector. They include:

- **The Public Procurement Reform Board (PPRB)** – established in 2006, the PPRB brings together leaders from across the public sector. Although it has no formal powers to direct public bodies, its members promote procurement reform and influence their sectors.
- **The Scottish Procurement Information Hub (The Hub)** – set up in 2006, the Hub uses data from public bodies' payment systems to produce a broad picture of public sector spending. It provides a starting point for public sector bodies to identify areas of spend, common suppliers and spend with small and medium-sized enterprises (SMEs). Councils also populate the Hub with information on their BPIs.^{1,2}

councils spent over £5.4 billion on goods and services in 2012/13, £1,010 for every person in Scotland

- **Public Contracts Scotland** – launched in 2008, this website is the platform for all public bodies in Scotland to advertise and tender public sector contracts. It aims to promote efficiency and to give suppliers open access to contract opportunities.
- **The Scottish Futures Trust** – established in 2008 as a limited company, and wholly owned by Scottish ministers. Its purpose is to facilitate and improve the procurement and delivery of public sector construction projects.
- **The Single Point of Enquiry** – this was established in 2008 as an independent, impartial and confidential service for suppliers. It offers advice on procurement rules and works with suppliers and public sector bodies to resolve concerns about tender exercises.
- **The Procurement Capability Assessment (PCA)** – in 2009, the Scottish Government introduced a new improvement tool to assess all public bodies' purchasing activity and to promote improvement.

13. In 2008, councils set up Scotland Excel as a shared service funded by its members. Scotland Excel develops and manages a range of collaborative contracts for goods and services, from salt for winter road maintenance to secure care for children. It provides the centre of procurement expertise for councils in Scotland and works with them (and suppliers) to develop and share best practice and raise standards. It conducts PCAs annually with each council and supports them with the development of their improvement plans.

14. The McClelland report identified that increased use of collaborative contracts could achieve significant, recurring financial savings and service quality improvements, based on three groups of contracts:

- **National** – for goods and services that the whole of the public sector commonly uses, for example utilities and office supplies. The Scottish Government's Procurement and Commercial Directorate leads collaborative procurement of these goods and services.
- **Sector-specific** – for goods and services that a specific sector commonly uses. There are centres of procurement expertise for each sector that lead collaborative procurement for public bodies in their respective sectors. Scotland Excel is the centre for councils.³
- **Local** – for goods and services where public bodies make contracts at a local level. Local or regional collaboration may be useful for some goods and services.

Further changes in procurement legislation and practice are underway

15. The Scottish Government introduced The Procurement Reform (Scotland) Bill to the Scottish Parliament on 3 October 2013. It proposes to place a new general duty on public bodies to conduct procurement effectively and in a proportionate manner. It will require public bodies to consider social and environmental factors, such as the creation of apprenticeships, as part of their procurement decisions.

16. The Bill will sit alongside the 2014 EU directive, which also supports these aims by introducing a criterion of the 'most economically advantageous tender' in contract award procedures. This will enable councils to give greater weighting to quality, environmental considerations, social aspects or innovation in their procurement decisions. It will also encourage councils to call for tenders to solve a specific problem without pre-empting the solution, leaving room for innovative solutions.

17. The Social Care (Self-directed Support) (Scotland) Act 2013 came into effect on 1 April 2014. This requires councils to commission a wide variety of services to meet the needs of people who opt to direct their own care. The Accounts Commission will publish a report in mid-2014 on councils' preparations for this new duty.

18. The Scottish Government published the results of a review of how the public sector awards construction contracts in October 2013. The review made several recommendations, including a chief construction adviser to be appointed by the Scottish Government and a review of how construction priorities are set across the public sector.⁴

The procurement landscape is complex

19. In addition to councils and groupings of councils, other organisations are involved in supporting improved procurement in councils. The main ones are the Scottish Government, Scotland Excel and the Scottish Futures Trust ([Exhibit 1, page 13](#)). Councils also have access to frameworks and framework contracts set up by councils and groups of councils in Scotland and the rest of the UK.⁵

The Scottish Futures Trust will become increasingly important in construction procurement

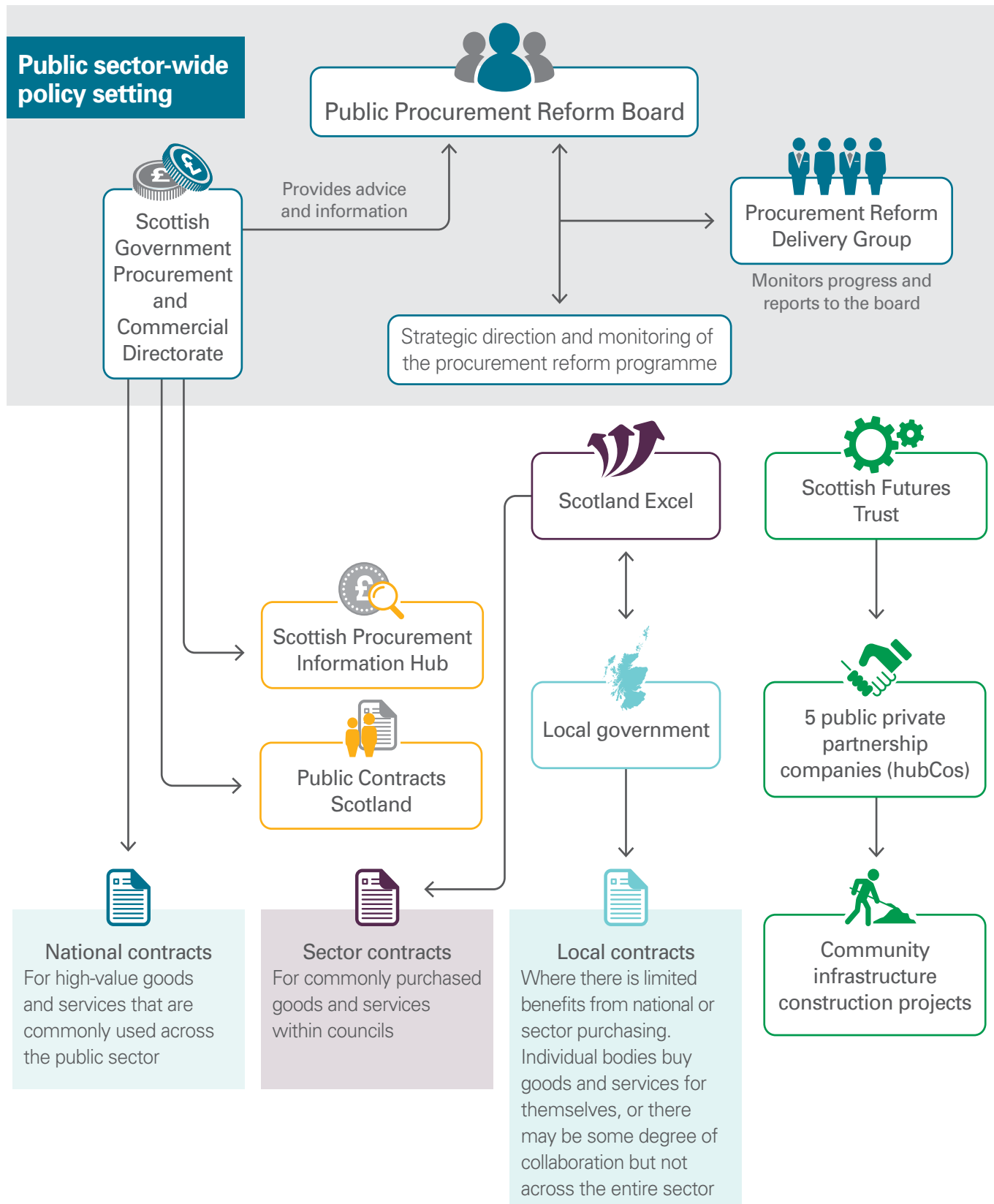
20. The Scottish Futures Trust (SFT) was set up to support and improve public sector infrastructure investment. It manages the 'hub community infrastructure partnership programme' across five territories (in the South East, North, East Central, West and South West regions of Scotland). In each area, public bodies have joined with a private partner to form a new joint venture company. SFT intends these joint venture companies to be a value-for-money option, which can become a first port of call when a public body wishes to undertake a community construction project.⁶

21. All 32 councils have signed up to the programme. SFT estimates the value of all current projects to be over £1 billion. Of this, over £700 million relates to councils. Most work is in the development stage, with £70 million completed and £225 million in construction. Almost 60 per cent of the programme is made up of school projects.

22. Each joint venture company has performance indicators that include the amount of work awarded to SMEs. SFT reported that SMEs have won 77 per cent of the £105 million of contracts awarded to date. The SFT also seeks to have apprenticeships built into contracts and is collecting data on other community benefits.

Exhibit 1**More organisations are becoming involved in council procurement**

It is important that national procurement organisations maintain strong lines of communication.



23. It is important that national procurement organisations maintain strong lines of communication. We found that there was regular contact between Scotland Excel and the Scottish Government. There has also been engagement between Scotland Excel and the SFT on specific contracts; however, there was only limited evidence of engagement around the joint venture company activity. The expected growth in the number and value of construction projects through the joint venture companies may create further opportunities for Scotland Excel and the SFT to work together on contracts for items such as plumbing materials or education.

Councils spend over £5.4 billion on goods and services, over half the total for the public sector in Scotland

24. In 2012/13, councils spent over £5.4 billion buying goods and services, over one-quarter of their total capital and revenue spending. This represents over half of the total procurement spend for the public sector in Scotland and is equivalent to £1,010 for every person in Scotland. This includes £259 million spending by arm's-length external organisations (ALEOs), including £240 million by Glasgow ALEOs. ALEOs can be used by councils to deliver services.^{7,8}

25. Procurement spending varied among councils, depending on size, ranging from £35 million in Shetland Islands Council to £622 million in Glasgow City Council. Councils spend money on many kinds of goods and services, although over half is on construction (29 per cent) and social care (23 per cent) ([Exhibit 2, page 15](#)).⁹

26. Between 2010/11 and 2012/13 councils' procurement spending increased by £300 million (6 per cent) in real terms. The biggest increase was in construction spending, which rose by £208 million (15.2 per cent) in real terms. Spending fell in some areas, such as legal services and public transport. Real-terms spending increased in 20 councils and fell in 12 councils. Individual councils' annual procurement spend can seem volatile because of capital projects, which may cause large increases (and decreases) in procurement spending from year to year.

