

Agenda



Audit & Performance Review Committee

Date: Wednesday, 8 March 2017

Time: 14:00

Venue: Council Chambers,
Clydebank Town Hall, Dumbarton Road, Clydebank

Contact: Craig Stewart, Committee Officer
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Dear Member

Please attend a meeting of the **Audit & Performance Review Committee** as detailed above. The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

Councillor J McColl (Chair)
Councillor G Black
Councillor J Brown
Councillor P McGlinchey
Councillor I Murray (Vice Chair)
Councillor T Rainey
Councillor G Robertson
Councillor M Rooney
Mr SJ Doogan
Ms E McKerry

All other Councillors for information

Chief Executive
Strategic Director – Transformation & Public Service Reform
Strategic Director – Regeneration, Environment & Growth
Chief Officer of West Dunbartonshire Health & Social Care Partnership

Date of issue: 24 February 2017

AUDIT & PERFORMANCE REVIEW COMMITTEE

WEDNESDAY, 8 MARCH 2017

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 7 – 10

Submit for approval as a correct record, the Minutes of Meeting of the Audit & Performance Review Committee held on 14 December 2016.

4 PRUDENTIAL INDICATORS 2016/17 TO 2025/26 AND TREASURY MANAGEMENT STRATEGY 2017/18 TO 2025/26 To follow

Submit report by the Strategic Lead - Resources providing an update on:-

- (a) the proposed Prudential Indicators for 2016/17 to 2019/20;
- (b) Treasury Management Strategy (including the Investment Strategy) for 2017/18 to 2019/20; and
- (c) the indicative prudential indicators for the period from 2020/21 to 2025/26.

NB: For Members' information, this report was approved at the Council Meeting held on 22 February 2017.

5 AUDIT ACTION PLANS To follow

Submit report by the Strategic Lead - Resources advising of:-

- (a) recently issued Internal Audit action plans; and

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

6 INTERNAL AUDIT PLAN 2017/18 11 - 26

Submit report by the Strategic Lead - Resources advising of the planned programme of work for the Internal Audit section for the year 2017/18.

7 AUDIT SCOTLAND – REVIEW OF ADEQUACY OF INTERNAL AUDIT ARRANGEMENTS 27 - 34

Submit report by the Strategic Lead - Resources advising of the External Auditor's assessment of the adequacy of the Council's Internal Audit arrangements.

8 AUDIT SCOTLAND ANNUAL AUDIT PLAN 2016/17 35 - 56

Submit report by the Strategic Lead - Resources presenting Audit Scotland's Audit Plan for the audit of financial year 2016/17 to Committee for information.

9 REVISED LOCAL CODE OF GOOD GOVERNANCE 57 - 90

Submit report by the Strategic Lead - Resources advising of the progress made in developing a revised local code of governance.

10 PUBLIC INTEREST DISCLOSURES FOR THE PERIOD 1 JULY TO 31 DECEMBER 2016 91 - 94

Submit report by the Strategic Lead - Resources advising on public interest disclosures received during the period 1 July to 31 December 2016.

- 11 ACCOUNTS COMMISSION REPORT: HOW COUNCILS WORK – FOLLOW UP MESSAGES FOR COUNCILS: ROLES AND WORKING RELATIONSHIPS IN COUNCILS: ARE YOU STILL GETTING IT RIGHT? 95 - 118**
- Submit report by the Strategic Lead - Resources providing information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.
- 12 ACCOUNTS COMMISSION REPORT: LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2015/16 119 - 170**
- Submit report by the Strategic Lead - Resources providing information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.
- 13 ACCOUNTS COMMISSION REPORT: A REVIEW OF HOUSING BENEFIT FRAUD INVESTIGATION LIAISON ARRANGEMENTS IN SCOTLAND 171 - 196**
- Submit report by the Strategic Lead - Resources providing information regarding a report recently published by the Accounts Commission and prepared by Audit Scotland.
- 14 LOCAL GOVERNMENT BENCHMARKING FRAMEWORK 2015/16 197 - 220**
Appendix 2 to follow
- Submit report by the Strategic Lead - Communications, Culture & Communities providing the Committee with the West Dunbartonshire position in the recently published Local Government Benchmarking Overview report for 2015/16.
- 15 STRATEGIC RISK – BI-ANNUAL UPDATE To follow**
- Submit report by the Strategic Lead - People & Technology providing the outcome of the latest assessment of Strategic Risks.
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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 14 December 2016 at 2.04 p.m.

Present: Councillors George Black, Jonathan McColl, Ian Murray, Gail Robertson, Martin Rooney and Lay Members Mr Stevie J. Doogan and Ms Eilidh McKerry.