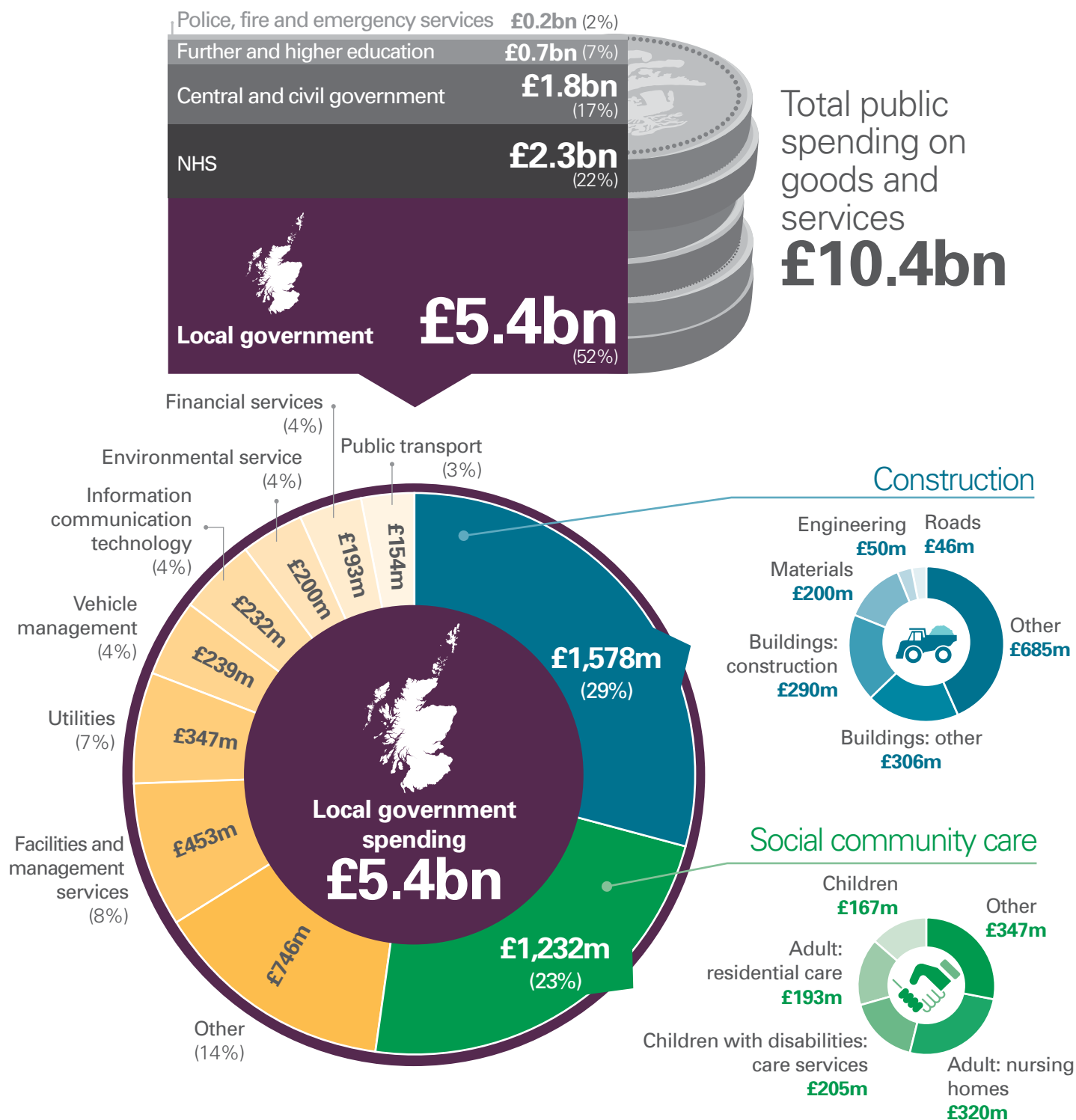
The Scottish Procurement Information Hub is a powerful information source but councils are not fully using it

27. The primary source of information about public sector spending on goods and services is the Scottish Procurement Information Hub (the Hub). Councils submit payment data to the Hub, which is then categorised in various ways, for example by supplier, local spend, spend with SMEs and contract type. The Hub has some limitations; for example, it classifies spending using a supplier's main business, not on the goods or services a council buys. This means that where a supplier's main business is ICT, but it also supplies air conditioning, the Hub would classify all spending with that company as ICT.

Exhibit 2

Estimated public sector spending on goods and services in Scotland 2012/13

Councils are responsible for over half of all Scottish public spending on goods and services. This spending is extremely diverse, though most is on social care and construction.



Notes:

1. This is core trade spend, which is spend with suppliers with whom over £1,000 has been spent in a 12-month period, that have also been classed as a trading organisation or as a non-trade social care provider.
2. There are inconsistencies in how councils report ALEO spending. In some councils, ALEOs pay their suppliers through council payment systems. Where this happens, councils sometimes include ALEO payments in their Hub submissions. ALEOs with their own systems do not supply payment data to the Hub. Because of the way the Hub is configured, it is not possible to separate out ALEO spending.
3. The spending information includes spending information from all councils and health boards, 16 out of 19 universities, 12 out of 32 colleges and central and civil government bodies with significant procurement spend (with the exception of four public corporations, including Scottish Water).

Source: Audit Scotland analysis of Scottish Procurement Information Hub data.



28. The Hub is a potentially powerful source of information with a wide range of functions. It can enable organisations to:

- comprehensively analyse their spend on goods and services
- identify suppliers and analyse spending they have in common with other public sector bodies to help identify opportunities for collaborative purchasing
- find out how their spend profile compares with other public sector bodies
- connect contract and spend data to make it easier to analyse, track and manage spend
- measure their progress using a standardised set of public sector-specific key performance indicators, in this case BPIs (we consider these in more detail below).

29. Hub data is becoming more comprehensive and up to date. But councils submit data inconsistently; some councils submit data on a quarterly basis and some annually (some over three months after the end of the financial year).

30. It is in councils' interests to have a good working knowledge of the Hub and ensure they record their data accurately. Councils vary in how well they use the tools and facilities available on the Hub. Greater use of these could better inform councils' decision-making. There are good online training facilities on the Hub database, but some councils feel that additional 'hands-on' training would be helpful.

31. Both Scotland Excel and the Scottish Government use the Hub database to identify areas that may be suitable for national and sector-specific collaborative contracts.

Most councils collect information to produce BPIs but we found little evidence that councils are using them effectively

32. In May 2008, in consultation with other bodies, the Scottish Government introduced the Procurement BPIs. These include performance measures such as contracted spend, savings, staff qualifications and e-procurement. The intention was that the PPRB and Delivery Group would use the indicators to monitor improvements and identify areas of concern. Public bodies submit BPI data directly to the Hub to help them to share best practice, improve joint working and increase efficiency. In 2012/13, 31 councils submitted BPI data to the Hub. Only Stirling Council had not submitted BPI data to the Hub at the time of audit, although data was incomplete for several others.

33. In 2011, the Scottish Government made it an indicator in the PCA for councils to complete the BPIs. The Scottish Government identified inconsistencies in savings reported through the BPIs compared with those reported through Efficient Government in 2012. To ensure all public bodies report consistently, the Scottish Government published savings and benefits guidance in November 2012. Procurement policy has changed since 2008, for example in terms of sustainability and community benefit, and a review of BPIs would be appropriate to ensure they reflect current practice. Some council procurement managers do not currently use BPIs as they find them less useful than the PCA.^{[10,11](#)}

Recommendations

The Scottish Government should work with councils to:

- review and update the Best Practice Indicators (BPIs), drawing on councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to councils.

Scotland Excel should:

- maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies.

Council staff involved in procurement should:

- submit accurate and complete information to the procurement Hub on a regular and timely basis (as a minimum within three months of the end of the financial year)
 - examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions
 - make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress.
-

Part 2

The benefits of effective procurement



Key messages

- 1** Councils can use procurement to improve the quality of services and achieve benefits for the community. Councils are systematically using procurement spending to support local economic development. Councils have begun to make other community benefits such as apprenticeships and environmental improvements an integral part of contracts.
- 2** The use of collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of total council procurement spend. It is likely to increase further as Scotland Excel and the Scottish Government introduce more collaborative contracts.
- 3** The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13, 1.3 per cent of procurement spend; with £43 million (61 per cent) of these savings arising from Scotland Excel or Scottish Government collaborative contracts. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts.

Councils are using procurement spending to stimulate local economic development; other community benefits are beginning to follow

34. The initial focus of the McClelland procurement reforms was on collaboration and financial savings. More recently, the Scottish Government launched the Scottish Sustainable Procurement Action Plan. In it, the Scottish Government defines sustainable procurement as 'A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole-life basis and generates benefits not only to the organisation, but also to society, the economy and the environment'.¹²

35. To achieve Best Value when deciding between procurement options, councils consider the balance between cost, quality and wider community benefit. For some contracts, for example buying goods such as stationery, price is likely to be the biggest factor in the procurement decision. In others, for example social

council
spending
through
collaborative
contracts is
increasing, but
accounts for a
relatively low
proportion of
procurement
spend

care, it will be service quality. In major contracts, particularly larger construction contracts, whole-life costs and community benefits such as the creation of apprenticeships and economic development will also be significant factors. Achieving these wider benefits depends on councils having enough skilled procurement personnel, good ICT and effective procurement processes.

36. The Procurement Reform (Scotland) Bill places emphasis on encouraging innovation from suppliers and enhancing contract opportunities for newer businesses, SMEs and the third sector, such as voluntary organisations. The Bill also includes a sustainable procurement duty to promote economic, social and environmental wellbeing.

37. Scotland Excel has supported councils' economic development and community benefit policies by breaking contracts into smaller 'lots' to encourage SMEs to bid. Scotland Excel currently has 38 contracts with 409 suppliers valued at £408 million; of these:

- 286 suppliers (70 per cent) are SMEs and they account for 44 per cent of spend
- 167 suppliers (41 per cent) are Scottish SMEs and they account for 31 per cent of spend
- 48 per cent of overall spend is with Scottish suppliers.

38. Hub information shows that 54 per cent of Scottish councils spend is with SMEs, ranging from 35 per cent in Inverclyde Council to 77 per cent in Shetland Isles Council. While there was no change in spending with SMEs between 2010/11 and 2012/13, a 2013 survey, commissioned by the Federation of Small Businesses, indicated that these initiatives were having an impact. It found that 53 per cent of Scottish councils' spending was with SMEs compared to a UK average of 47 per cent.¹³

39. All councils are working with local suppliers to help them bid for council contracts. Additionally, the Supplier Development Programme (SDP), a local authority partnership programme supported by 25 councils, helps SMEs and third sector organisations to win more public sector contracts. It offers support, and runs training events, to help SMEs and third sector organisations understand councils' tendering processes. Councils are also using procurement to help benefit the community and the environment. North Ayrshire Council is particularly active in using procurement to improve local economic development ([Exhibit 3, page 20](#)).

40. Although most councils have a well-established supplier development programme, examples of community benefits and environmental improvements are relatively recent. Some councils, such as Renfrewshire and Dundee, have appointed community benefits managers to engage with suppliers and take a systematic view of community benefits (for example, they coordinate apprenticeships and training across council construction projects to enable local apprentices to complete their training). Falkirk Council has made environmental improvements ([Exhibit 3, page 20](#)). However, PCA results indicate that most councils have yet to implement a systematic approach to achieving community and environmental benefits.

Exhibit 3

Good practice examples of councils using procurement to achieve community, economic and environmental benefits

North Ayrshire Council's economic development programme

The council is implementing a plan to help SMEs and local businesses that includes:

- holding Supplier Development Programme (SDP) events and providing 'Meet the Buyer' and 'Is the Public Sector for you?' presentations
- offering to meet local businesses one-to-one
- offering to debrief unsuccessful suppliers to help with future bids
- monitoring the SME and local business success rate in the pre-qualification questionnaire (PQQ) process
- ensuring its tender strategies take account of SMEs' needs
- ensuring they invite a fair representation of local companies to bid for low-value quotes and monitoring the success rate of this policy
- reviewing tender documents to ensure they are consistent and user friendly and by streamlining the information required in a tender process.

The council is also working on a 'Partners for Change' pilot to improve its relationships and communication with the third sector.

The council uses community benefits clauses to maximise the economic, social and environmental wellbeing of the area. As well as targeted recruitment and training clauses, the council also requests other voluntary community benefits. The council has recruited a Community Benefits Officer to support this initiative. The council has advertised on the Public Contracts Scotland portal for expressions of interest from third sector organisations to provide services to the council. It aims to use this database for 'quick quote' requirements and to share it with main contractors to help with subcontracting opportunities.

Falkirk Council – environmental benefits

Falkirk Council has specified a minimum mandatory standard for cleaning products and cleaning services. Successful contractors work with the contracting authority to achieve best practice standards. Contract award conditions included an environmental assessment of tenderers' proposals to mitigate their impact on the environment, for example through waste disposal and fuel emissions. The council monitors contractor performance throughout the lifetime of the contract.

Renfrewshire Council – the benefits of improved supplier engagement

Renfrewshire Council's Building Better Communities (BBC) is a £103 million programme of investment in schools, sports, social care and community facilities. Improved supplier engagement and a partnership approach helped to improve the delivery of major capital projects. It also helped deliver community benefits. These included 31 per cent of subcontracted work going to local subcontractors; jobs for 27 apprentices; and the development of local environmental projects, including educational input to local schools.

Exhibit 3 (continued)

Fife Council – using outcome specifications to encourage to innovation

Following a review of its services by Fife's Youth Offenders Management Group, Fife Council put services out to tender for young people who offend. Expected outcome specifications were set, including evidence that:

- young people and families satisfactorily engage with the services being provided
- young people using the service reduced the frequency and seriousness of their offending behaviour
- victims satisfactorily engage in restorative processes.

The review also helped to clarify the format of expected quarterly performance monitoring reports including key targets and outcomes. Following the revision of the service specification, the council was able to demonstrate the impact of the service provider on the level of offending in Fife.

Source: North Ayrshire Council, Falkirk Council, Renfrewshire Council, Fife Council

Better consultation with suppliers could lead to improved contracts

41. The Federation of Small Businesses and Chambers of Commerce believe that better and earlier engagement with suppliers could help develop contract specifications that more accurately reflect user requirements and allow for greater innovation. Good examples of early engagement with suppliers and using outcome specifications to encourage innovation are Renfrewshire Council and Fife Council ([Exhibit 3](#)). Some councils are nervous of early engagement with suppliers because of the risk that companies not awarded contracts could legally challenge them for giving some suppliers an unfair competitive advantage. The Procurement Reform (Scotland) Bill and the new EU procurement directive will specifically encourage innovation in this area.

42. Organisations representing small businesses have said that the bureaucracy and cost involved is a major disincentive to bidding for public sector contracts. One particular issue for small businesses is the way councils use pre-qualification questions (PQQs), which are time-consuming for small firms to complete. This becomes a significant problem when different councils require similar, but slightly different information. To help small businesses, Public Contracts Scotland has recently introduced PCS tender which holds businesses' answers to standardised PQQs on the system, avoiding duplication and reducing the burden on businesses. More councils need to use this facility. Although 31 councils have been trained to use PCS tender; not all currently use it, although more plan to do so in future.^{[14,15](#)}

Council spending through collaborative contracts is increasing, but accounts for a relatively low proportion of procurement spend

43. The vast majority of councils' procurement spend is through local contracts. Almost 9.3 per cent is through Scottish Government and Scotland Excel collaborative contracts. Council procurement spending in 2012/13 can be broken down as follows:

- £253 million (4.7 per cent) – on national contracts negotiated by the Scottish Government's Procurement and Commercial Directorate for goods and services used across the whole of the public sector (utilities, such as gas and electricity, account for about 80 per cent of this total)
- £250 million (4.6 per cent) – on contracts negotiated by Scotland Excel
- About £4.9 billion (90.7 per cent) is spent on local contracts between the council and its suppliers, contracts where councils collaborate with each other or with other public bodies and off-contract spend. Of the councils who provided a breakdown of this spend:
 - 74.1 per cent is on local contracts between the council and its suppliers
 - 7.8 per cent is on contracts where councils collaborate with each other or with other public bodies
 - 18 per cent is off-contract spend.¹⁶

44. Council spending through collaborative contracts developed by Scotland Excel increased from £116 million in 2010/11, to £191 million in 2011/12 and £250 million in 2012/13. Over the same period, spending through Scottish Government contracts increased from £163 million in 2010/11 to £225 million in 2011/12 and £253 million in 2012/13. This represents an increase of just over 80 per cent.¹⁷

Scotland Excel is increasing the number and value of its contracts, but its original timescale was over-ambitious

45. Scotland Excel's 2012–15 business plan included a target to increase the value of its contract portfolio to £500 million in 2012/13. Its value had increased to £408 million at February 2014. Scotland Excel acknowledges that its original timescales were ambitious because of the high level of stakeholder and market engagement required for developing some contracts. It remains confident of meeting its overall target of £750 million by 2014/15.¹⁸

46. Scotland Excel reported particular difficulties in developing social care contracts, for example the extent of consultation required for the residential children's care services contract. Scotland Excel recognises that it needs to improve its estimates of the time required to develop contracts that are more complex.

47. Scotland Excel currently has four social care contracts in place: fostering, prepared meals, secure care and telecare equipment. A further four contracts, with an estimated value of £148 million, are planned in children's residential care services, adult specialist residential care, adult supported living and agency workers in social care. These contracts are currently at different stages of development and Scotland Excel has scheduled them for delivery between March 2014 and January 2015.¹⁹

48. Scotland Excel is making progress in social care contracts and this was recognised at the 2012/13 Government Opportunity awards (GO Awards),

where its social care team won the 'John F McLelland Collaborative Procurement Initiative of the Year Award' for work on the secure care contract.

49. Scotland Excel's management group monitors progress against its contract delivery schedule. The schedule for 2013/14 includes 50 contracts with an overall value of £732 million. Scotland Excel will:

- continue to manage 20 existing contracts valued at £217 million
- consider extending eight contracts, valued at £37 million
- renew ten contracts, valued at £153 million
- develop 12 new contracts valued at £325 million.

50. The Scottish Government has plans to introduce or renegotiate 27 contracts between 2013/14 and 2015/16, covering various goods and services, including server maintenance, travel services, general stationery and office paper.

Councils have saved money by using collaborative contracts

51. In 2012/13, total reported procurement savings were £71 million:

- £25.6 million (36 per cent of overall savings) reported by the Scottish Government for national contracts
- £17.7 million (25 per cent of overall savings) reported by Scotland Excel for sector contracts
- £5 million (7 per cent of overall savings) reported by councils for collaborative savings with other local councils or public bodies²⁰
- £23 million (32 per cent of overall savings) reported by councils for individual council contracts.²¹

52. We identified significant differences between savings reported by the national bodies responsible for making the collaborative contracts and savings reported by councils using those contracts. We looked in detail at the savings methodologies councils and Scotland Excel used to find out reasons for these differences.

Scotland Excel produces reasonable estimates of potential savings from collaborative contracts

53. Scotland Excel estimates potential savings for each new collaborative contract. It bases its calculations on the total spend of participating councils in the previous year(s) and current market data. It works closely with councils to develop its savings estimates and councils agree these estimates during the contract development process.

54. Scotland Excel calculates savings using the percentage saving that a council might achieve if it opted for the best value supplier in a framework agreement. When the contract becomes operational, Scotland Excel collects spend information from suppliers and applies the expected percentage saving to the actual spending on the contract.²²

55. Scotland Excel reports savings to councils through quarterly business review reports and to its governance committees. Its method of calculating savings is reasonable. But it may not always reflect the savings achieved by councils for the following reasons:

- The cheapest option in the framework may not be available to the council.
- The council may not choose the cheapest supplier from those in the framework, for example they may not choose the cheapest tyres in a framework contract if higher cost, but better-quality, tyres have a lower whole-life cost to the council.
- A council may join a contract after Scotland Excel has awarded it and the saving may be higher or lower depending on the price in the council's predecessor contract.

Councils need a more consistent approach to calculating savings

56. It is difficult to draw conclusions by comparing councils' savings figures with those provided by Scotland Excel because of the variation among councils in how they record and report savings. For example:

- some councils rely on savings figures provided by Scotland Excel and the Scottish Government for national collaborative contracts without calculating their actual savings
- councils use different methods to calculate and report savings ([paragraph 57](#))
- some councils do not calculate or report all procurement savings, including collaborative savings; some said that this was because their procurement teams did not have the time to do so.

57. We asked all councils to provide details of their three highest procurement savings for the year 2012/13. We reviewed seven to assess whether the savings calculations were reasonable. We found that:

- In two councils, the biggest savings arose from changes in recycling collection contracts. Instead of paying contractors to uplift recyclables, the councils sold the contract to uplift recyclables to private companies.
- Three councils made savings by securing a better price. They did this by introducing framework contracts or by securing a lower price than a previous contract.
- In one example, the saving arose from an open competition, where the council selected the bid with the best combination of price and quality.
- In one example, it was questionable whether the saving could be attributed to improved procurement. The council changed how it delivered one of its services. Savings were from staff costs and how buildings were being used. The council attributed the savings to improved procurement.

58. Although we consider the first three examples above to be procurement savings, the variation in how councils make and calculate savings shows how difficult it is to present a clear picture. The way councils use procurement savings also varies. In 2012/13, the 23 councils that were able to break down how their savings were used reported that, of their £34.3 million total recurring revenue savings:

- £9.4 million was recycled within the department making the savings
- £9.6 million was returned to the corporate centre to re-allocate
- £15.3 million was used to reduce service budgets to meet savings targets.

Councils could generate further savings if they made greater use of existing collaborative contracts

59. Most of the councils we visited viewed collaborative contracting as their preferred procurement method when looking to buy goods and services. In many cases, this is written into their standard procurement procedures, as these examples show:

- South Lanarkshire Council looks for contracts that are already available before setting up new contracts. They also use contracts set up by consortia in the rest of the UK (East Anglia, Yorkshire and West Midlands), as well as Scotland Excel contracts.
- The Tayside councils (Dundee, Perth & Kinross and Angus) and Tayside Contracts use Scotland-wide contracts. In addition, the Tayside Procurement Consortium (TPC) sets up contracts across the region and supports the procurement teams in each council.
- Aberdeen City and Aberdeenshire Councils have a joint procurement team that manages contracts on behalf of both councils and looks for opportunities for collaboration wherever possible.
- Renfrewshire Council has a policy of consulting surrounding councils to examine the scope for joint contracting when setting up a new contract.²³

60. Not all councils participate fully in collaborative contracting. In 2013, councils' uptake of Scotland Excel and Scottish Government contracts ranged from 49 per cent of available contracts in Orkney Islands to 92 per cent in West Lothian. The average participation rate was 58 per cent in Scottish Government contracts and 78 per cent in Scotland Excel contracts. There was a significant correlation between how councils used Scottish Government contracts and Scotland Excel contracts. The main reasons put forward by councils for not participating in national or sector contracts were as follows:

- The council or an ALEO provides the service directly, for example City Building in Glasgow.
- The council is tied to an existing contract and would incur penalties if they withdrew.

- There is little or no demand for the particular service in the council area.
- No suppliers came forward in the national tender exercise for a particular council area. This is a particular issue for islands councils, although it affects other councils too.
- The council has a specific focus on community benefit and has opted for a local supplier not included in the national contract.
- The council has identified a local supplier who can provide a better combination of price and quality than in the national contract.

61. In 2012/13, 23 councils reported savings of £6.5 million on spending of £250 million on Scotland Excel contracts. Councils could make greater savings if they all made better use of Scotland Excel contracts. We calculated that councils could make additional savings of £4.9 million if they used all of the available contracts at a similar level of spending to the ones they currently use. However, for the reasons outlined in [paragraph 60](#), this method of calculation is likely to overstate the achievable savings.²⁴

62. Scotland Excel believes there is significant scope for more collaborative contracts and greater savings. However, the complexities involved in setting up collaborative contracts mean it is not possible at present to estimate the savings that might be available. Scotland Excel and Scottish Government collaborative contracts currently account for 9.3 per cent of council spend, while collaborative spend is 34 per cent for the NHS and 28 per cent for further and higher education. However, collaborative procurement has a considerably longer history in the health sector and smaller ranges of goods and services are purchased in both sectors.