Attending: Angela Wilson, Strategic Director – Transformation & Public Service Reform; Richard Cairns, Strategic Director – Regeneration, Environment & Growth; Stephen West, Strategic Lead – Resources; Colin McDougall, Audit and Risk Manager; Jennifer Ogilvie, Section Head (Treasury and Capital); Stephen Daly, Customer Services Manager; and Craig Stewart, Committee Officer.

Also Attending: Ms Carol Hislop, Senior Audit Manager and Ms Karen Cotterell, Senior Auditor, Audit Scotland.

Apologies: Apologies for absence were intimated on behalf of Councillors Jim Brown, Patrick McGlinchey and Tommy Rainey. An apology was also intimated from Joyce White, Chief Executive.

Councillor Jonathan McColl in the Chair

DECLARATIONS OF INTEREST

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

MINUTES OF PREVIOUS MEETING

The Minutes of Special Meeting of the Audit & Performance Review Committee held on 1 November 2016 were submitted and approved as a correct record, subject to the sederunt being changed to reflect that Alan Douglas, Manager of Legal was not in attendance at the meeting.

TREASURY MANAGEMENT MID-YEAR REPORT 2016/17

A report was submitted by the Strategic Lead - Resources providing an update on treasury and prudential indicators during 2016/17.

After discussion and having heard the Strategic Lead - Resources, the Committee agreed:-

- (1) to note the treasury management and prudential stewardship information within the report;
- (2) to note the 2016/17 revised estimates of treasury and prudential indicators as advised within the report (Tables A, B, C, D, E, F, H, M and N); and
- (3) to note that this report was submitted to Council on 26 October 2016.

AUDIT ACTION PLANS

A report was submitted by the Strategic Lead - Resources advising of:-

- (1) recently issued Internal Audit action plans; and
- (2) progress made against action plans issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Strategic Director – Transformation & Public Service Reform and relevant officers in further explanation and in answer to Members' questions, Councillor McColl, moved:-

Committee notes the contents of the report.

Committee agrees that future action plan reports will include a summary to put the action plans in context, and highlight the risks being mitigated. The format of the summary will be determined by officers in consultation with the Convener and the Committee may request changes to this at a future date.

Councillor Black asked if Councillor McColl was willing to accept as an addendum to his motion, the following statement from him:-

I am dismayed that the external auditor has effectively rubber stamped the findings of the internal auditor.

The original report to Audit and Performance Review Committee was littered with references to practice which was not fit for purpose, the auditor wrote that "The Council's Financial regulations were not adhered to, standing orders were not observed, best value was not adhered to either. He also referenced the potential for fraud and corruption.

In debate the auditor accepted that there was no evidence of criminal wrongdoing which is not the same as “there was no criminal wrongdoing”.

The response to my requests for information were not all satisfactory and only my persistence in seeking answers from officers has brought much of this into the public domain. I therefore intend to submit the report to police Scotland with a request for a criminal investigation.

Councillor McColl confirmed his acceptance of the addendum to his motion which was then seconded by Councillor Black.

Councillor Rooney, having failed to obtain a seconder for a proposed amendment, asked that his dissent be recorded in respect of this matter.

As an amendment, Councillor Murray, seconded by Councillor Robertson, moved:-

Committee notes the contents of the report.

Committee agrees that future action plan reports will include a summary to put the action plans in context, and highlight the risks being mitigated. The format of the summary will be determined by officers in consultation with the Convener and the Committee may request changes to this at a future date.

Committee further notes the following statement from Councillor Black:-

The original report to Audit and Performance Review Committee was littered with references to practice which was not fit for purpose, the auditor wrote that “The Council’s Financial regulations were not adhered to, standing orders were not observed, best value was not adhered to either. He also referenced the potential for fraud and corruption.

In debate the auditor accepted that there was no evidence of criminal wrongdoing which is not the same as “there was no criminal wrongdoing”.

The response to my requests for information were not all satisfactory and only my persistence in seeking answers from officers has brought much of this into the public domain. I therefore intend to submit the report to police Scotland with a request for a criminal investigation.

During consideration of this item, Ms Hislop, Senior Audit Manager, Audit Scotland was also heard in answer to Members’ questions.

On a vote being taken, 1 Member voted for the amendment, 1 Member abstained and 2 voted for the motion which was therefore declared carried.

INTERNAL AUDIT PLAN 2016/17 HALF YEAR PROGRESS REPORT TO 30 SEPTEMBER 2016

A report was submitted by the Strategic Lead - Resources advising of progress at the half year against the Audit Plan 2016/17.

The Committee agreed to note the contents of the report.