Councils are relying on procurement to generate savings to meet budget pressures

63. Councils have identified procurement as a source of significant savings. During 2013/14, 23 councils reported that they are planning to make £27 million of savings from procurement, representing 13 per cent of their overall savings targets. Targets set by individual councils vary from 0 per cent of their overall savings target (East Ayrshire, Orkney Islands and Stirling Councils) to 100 per cent (Comhairle nan Eilean Siar). The City of Edinburgh Council's four-year budget is heavily dependent on improved procurement delivering recurring annual savings of £41 million by 2017/18. However, as only a small number of councils set savings targets for more than a year in advance, it is not possible to make a reasonable estimate of the expected contribution of procurement savings beyond 2013/14.²⁵

64. In some cases, councils may have already achieved the savings available through collaboration, and saving money when renewing contracts will become more difficult. Because of this, the focus of high-performing councils is changing. It is now on making savings through improved market research, cost avoidance (avoiding buying unnecessary items) and improving how they manage contracts, rather than relying purely on competition in the bidding process.

Recommendations

Scotland Excel should:

- set realistic timescales for contract development, particularly in new areas of contracting.

Council staff involved in procurement should:

- engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts
- use the Public Contracts Scotland tender module for all applicable contracts
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement
- make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements.

Councils should:

- require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis.
-

Part 3

How councils are performing



Key messages

- 1** Councils and Scotland Excel have used the Procurement Capability Assessment process to improve procurement practice. All councils have improved their procurement capability since 2009; however, the average assessment score has reached only 56 per cent. The rate of improvement varies among councils and some need to improve more quickly. Councils that invest in qualified improvement staff and improved systems can both improve service quality and achieve financial savings.
- 2** Councils have increased the proportion of spend covered by contracts and are using IT to reduce the risk of fraud and error and improve performance information, but there is scope for improvement.
- 3** Savings of £9 million are possible by replacing paper-based systems with 'purchase to pay' compliant ICT systems.

The Procurement Capability Assessment is a reliable process that focuses on improving procurement practice

65. The Scottish Government introduced the Procurement Capability Assessment (PCA) to help public bodies improve their procurement structures, capability, processes and performance, and to achieve the best procurement standards. The aim of the PCA is to assess procurement capability in important areas against common criteria and standards and to help councils continuously improve. The PCA process involves an annual assessment visit by Scotland Excel staff. To facilitate the process, councils can provide evidence to Scotland Excel in advance of the formal assessment.

66. We examined Scotland Excel's PCA process and concluded that it effectively assesses councils' procurement arrangements. Scotland Excel employ experienced and knowledgeable assessors and they challenge councils' evidence appropriately. The PCA is accepted by councils as a demanding but worthwhile exercise.

67. The PCA uses 52 questions in eight sections ([Exhibit 4, page 29](#)) to assess councils' capability. For each question, Scotland Excel rates councils' capability from level 0 to level 3 and calculates a percentage score for each section and an overall percentage. Ratings are:

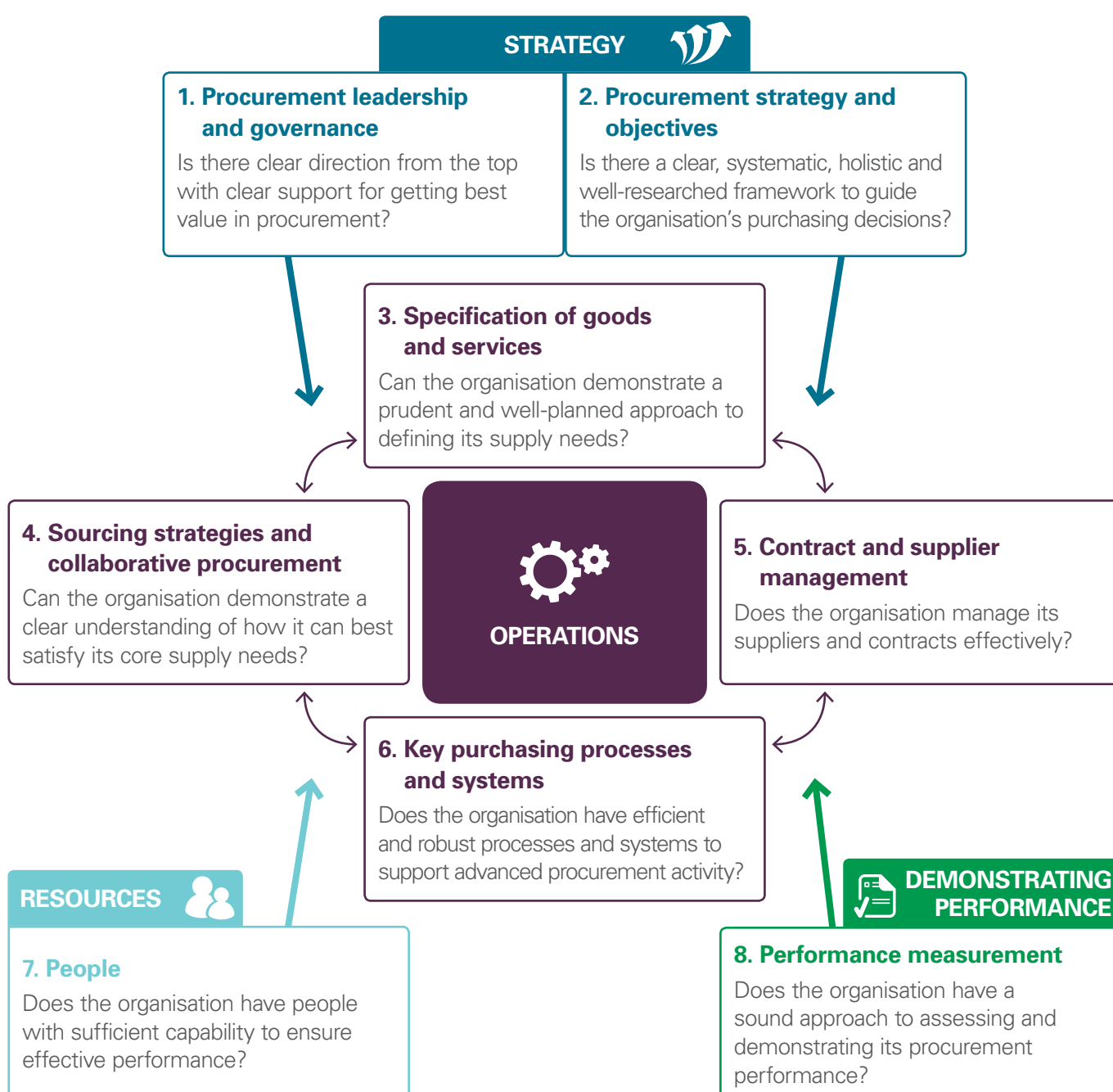
all councils have improved their procurement capability, but some councils need to improve more quickly

- 0–24 per cent – non-compliance
- 25–49 percent – compliance
- 50–74 per cent – improved performance
- 75 per cent or over – superior performance.

Exhibit 4

The Procurement Capability Assessment

The Procurement Capability Assessment tool involves systematically reviewing purchasing strategy, operations, resources and performance in eight sections.



68. Scotland Excel uses the results of PCAs and feedback from councils to help councils identify where they have not implemented good improvement practice and target improvement activity. Fieldwork councils told us that reporting PCA assessments to elected members (generally through a council committee) was helpful and led to a greater focus on improving procurement. All fieldwork councils had developed improvement plans in response to their assessment.

69. The chief executives and senior managers we interviewed said they found Scotland Excel's presentations to council management teams particularly valuable in providing an overview of their council's procurement challenges and identifying where the council needed to improve. Procurement managers also valued workshops that Scotland Excel held after completing PCA assessments.

70. Scotland Excel carried out customer satisfaction surveys for the first time in 2013. This involved surveying procurement leads, other procurement and technical contacts and chief executives. All surveys provided positive feedback, but also highlighted a small number of areas where Scotland Excel could improve, for example reporting progress on contract delivery, price stability within contract terms and the focus on sustainability in contracts.

71. When councils created Scotland Excel, the Scottish Government gave it a grant of £4.5 million to fund its set-up costs and procurement reform activities. At March 2013, £1.2 million remained, which Scotland Excel intends to continue to use to fund procurement reform activities, including the PCA. At current spending rates, these funds will run out in two to three years. Scotland Excel is reviewing options for long-term funding of reform activity, for example through secondments, central government funding or through charges. Introducing charges may be a challenge in the current economic climate.

Between 2009 and 2013, average council PCA scores improved from 22 per cent to 56 per cent; improvement rates vary and some councils need to improve more quickly


















































72. Our analysis of councils' PCA results between 2009 and 2013 indicates a general trend of councils improving their procurement performance. Between 2009 and 2013, average council PCA scores increased from a low base of 22 per cent to 56 per cent ([Exhibit 5, page 31](#)).

73. Although councils have improved in all PCA sections, progress has been slow in contract management, key purchasing processes and systems, and performance measurement where average scores remain at or below 40 per cent. Councils and Scotland Excel reported that it is more difficult to improve in these areas as improvement in contract and supplier management requires a culture change across the entire council. Changes in purchasing systems and processes generally require significant investment in ICT systems, which can be expensive and take time to implement.

74. There are significant differences between the highest- and lowest-performing councils in the PCA ([Exhibit 6, page 32](#)). Renfrewshire was the highest-performing council in 2013, scoring 80 per cent, and is the only council in the 'superior performance' category. Twenty-seven councils achieved 'improved performance' (50–74 per cent) and four councils were in the 'conformance' category (25–49 per cent). Orkney Islands Council was lowest at 31 per cent.

Exhibit 5**Overall changes in Procurement Capability Assessment areas between 2009 and 2013**

Councils have improved in all areas but significant improvement is still required.

Procurement Capability Assessment section	Average council score (%)				
	2009	2010	2011	2012	2013
Procurement leadership and governance	 25	 38	 48	 58	 63
Procurement strategy and objectives	 31	 43	 58	 64	 73
Defining the supply need	 13	 23	 30	 45	 54
Commodity/project strategies and collaborative procurement	 25	 32	 40	 53	 61
Contract and supplier management	 14	 18	 24	 33	 39
Key purchasing processes and systems	 26	 37	 39	 38	 40
People	 25	 39	 49	 58	 71
Performance measurement	 22	 22	 34	 39	 50
Overall score	 22	 32	 40	 48	 56
<div>  Non-compliance 0–24 per cent </div> <div>  Compliant 25–49 per cent </div> <div>  Improved performance 50–74 per cent </div> <div>  Superior performance 75–100 per cent </div>					

Source: Scotland Excel

75. The rate of improvement also varied among councils. Some, such as Renfrewshire, South Lanarkshire and Inverclyde, have improved significantly. But progress has been slower in some larger councils that performed well in the early years of the PCA, for example Aberdeen City, Aberdeenshire, City of Edinburgh, Glasgow City and Highland. Four councils have still not yet achieved the 'improved performance' target level set by the PPRB (Clackmannanshire, East Dunbartonshire, Orkney Islands and Shetland Islands).

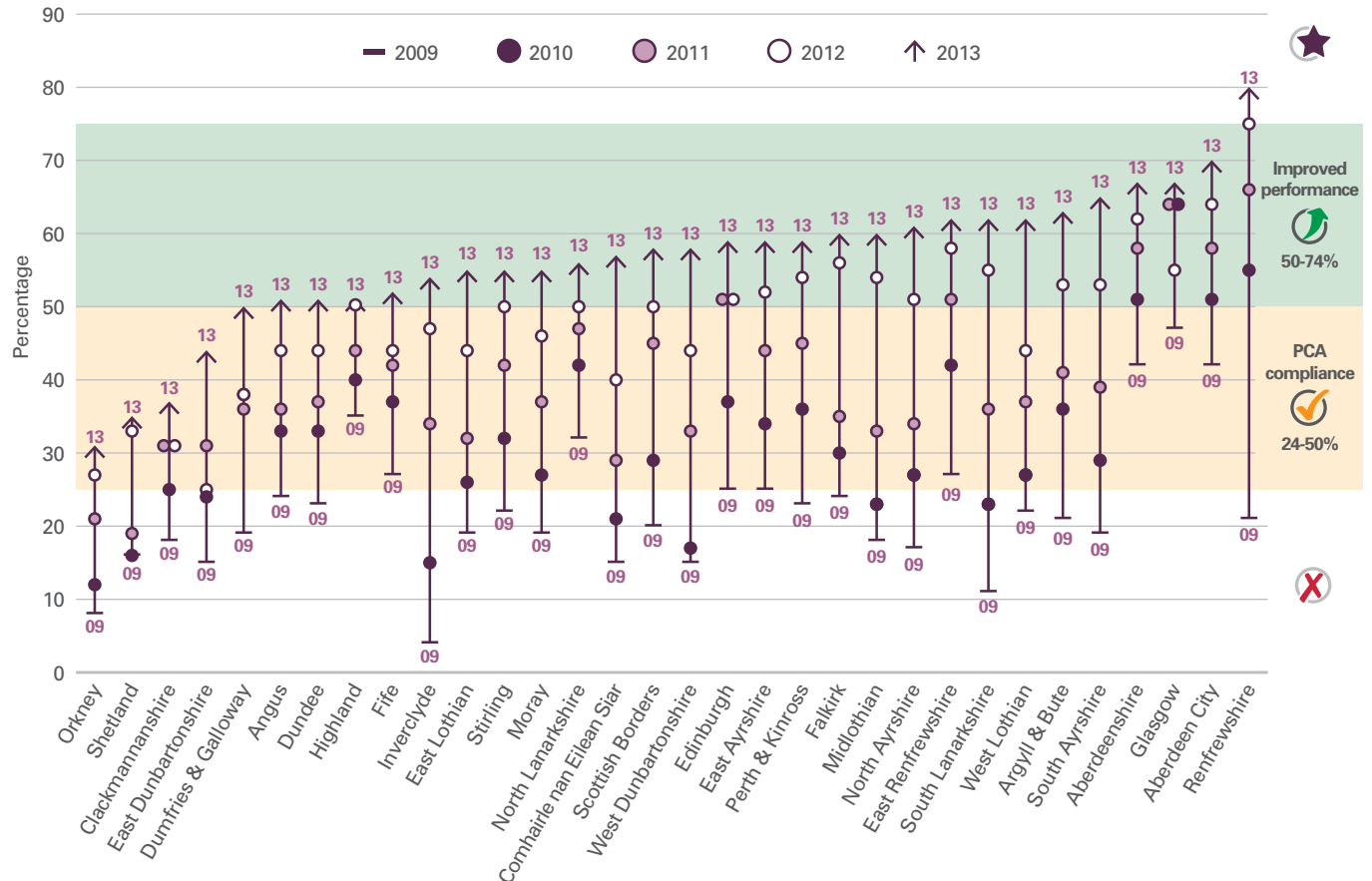
Larger councils perform better in the PCA, but smaller councils are catching up

76. Larger councils tend to score more highly in the PCA and there is a statistically significant correlation between PCA score and council size, (measured in terms of population or procurement spend). Some councils, such as Comhairle nan Eilean Siar and Renfrewshire, perform better than other councils of their size ([Exhibit 7, page 32](#)). ([Exhibit 8, page 33](#)) describes how these councils have invested in procurement and improved their performance. The strength of the link between council size and PCA scores has fallen since 2011, which indicates that smaller councils are catching up.

Exhibit 6

Changes in Procurement Capability Assessments 2009–13

Most councils have made improvements although their rate of progress varies significantly.



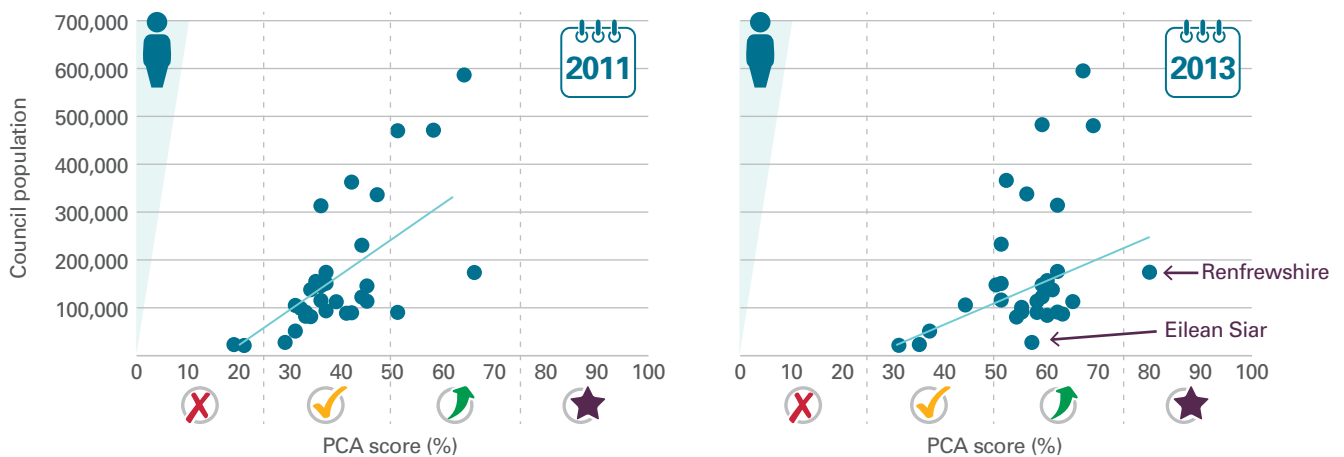
Note: Scotland Excel did not undertake the PCA in Dumfries and Galloway in 2010.

Source: Scotland Excel

Exhibit 7

Variation in PCA score against council size

Larger councils tend to score more highly in the PCA although the correlation between council size and PCA score is decreasing over time as smaller councils improve.



Source: Scotland Excel

Exhibit 8

Good practice examples of investing in staff to improve procurement performance

Renfrewshire Council

Renfrewshire is the highest-scoring council in the PCA. It attributes the improvement in its PCA score from 21 per cent in 2009 to 80 per cent in 2013 to the following factors:

- Visible and continuing support from the corporate management team and council members.
- The recruitment of a head of procurement with sufficient status within the organisation and leadership skills to develop the procurement function.
- Investment in qualified procurement staff over a period. This included:
 - In year 1 – three new procurement staff (in addition to the head of procurement).
 - In year 2 – seven new procurement staff, plus a change management team (consisting of three staff plus a project manager), plus some additional staff working within service teams.
 - Additional staff costs were £213,000 in year 1 and £300,000 in year 2.

A well-resourced procurement unit, which takes an active role in all areas of the council, can also significantly improve procurement performance. The council reported savings of £1.6 million in 2009/10, £6.9 million in 2010/11, £4.1 million in 2011/12 and £5.6 million in 2012/13.

Comhairle nan Eilean Siar

Comhairle nan Eilean Siar attributes the improvement in its PCA score from 15 per cent in 2009 to 57 per cent in 2013 to the following factors:

- Meetings between the senior stakeholders and Scotland Excel staff secured corporate commitment to improving procurement.
- A head of service to spend 50 per cent of time working in procurement, plus the refocusing of resources within the purchasing team to enable the establishment of a new procurement officer.
- The council established a procurement steering group consisting of three directors and three heads of service. This group approves all procurement strategies, specifications and contracts, and has raised the profile of procurement across the council.
- A procurement checklist for all contracts ensures that processes are followed and sets contract outcomes are set. This fosters a corporate approach to procurement and helps mitigate procurement risks.
- The council has a focus on bringing off-contract spend under contract and on reducing maverick spend.
- It has established a procurement training programme for managers, which 120 staff have completed to date.
- Investment in and the enforcement of the use of electronic procurement systems across the council.

Note: Maverick spend is where someone in the council purchases goods or services from a non-contracted supplier where the council already has a contract for those goods or services.

Source: Renfrewshire Council, Comhairle nan Eilean Siar

77. The impact of council size on the PCA depends on the area examined. Economies of scale appear most significant in purchasing systems and processes and defining the supply need, and least significant in the areas of people and commodity/project strategies and collaborative procurement.²⁶

78. Collaborative contracts have helped smaller councils to benefit from economies of scale and bring down the cost of some goods and services. They have also helped reduce procurement teams' workloads. But councils still need to contribute to Scotland Excel user groups to ensure that contracts meet their needs.

79. Another way for councils to achieve economies of scale is through joint working. This helps smaller councils to achieve economies of scale and local collaboration. Apart from Scotland Excel there are two formal examples of joint working among Scottish councils:

- The Tayside Procurement Consortium was launched in November 2007 as a shared service for Angus, Dundee City and Perth & Kinross Councils, in association with Tayside Contracts, to develop joint procurement. It comprises a central procurement unit based in Dundee together with procurement teams within the partner authorities.
- Aberdeen City and Aberdeenshire councils operate a fully shared procurement service. This enables collaboration across the councils and ensures consistency, economies of scale, and the best use of resources.

Councils with more qualified staff tend to perform better in the PCA

80. In 2012/13, councils spent £14 million on central procurement staffing. This varies significantly from £56,000 in Clackmannanshire to £1.5 million in Glasgow. Staffing levels varied considerably among councils, both in terms of numbers of staff and staff per procurement spend. Councils with higher levels of Chartered Institute of Purchasing and Supply (CIPS) qualified staff relative to procurement expenditure tended to have higher overall PCA scores, although there are exceptions.²⁷

81. The McClelland report identified a shortage of skilled purchasing staff in the Scottish public sector. Since then many councils have encouraged staff to undertake CIPS training. Currently there are 133 CIPS qualified staff and 67 trainees in Scottish councils. However, councils and Scotland Excel believe shortages of skilled purchasing staff remain, and that there is a limited pool of experienced purchasing staff in the public sector from which to draw. As the economy improves, there is a risk that councils will lose qualified staff to other public sector organisations and the private sector, where salaries are higher.

82. A council's ability to properly plan and manage procurement will depend on having enough qualified staff available to do the work, with even the smallest council requiring a team of staff. Above a minimum number, the staff required will increase depending on the scale and complexity of procurement spend. Significant investment in qualified staff has helped Renfrewshire Council to become the only council to achieve superior performance in the PCA and significant financial savings. Comhairle nan Eilean Siar, one of the smallest councils, has also achieved significant improvements ([Exhibit 8, page 33](#)).

Developing a council-wide approach to procuring particular goods and services can improve purchasing effectiveness

83. In addition to developing an overall strategy, it is also important that councils develop a strategy for purchasing in a particular service, for example social care or construction or for purchasing particular commodities used across the council, for example vehicles. Such strategies can lead to more consistent and better coordinated purchasing across the council. PCA evidence indicates that less than a third of councils perform well in this area with strategies accounting for:

- less than 50 per cent of procurement spend in nine councils
- 50–70 per cent of spend in 12 councils
- over 70 per cent of spend in five councils (Argyll & Bute, East Renfrewshire, North Ayrshire, North Lanarkshire and West Lothian)
- over 90 per cent of spend in five councils (East Lothian, Falkirk, Midlothian, Renfrewshire and Scottish Borders).

84. In some councils, the central procurement team is responsible for all procurement activity. In others, service departments, particularly social work and construction, have considerable autonomy. To ensure a consistent approach and minimise risk, it is important that the central procurement team has an influence over all council spend. For example, in Renfrewshire Council category managers are physically located in services. Working together in this manner ensures that services have access to both procurement and service-specific expertise and can improve service quality and reduce costs. Some councils also have special arrangements to ensure scrutiny of high-risk, high-value contracts ([Exhibit 9](#)).

Exhibit 9

Good practice example of taking a corporate approach to ensure contract quality

South Lanarkshire – arrangements for managing high-risk, high-value contracts

South Lanarkshire council uses a risk-scoring matrix to identify high-risk contracts. Procurement staff examine and score every contract based on the financial, reputational, service delivery and compliance risks, the complexity of what they are purchasing and the complexity of the procurement process. Procurement managers score each aspect of the contract on a scale of one to three, with definitions available for each score.

Where necessary, senior managers establish independent scrutiny groups to assess procurements classified as high-risk. These groups consist of a range of officers representing departments of the council, and procurement, legal services, finance and audit. They sign off each stage of the procurement (business case and options, specification and evaluation and the award process) and present their findings to the Corporate management team of the council.

Councils have increased the proportion of spend covered by contracts

85. It is good procurement practice to obtain goods and services through contracts. Contracts give councils a clear understanding of what they are buying and at what price. Councils can use contract registers to aggregate spending for particular goods or services across the whole council (or public sector) to bring about economies of scale and ensure value for money.²⁸

86. To reduce inefficient spending, council staff need to know which contracts to use to buy goods and services. The procurement team can play an important role in ensuring that staff are able to do this and to monitor spending to ensure it is in line with council policy and meets service requirements.

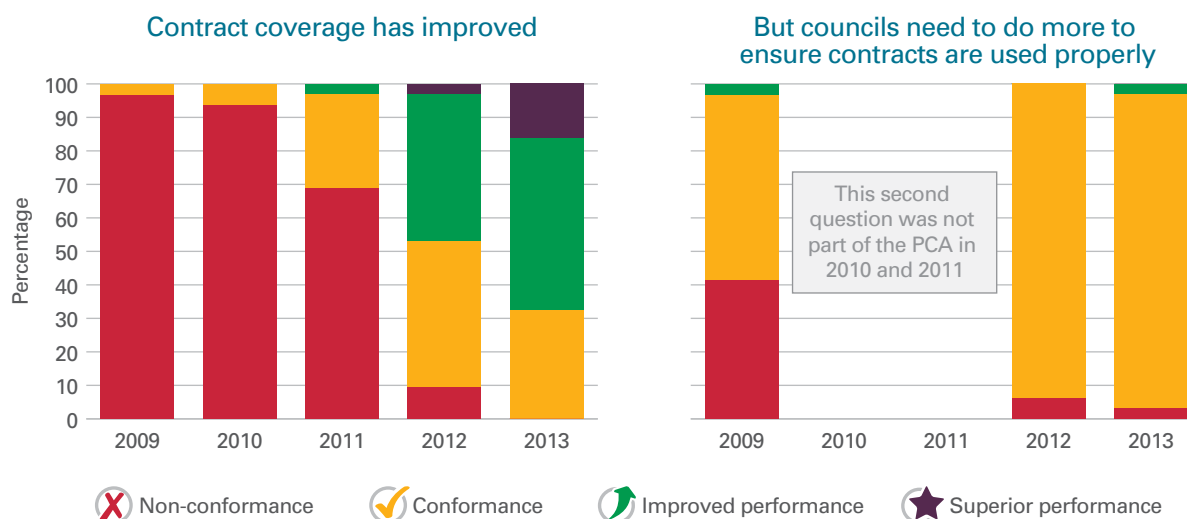
87. The councils we assessed in our fieldwork made good use of contract registers to identify areas for improvement, for example to identify regular off-contract spend. They used the registers to plan contracts coming up for renewal or retendering within a certain period. The 25 who could supply information in our survey reported that their total off-contract spend was about £704 million.

88. We asked councils to provide us with details of their three highest value areas of off-contract spend. Most of this spending (totalling £194 million) was in social work (60 per cent), land and environment (4 per cent), education (5 per cent) and roads (4 per cent).

89. The PCA covers how councils manage off-contract spend and control of maverick spend (spend outside of approved contracts) ([Exhibit 10](#)). Most councils have improved their contract coverage since 2009 – over half of councils are in the improved performance category (over 70 per cent of spend is covered by strategies) or superior performance category (over 70 per cent of spend is covered by contracts). Most councils still need to do more to ensure staff use contracted suppliers. Almost all councils are still in the conformance category and no councils are in the superior performance category.²⁹

Exhibit 10

PCA scores for contract coverage and ensuring councils use contracts properly



Councils are using IT to reduce the risk of fraud and error and improve performance information, but there is scope for improvement

90. Before the McClelland report, procurement and purchasing systems were seen as separate functions from finance and accounting. ICT systems reflected this split. The absence of joined-up processes and detailed council-wide reporting of procurement spending meant that there was little opportunity to generate efficiencies. Councils can now generate significant procurement efficiencies by implementing integrated 'purchase to pay' systems (P2P) ([Exhibit 11](#)).

Exhibit 11

Advantages of 'purchase to pay' systems

'Purchase to pay' systems bring about significant efficiencies and reduce risks.

Advantages of 'purchase to pay' systems (P2P)

P2P is the process that covers requesting, purchasing, receiving, paying and accounting for goods and services. It is often associated with the technology that supports it, such as e-procurement.

P2P helps councils manage procurement more effectively:

- End-to-end automated processes reduce costs and the risks of fraud and error.
- They bring about a council-wide view of the goods and services provided by each supplier allowing a council to manage more effectively supplier relationships.
- They allow procurement staff to look at spending across the whole council, allowing them to monitor compliance with contract processes and adherence to council policies.
- They create opportunities for closer collaboration with suppliers on initiatives such as demand planning and forecasting.

Source: Audit Scotland

91. Our survey gathered information about the number and value of invoices processed through councils' paper and computerised payment systems. Seventeen councils used some paper-based procurement systems and one council, Clackmannanshire, used exclusively paper systems. Overall we found that:

- there were 322,523 transactions through paper-based systems (7.5 per cent) and four million electronic transactions (92.5 per cent)
- £544 million (9 per cent) of spending was through paper systems and £5.5 billion (91 per cent) through electronic systems
- 57 per cent of councils' electronic purchasing systems were fully P2P compliant

- of the transactions through electronic systems, £4.1 billion (75 per cent) of spending was through P2P-compliant systems and £1.4 billion was through non-compliant systems.³⁰

92. Councils tended to use more than one system to manage procurement, with an average of three procurement systems in each council. Councils commonly have separate purchasing systems in roads, construction and social work, although this is not always the case. Some systems provide additional functions such as care planning packages. Having multiple systems does not prevent councils achieving efficiencies, providing their systems can operate effectively together. However, this is not always the case and separate systems create inefficiencies in some councils, for example when records have to be reconciled using spreadsheets.

Savings of £9 million are possible by replacing paper-based systems with P2P compliant systems

93. Scottish Government guidance suggests that invoices processed through P2P systems offer a saving of £28 per invoice compared to paper systems, and £9 compared to on-line ordering with a procurement card. We estimate that savings of £9 million are possible by replacing paper-based systems with P2P-compliant systems. Councils could make further savings if all spending was through P2P-compliant systems. IT systems can also make better performance measurement possible by providing reporting systems and the ability to analyse spending data.³¹

Detected procurement fraud is low but it remains a high-risk area

94. Procurement fraud is any fraud relating to the purchasing of goods and services and can happen before and after a contract award. Examples include price fixing and bid rigging, false or duplicate invoicing, altered payment details and diverted payments and the delivery of inferior products. Detected procurement fraud in Scottish Councils averaged about £200,000 a year over the last three years, less than 0.1 per cent of procurement spend. Examples include fictitious creditors and nurseries claiming for children who have left.

95. Procurement fraud is difficult to detect and measure. Research by the National Fraud Authority and the CIPS among procurement professionals from the private, public and voluntary sectors found that:

- 9.3 per cent confirmed that their organisation had suffered at least one procurement fraud in the last year
- 41 per cent stated 'procurement fraud poses a significant risk to my organisation'
- 41 per cent said that spend on construction is at greatest risk from procurement fraud
- only 29 per cent said their organisation had ever undertaken a fraud risk measurement exercise.³²

96. The survey also found that a perceived lack of accountability and controls enables procurement fraud, and that more visible auditing and fraud awareness could prevent this. Only seven councils asked staff to complete a register of interest statement and only two (Eilean Siar and Midlothian) asked all staff involved in purchasing to complete a statement.

97. The PCA presents a mixed picture of the controls that councils use to minimise fraud risk. It found that most councils had good internal controls and delegation arrangements, backed up by regular internal audit and reporting to the audit committee. Arrangements for managing supply risk and controlling maverick spend were poor.

Most councils have good governance arrangements but there is room for improvement in performance measurement

98. It is important that councils' senior managers and elected members oversee procurement decisions and have clear and accurate information about procurement performance. The councils we visited monitored procurement performance and reported procurement activity, including spend and savings. Member approval was required for all contracts over a certain predetermined limit.

99. In our fieldwork we found various committee structures in place to oversee procurement, with one council (Renfrewshire) having a dedicated procurement subcommittee. The level of detail presented to members about tendering processes and contract selection varied among councils.

100. All of the councils we visited reported their PCA scores to committee and all said that this improved the focus on improving procurement. However, the level of council members' knowledge of procurement varied. Given the importance of procurement in terms of financial, service performance and reputational risk, it is important that council members have a good knowledge of procurement rules and their role in the procurement process.

101. The PCA section on leadership and governance had the third-highest average section score in 2013; but councils scored less well on performance measurement. The PCA results showed the following:

- Most councils have defined performance measures but focus largely on financial benefits, with less systematic reporting of performance against other objectives such as community benefits.
- Most councils monitor procurement outcomes on a contract-by-contract basis, but without an overall picture of performance.

102. Better performance measurement would enable councils to improve the transparency of their reporting to committee and improve governance.

Recommendations

Councils and Scotland Excel should:

- review and formalise arrangements to fund procurement reform activity beyond 2016.

Council staff involved in procurement should:

- aim to achieve the superior performance level in the PCA, particularly in relation to:
 - spend covered by agreed commodity/project strategies
 - participation in Scotland Excel contracts
 - automation of procurement and payment processes
 - spend captured in the council's contract register
- develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis.

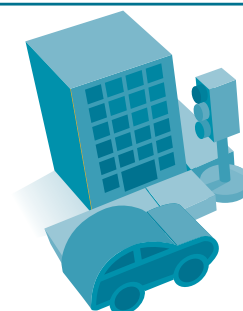
Councils' corporate management teams should:


- benchmark their procurement staffing against similar-sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have low staffing levels
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts
- phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis
- raise staff awareness of accountability and controls by:
 - implementing a written code of ethics
 - requiring staff involved in procurement to complete a register of interest statement
 - require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud.


Councils should:

- encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.
-

Endnotes

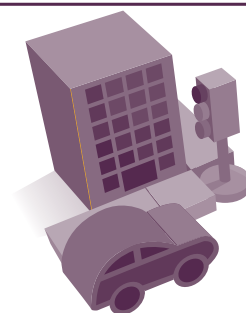


- ◀ 1 Spikes Cavell Analytic Ltd operate the Hub; users know it as the Spikes Cavell database.
- ◀ 2 SMEs are businesses with fewer than 250 employees.
- ◀ 3 The sectors are central government; universities and colleges; the NHS; and local government.
- ◀ 4 *Review of Scottish public sector procurement in construction*, Scottish Government, October 2013.
- ◀ 5 A framework is an agreement with suppliers to establish the terms that will govern contracts that may be awarded during the life of the agreement. The framework does not have to be a contract. However, where it is a contract it is treated like any other contract, and the EU procurement rules apply.
- ◀ 6 Each joint venture company is referred to as a 'hubCo' – these are not related to the Scottish Procurement Information Hub, mentioned elsewhere in this report.
- ◀ 7 For the purposes of this audit, we have focused on core trade spend. This is spend with suppliers with whom over £1,000 has been spent in a 12-month period, that have also been classed as a trading organisation or as a non-trade social care provider.
- ◀ 8 [*Arm's-length external organisations \(ALEOs\): are you getting it right \(PDF\)*](#)  Audit Scotland, June 2011.
- ◀ 9 Glasgow City Council spend includes ALEO procurement spend.
- ◀ 10 In the Efficient Government Initiative, the Scottish Government expects every public body to deliver efficiency savings of at least three per cent per annum during the course of the current Spending Review (2011/12 to 2014/15) and to report publicly on the actions undertaken and the results achieved.
- ◀ 11 *Scottish Publicly Funded Sectors: Procurement Benefits Reporting Guidance*, Scottish Government, November 2012.
- ◀ 12 *The Scottish Sustainable Procurement Action Plan for Scotland*, Scottish Government, October 2009.
- ◀ 13 *Local Procurement: Making the most of small businesses, one year on: Scotland Report*, Centre for Local Economic Strategies, July 2013.
- ◀ 14 *Local procurement – Making the most of small businesses*, Federation of Small Businesses, July 2012.
- ◀ 15 Shetland Islands Council have not been trained to use PCS tender and Shetland Islands Council and East Dunbartonshire Council have not used the PCS tender site.
- ◀ 16 Off contract spend is procurement spending with suppliers that is not covered by a contract. The figure quoted is from 21 councils.
- ◀ 17 Council spending and Tayside contracts.
- ◀ 18 *Three Year Business Plan 2012-15*, Scotland Excel, February 2012.
- ◀ 19 The January 2015 date for the adult supported living contract is under review.
- ◀ 20 Not all councils could provide local collaborative savings data. The figure quoted is from 13 councils.
- ◀ 21 Not all councils could provide local savings data. The figure quoted is from 24 councils.
- ◀ 22 A framework is an agreement with suppliers to establish the terms that will govern contracts that may be awarded during the life of the agreement. The framework does not have to be a contract. However, where it is a contract it is treated like any other contract, and the EU procurement rules apply.

- ◀ 23 All the councils we visited based their procurement documentation on the 'procurement journey', a complete set of documentation compiled by the Scottish Government and available on its website.
- ◀ 24 We made a number of assumptions in calculating these savings. Only total spend was analysed. We could not determine from the available data the individual contracts that each council used or the level of spend attributable to each contract. We calculated the estimated savings from councils using all available contracts by using estimated total spend and savings to calculate a 'savings rate' per council and applying this to actual spend. This was then pro-rated to the number of contracts each council used and adjusted upwards. This method does not take into account the contracts that each council currently uses or variation of demand from each council.
- ◀ 25 [The Audit of Best Value and Community Planning, The City of Edinburgh Council \(PDF\)](#)  Audit Scotland, May 2013.
- ◀ 26 There were statistically significant correlations between council population and purchasing systems and processes scores ($r^2 = 0.40$) and defining the supply need ($r^2 = 0.42$). Scores in the areas of people ($r^2 = 0.08$) and commodity/project strategies and collaborative procurement ($r^2 = -0.5$) were not statistically significant. The strength of the correlation between council population and overall PCA score fell between 2011 and 2013 (from $r^2 = 0.65$ to 0.38).
- ◀ 27 There was a statistically significant correlation between CIPS qualified staffing levels and PCA score ($r^2 = 0.36$).
- ◀ 28 A contract register will usually include the contract name, supplier name, contract start and end dates, total value, annual value, basic savings data, the level of contract management required, contract manager and procurement route (ie, whether it is a national, Scotland Excel or local contract).
- ◀ 29 We have based the exhibit on PCA questions: '5.2 Does the organisation have a clear understanding of its contract coverage?' and '5.1 How does the organisation ensure that contracts are being used?'.
- ◀ 30 The total value of invoices is greater than the £5.4 billion included in [Exhibit 1](#) for several reasons: Hub core trade spend excludes annual spend of less than £1,000 with an individual supplier, payments to individuals, grants to organisations and some ALEO spend. In addition Edinburgh City Council's Hub return excluded over £300 million of relevant data.
- ◀ 31 *Scottish Publicly Funded Sectors, Procurement Benefits Reporting Guidance*, Scottish Government 2012.
- ◀ 32 *Annual Fraud Indicator*, National Fraud Authority, March 2012.

Appendix 1

Audit approach



The audit looked at the performance of councils and Scotland Excel. It did not examine procurement by any arm's-length bodies set up by councils to provide services. We did not evaluate activities outside local government such as the operation of Public Contracts Scotland or the wider work of the Public Procurement Reform Board.

Methodology

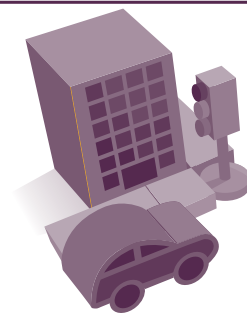
We used a range of approaches to address the aim and objectives of the audit, including document reviews, data analysis and interviews. The audit had three main components:

- **Desk research** – we reviewed a range of relevant written material on procurement, including council strategies and budgets, spending analysis, savings estimates and reports. We also looked at examples of good procurement practice by councils and reports on procurement by other audit agencies such as the National Audit Office.
- **Data analysis and surveys** – we analysed information on procurement spending including data from the Scottish Procurement Information Hub.¹ We analysed PCA results to show councils' progress in improving their procurement processes. We surveyed all 32 councils to collect information about procurement, including:
 - policies
 - staff numbers
 - consulting service users
 - spending data, including savings generated by improved procurement
 - use of information technology to streamline procurement processes.
- **Interviews with relevant public bodies and stakeholders** – we visited six councils (Aberdeenshire, Dundee City, Eilean Siar, Fife, Renfrewshire and South Lanarkshire) to look at how they manage procurement and collect qualitative information. We selected the sample so that it included large, small, urban and rural councils and reflected different levels of procurement capability. We also interviewed representatives from organisations including the Scottish Government and Scotland Excel. We also spoke to private sector organisations such as the Scottish Chambers of Commerce and the Federation of Small Businesses and third sector organisations such as the Scottish Council for Voluntary Organisations. We did this to seek their views on the effect of public sector procurement practice on local economies, including small to medium enterprises.

¹ Also known as the Spikes Cavell database. This provides extensive spending, supplier and contract data for public sector procurement in Scotland. The database draws on spending information provided by about 200 public bodies and the Scottish Government pays for its operation centrally. The database also provides a range of useful tools to enable users to analyse their own spending and spending across the public sector.

Appendix 2

Membership of the project advisory group



Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Position
Liz Cameron	Chief Executive, Scottish Chambers of Commerce
Dorothy Cowie	Director, Scotland Excel
John Downie	Director of Public Affairs, Scottish Council for Voluntary Organisations
Ian Howie	Deputy Director, Scottish Government procurement team
Ian Lorimer	Head of Finance, Angus Council
David Martin	Chief Executive, Renfrewshire Council
Angela Salmons	Corporate Procurement Manager, West Dunbartonshire Council
Julie Welsh	Head of Procurement and Business Support, Renfrewshire Council

Note: Members of the advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Procurement in councils

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Appendix 2

Recommendations for Councils from the Audit Commission report: Procurement of Councils

Recommendations for Councils staff involved in procurement			
Ref	Recommendation	Further WDC Action Required	WDC Approach/Progress
1	Review and formalise arrangements to fund procurement reform activity beyond 2016.	No	WDC structure already supports the Scottish Governments approach to Procurement reform.
2	Submit accurate and complete information to the Procurement Hub on a regular and timely basis (ideally quarterly, and as a minimum within 3 months of the end of the financial year).	No	WDC submit quarterly returns to the Hub and we have been working with Scottish Government to review the accuracy of their final analysis so we are pleased to see a recommendation for the Scottish Government to review and update the Best Practice Indicators (BPI's).
3	Examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions	Yes	We will review the options and costs/benefits for this recommendation.
4	Make greater use of the tools and facilities provided by the Hub, including the use of BPI's in performance reporting and to benchmark progress.	No	WDC already uses the tools and facilities in the Hub and provides performance report, benchmarking progress with BPI's.
5	Engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation with contracts.	Yes	This is already identified in the actions contained in the Corporate Procurement Service Plan for 2014-16.
6	Use the Public Contracts Scotland (PCS) tender module for all applicable contracts.	No	WDC is already piloting PCS Tender module and has a meeting with Scottish Procurement on 20 th May with a view to supporting them with testing aspects of the system.

Ref	Recommendation	Further WDC Action Required	WDC Approach/Progress
7	Make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee.	Yes	WDC use the existing national collaborative contracts. Where new collaborative contracts are introduced we will report any non-participation to the relevant council committee.
8	Develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis.	No	The Corporate Services Committee receives an annual report on procurement and an elected members bulletin is also issued annually which reports on benefits.
9	Calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement.	No	A transparent benefits' tracking process is already in place, linked to the national efficiency statement to Scottish Government.
10	Make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements.	Yes	This is already identified in the actions contained in the Corporate Procurement Service Plan for 2014-16.
11	Aim to achieve the superior performance level in the PCA, particularly in relation to: <ul style="list-style-type: none"> • Spend covered by agreed commodity/project strategies • Participation in Scotland Excel contracts • Automation of procurement and payment processes • Spend captured in the councils contract register 	Yes	WDCs Strategic Plan 2012-17 has a PI to achieve superior performance in the PCA by 2017 and actions contained in the Corporate Procurement Service Plan for 2014-16 are aimed at achieving the key areas highlighted.

Recommendations for Councils' corporate management teams			
Ref	Recommendation	Further WDC Action Required	WDC Approach/Progress
12	Benchmarking their procurement staffing against similar sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have lower staffing levels.	No	Our structure is in place and we have developed a workforce plan is focused on filling gap in national skills shortages and longer term skills development for the team. Our staff to spend ratio is similar to the top performing Councils in the PCA.
13	Examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts	No	With an established team in place, and well developed systems and processes, we review collaborative opportunities on an ongoing process for each tender.
14	Phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis.	Yes	WDC has already identified 'purchase to pay' as a business transformation project and is progressing with this.
15	<p>Raise staff awareness of accountability and controls by:</p> <ul style="list-style-type: none"> • Implementing a written code of ethics • Requiring staff involved in procurement to complete a register of interest statement • Require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud. 	Yes	<p>We already have a written code of ethics and require all staff involved in tendering to complete a register of interest.</p> <p>We will consider ways of increasing audit activity around prevention of procurement fraud.</p>

Recommendations for Councils			
Ref	Recommendation	Further WDC Action Required	WDC Approach/Progress
16	Require a report on procurement savings and non financial procurement benefits to be submitted to the appropriate committee on a regular basis.	No	The Corporate Services Committee receives an annual report on procurement and an elected members bulletin is also issued annually which reports on benefits.
17	Encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.	No	Procurement Awareness and Community Benefit sessions have been held for elected members.

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Audit & Performance Review Committee

11 June 2014

Subject: Local Government Benchmarking Framework 2012/13

1 Purpose

- 1.1** The purpose of this report is to provide the Committee with the West Dunbartonshire position in the recently published Local Government Benchmarking Overview report for 2012/13.

2 Recommendations

- 2.1** It is recommended that members:
- Note the publication of the national overview report
 - Note the relative position of West Dunbartonshire across the suite of indicators used in the benchmarking report
 - Note the actions already underway within each department following publication of this information

3 Background

- 3.1** All 32 Scottish local authorities are participating in a new approach to performance scrutiny through the Local Government Benchmarking Framework (LGBF). This Framework brings together performance indicators covering information about a wide range of key services including education, housing, social work, and leisure, as well as service costs and customer satisfaction results.
- 3.2** Using the same indicators across all local authorities allows comparison of performance, identification of best practice, learning from each other, to facilitate continuous improvement. To support this comparative work the Improvement Service, who lead the LGBF team, produce an annual overview report. This report contains performance information for each Council against each indicator in the framework.

4 Main Issues

- 4.1** The first annual overview benchmarking report was published by the Improvement Service at the end of March 2014. The data used relates to the period 2012/13. The timetable for collating and reporting the indicators within the

framework is prescribed by the Improvement Service. Concerns have been raised at the late publication of this overview report and assurances have been made by Improvement Service that the next report, which will detail 2013/14 performance, will be published before the end of the financial year 2014/15.

- 4.2 Appendix 1 details the performance of West Dunbartonshire Council relative to other Local Authorities across all the PIs in the LGBF. Alongside the overall benchmarking work and the activity carried out locally each Local Authority is assigned to a 'family group' of comparable areas within the LGBF. This allows further consideration into areas of varying performance to understand data collation, performance and best practice.
- 4.3 Since publication in March 2014 the CMT and Heads of Service have considered the content of the report and the overall performance. The CMT have remitted each directorate to review the indicators which fall within their areas of responsibility, scrutinising performance and trend information on each indicator. This complements the performance information already available and in turn informs actions incorporated in service / department plans to sustain or improve performance.
- 4.4 The work underway in each department, linked to service planning, will ensure a focus on continuous improvement through identification of performance requiring review. This is in line with the Strategic Planning and Performance Framework which places an emphasis on continuous improvement through an ongoing process of customer feedback, benchmarking and consultation.

5 People Implications

- 5.1 There are no people implications.

6 Financial Implications

- 6.1 There are no financial implications from this report, however there may be financial implications following review of performance and remedial actions.

7 Risk Analysis

- 7.1 The content of this report will form an element of the Council's public performance reporting (PPR) for 2013/14. The performance information and relevant remedial actions will also form an element of department plans so it is critical performance is understood and fully scrutinised to ensure appropriate action is taken.

8 Equalities, Health & Human Rights Impact Assessment (EIA)

- 8.1 No issues were identified in relation to this report.

9 Consultation

- 9.1** All departments were consulted in the submission of information to the LGBF and have been involved in reviewing the national overview report.

10 Strategic Assessment

- 10.1** The LGBF is a nationally published suite of information which allows robust scrutiny of comparative performance. It allows us to learn from best practice in other areas to ensure progress is made on delivery of the strategic priorities of the Council.

Angela Wilson
Executive Director of Corporate Services
Date:

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Appendices: Appendix 1: Local Government Benchmarking Framework 2012/13 – Analysis for WDC

Background Papers: [Audit Scotland's Direction and Guide 2012](#)
[Local Government Benchmarking Framework](#) – National Benchmarking Overview Report 2014

Wards Affected: All wards

Appendix 1:
Local Government Benchmarking Framework 2012/13 – WDC ranking & Analysis

Summary of Table 1:

Service Areas	No. of PIs	12/13 Performance against Scottish Average			12/13 Rank					Trend in Rank between 11/12 and 12/13			
		Better	Worse	N/A	1-8	9-16	17-24	25 - 32	N/A	Better	Worse	No Change	N/A
Children's Services	12	4	8	0	3	2	2	5	0	2	8	1	1
Corporate Services	12	6	6	0	4	1	4	3	0	2	7	3	0
Social Work Services	5	3	2	0	2	1	1	1	0	1	3	0	1
Culture & Leisure Services	8	3	5	0	1	2	3	2	0	2	2	0	4
Environmental Services	18	10	8	0	4	5	3	6	0	5	7	0	6
Housing Services	5	1	4	0	1	0	3	1	0	2	2	1	0
Corporate Asset	2	1	1	0	0	1	0	1	0	1	0	1	0
Economic Development	1	0	0	1	0	0	0	0	1	0	0	0	1
Total	63	28	34	1	15	12	16	19	1	15	29	6	13

	Indicator	Description	12/13 Value	12/13 position against Scottish average + = better - = worse	12/13 Rank	12/13 Scottish Average	Trend in Rank between 11/12 and 12/13 (number of places better/worse)
Children's Services	CHN1	Cost Per Primary School Pupil	5247.64	-	27	4751.59	No Change
	CHN2	Cost per Secondary School Pupil	7033.84	-	27	6426.89	Worse (2)
	CHN3	Cost per Pre-School Education Registration	4658.27	-	29	3106.23	Better (2)
	CHN4	% of Pupils Gaining 5+ Awards at Level 5	32.44	-	29	39.28	Worse (1)
	CHN5	% of Pupils Gaining 5+ Awards at Level 6	20.54	-	31	25.70	Worse (5)
	CHN6	% of Pupils from Deprived Areas Gaining 5+ Awards at Level 5 (SIMD)	22.80	+	6	19.52	Worse (3)
	CHN7	% Pupils from Deprived Areas Gaining 5+ Awards at Level 6 (SIMD)	9.64	-	13	10.08	Worse (6)
	CHN8a	The Gross Cost of "Children Looked After" in Residential Based Services per Child per Week	1994.98	+	2	2928.15	Better (17)
	CHN8b	The Gross Cost of "Children Looked After" in a Community Setting per Child per Week	144	+	4	250	Worse (3)
	CHN9	Balance of Care for looked after children: % of children being looked after in the Community	87	-	24	91	Worse (5)
	CHN10	% of Adults Satisfied with Local Schools	88	+	9	83.00	N/A
	CHN11	Proportion of Pupils Entering Positive Destinations	90.9	-	22	91.40	Worse (13)

	Indicator	Description	12/13 Value (Green = better than Scottish Average; Red = worse than Scottish Average)	12/13 position against Scottish average + = better - = worse	12/13 Rank	12/13 Scottish Average	Trend in Rank between 11/12 and 12/13 (number of places better/worse)
Corporate Services	CORP 1	Support services as a % of Total Gross expenditure	2.25	+	3	4.67	Worse (1)
	CORP 2	Cost of Democratic Core per 1,000 population	32189.51	-	18	31778.46	Worse (1)
	CORP 3a	The percentage of the highest paid 2% employees who are women	50.00	+	4	43.07	Better (7)
	CORP 3b	The percentage of the highest paid 5% of employees who are women	55.14	+	2	48.71	No Change
	CORP 4	The cost per dwelling of collecting Council Tax	15.66	-	24	13.29	Worse (3)
	CORP 5a	The number of complaints of domestic noise received during the year settled without the need for attendance on site	328	+	19	700.00	No Change
	CORP 5b1	The number of complaints of domestic noise received during the year requiring attendance on site and not dealt with under Part V of the Antisocial Behaviour (Scotland)	560	-	30	124.00	Worse (2)
	CORP 5b2	(Domestic Noise) Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site	0.40	+	2	43.21	No Change
	CORP 5b3	(Domestic Noise) Average time (hours) between time of complaint and attendance on site, for those dealt with under the ASB Act 2004	0.40	+	10	0.53	Worse (3)
	CORP 6	Sickness Absence Days per Employee	12.13	-	31	9.79	Worse (3)
	CORP 7	Percentage of income due from Council Tax received by the end of the year	94.41	-	24	95.16	Better(2)
	CORP 8	Percentage of invoices sampled that were paid within 30 days	83.32	-	27	90.47	Worse (1)

	Indicator	Description	12/13 Value	12/13 position against Scottish average + = better - = worse	12/13 Rank	12/13 Scottish Average	Trend in Rank between 11/12 and 12/13 (number of places better/worse)
Social Work Services	SW1	Older Persons (Over65) Home Care Costs per Hour	17.64	+	9	20.48	Worse (2)
	SW2	SDS spend on adults 18+ as a % of total social work spend on adults 18+	1.42	-	23	5.92	Worse (7)
	SW3	% of people 65+ with intensive needs receiving care at home	42.52	+	8	34.10	Worse (5)
	SW4	% of Adults satisfied with social care or social work services	67	+	7	57.00	N/A
	SW5	Average weekly cost per resident	430.41	-	26	372.63	Better (2)
	Indicator	Description	12/13 Value	12/13 position against Scottish average + = better - = worse	12/13 Rank	12/13 Scottish Average	Trend in Rank between 11/12 and 12/13 (number of places better/worse)
Culture & leisure Services	C&L1	Cost per attendance at Sports facilities	4.83	-	24	3.82	Better (3)
	C&L2	Cost Per Library Visit	3.91	-	22	3.31	Worse (5)
	C&L3	Cost of Museums per Visit	0.96	+	5	3.94	Worse (1)
	C&L4	Cost of Parks& Open Spaces per 1,000 Population	52944.43	-	30	32255.91	Better (1)
	C&L5a	% of adults satisfied with libraries	84	+	15	83.00	N/A
	C&L5b	% of adults satisfied with parks and open spaces	83	-	21	86.00	N/A
	C&L5c	% of adults satisfied with museums and galleries	79	+	15	78.00	N/A
	C&L5d	% of adults satisfied with leisure facilities	65	-	30	80.00	N/A

	Indicator	Description	12/13 Value	12/13 position against Scottish average + = better - = worse	12/13 Rank	12/13 Scottish Average	Trend in Rank between 11/12 and 12/13 (number of places better/worse)
Environmental Services	ENV1	Gross cost of Waste collection per premises	57.86	+	4	77.78	Better (8)
	ENV1b	Net cost per Waste collection per premises	41.01	+	4	59.12	N/A
	ENV2	Gross cost per Waste disposal per premises	111.78	-	19	108.65	Worse (10)
	ENV2b	Net cost per Waste disposal per premises	108.36	-	27	92.28	N/A
	ENV3a	Net cost of street cleaning per 1,000 population	29621.43	-	32	17534.06	Worse (4)
	ENV3b	Street Cleanliness Index	72	-	26	75.00	Better (1)
	ENV3c	Cleanliness Score (%age Acceptable)	94.1	-	23	95.80	Worse (11)
	ENV4a	Cost of maintenance per kilometre of roads	25598.40	-	32	6654.81	Worse (3)
	ENV4b	Percentage of A class roads that should be considered for maintenance treatment	24.20	+	12	29.40	Better (6)
	ENV4c	Percentage of B class roads that should be considered for maintenance treatment	25.00	+	8	35.00	Worse (3)
	ENV4d	Percentage of C class roads that should be considered for maintenance treatment	32.60	+	14	34.80	Better (4)
	ENV4e	Percentage of unclassified roads that should be considered for maintenance treatment	36.50	+	17	39.00	Worse (3)
	ENV5	Cost of trading standards and environmental health per 1,000 population	19127.74	+	7	22440.53	Better (1)
	ENV5a	Cost of trading standards per 1,000 population	3675.01	+	9	5309.96	N/A
	ENV5b	Cost of environmental health per 1,000 population	15452.73	+	14	17130.57	N/A
	ENV6	The % of total waste arising that is recycled	43.18	+	16	41.70	Worse (6)
	ENV7a	% of adults satisfied with refuse collection	80	—	25	83.00	N/A
	ENV7b	% of adults satisfied with street cleaning	68	—	29	75.00	N/A

	Indicator	Description	12/13 Value	12/13 position against Scottish average + = better - = worse	12/13 Rank	12/13 Scottish Average	Trend in Rank between 11/12 and 12/13 (number of places better/worse)
Housing Services	HSN1	Current tenants' arrears as a percentage of net rent due	9.16	-	21	6.81	Better (2)
	HSN2	Percentage of rent due in the year that was lost due to voids	2.19	-	23	1.23	Worse (1)
	HSN3	Percentage of dwellings meeting SHQS	62.00	-	25	76.65	No Change
	HSN4	Percentage of repairs completed within target times	95.00	+	8	93.13	Worse (3)
	HSN5	Percentage of council dwellings that are energy efficient	74.89	-	24	88.83	Better (1)
	Indicator	Description	12/13 Value	12/13 position against Scottish average + = better - = worse	12/13 Rank	12/13 Scottish Average	Trend in Rank between 11/12 and 12/13 (number of places better/worse)
Corporate Asset	CORP-ASSET1	Proportion of operational buildings that are suitable for their current use	86.47	+	10	75.90	Better (2)
	CORP-ASSET2	Proportion of internal floor area of operational buildings in satisfactory condition	50.54	-	32	82.64	No Change
Economic development	ECON1	% Unemployed People Assisted into work from Council operated / funded Employability Programmes	9.69	+	8	N/A	N/A