CAPITAL POST PROJECT REVIEW PILOT

A report was submitted by the Strategic Lead - Resources providing an update on capital post project reviews undertaken within the pilot phase covering the period 1 April 2016 to 30 September 2016.

After discussion and having heard the Strategic Director – Transformation & Public Service Reform and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to note the capital projects that were selected for inclusion in the pilot;
- (2) to note the outcome of the pilot reviews;
- (3) to note the next list of projects recommended for review; and
- (4) that a copy of the report be passed to Members of the Infrastructure, Regeneration & Economic Development Committee, to highlight the lessons learned from the post project review pilot.

SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS REPORT 2015/16

A report was submitted by the Strategic Lead – Communications, Culture and Communities presenting the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2015 – 31 March 2016.

After discussion and having heard the Strategic Director – Transformation & Public Service Reform and the Customer Services Manager in further explanation and in answer to a Member's questions, the Committee agreed to note the contents of the report.

The meeting closed at 3.05 p.m.

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Audit & Performance Review Committee: 8 March 2017**

Subject: Internal Audit Plan 2017/18**1. Purpose**

- 1.1 The purpose of this report is to advise members of the planned programme of work for the Internal Audit Section for the year 2017/18.

2. Recommendations

- 2.1 It is recommended that the Committee approve the Audit Plan for 2017/18.

3. Background

- 3.1 The Audit Plan was compiled using a risk based approach through a review of the Audit Universe which includes all significant activities and systems that contribute to the achievement of the Council's priorities and objectives.

4. Main Issues

- 4.1 The audit planning process has taken into account the following factors:
- A risk based audit needs assessment identifying all potential audit areas;
 - Consultations with senior management;
 - The plans of External Audit and other inspection agencies;
 - The Council's strategic priorities and risks;
 - Delivery Plan objectives;
 - Current issues and changes in computer systems; and
 - Resources available.
- 4.2 Internal Audit monitors delivery of the plan continuously during the year using a number of performance indicators. Progress is reported to members on a regular basis.
- 4.3 The Annual Report on Internal Audit will compare the work actually undertaken against the work planned and summarise performance against targets. It will also provide an opinion on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control. Audit work done underpins the Statement of Internal Financial Control / Annual Governance Statement which will be published with the Abstract of Accounts.

- 4.4** The Audit Plan includes a section showing the planned activity of the Corporate Fraud Team.
- 4.5** The draft Audit Plan is included at Appendix A. There are sufficient resources to deliver the planned programme of audit assignments detailed in Appendix A and that there are no significant threats to the independence of the internal audit activity, such as inappropriate scope or resource limitations.
- 4.6** As a result of a significant amount of investigations work to which the Internal Audit team has had to respond it has not been possible to fully complete the risk based audit plan for 2016/17. As a result four risk based audits have been rolled forward into 2017/18. This approach has been agreed in discussion with External Audit.
- 4.6** It is recognised that elements of the attached plan may be included within the Integrated Joint Board (IJB) Audit Plan for 2017/18.

5. Personnel 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 Plan has been constructed taking cognisance of the risks associated with major systems. Consultation with Senior Managers was carried out to ensure that risks associated with delivering the Council's objectives have been considered.

8. Equalities Impact Assessment (EIA)

- 8.1** A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

- 9.1** This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

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

Stephen West
Strategic Lead - Resources
Date: 9 February 2017

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Appendix A: Draft Internal Audit Plan 2017/18

Background Papers: EIA Screening

Wards Affected: All wards



WEST DUNBARTONSHIRE COUNCIL

**INTERNAL AUDIT PLAN
2017-18**

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1 Introduction

1.1 Definition 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.'

Public Sector Internal Audit Standards

The Standards (applying the Institute of Internal Auditors International Standards to the UK Public Sector) have been agreed to be adopted from the 1st April 2013 by the relevant public sector Internal Audit Standard setters. Elements of the Standards are based on the Chartered Institute of Internal Auditors International Professional Practices Framework. Standard setters are; HM Treasury; Scottish Government; Department of Finance and Personnel Northern Ireland; Welsh Government; Department of Health; and the Chartered Institute of Public Finance and Accountancy.

In accordance with the Standards an Audit Charter is in place which defines the internal audit activity's purpose, authority and responsibility.

1.2 Authority

All Local Authorities in Scotland are subject to Section 95 of the Local Government Act (Scotland) 1973, and should make provision for Internal Audit, in accordance with the Public Sector Internal Audit Standards issued 2013 (The Standards).

1.3 Audit Planning

Internal Audit complies with the requirements of The Standards, per Section 2010 (Planning):

'The chief audit executive (WDC – Audit and Risk Manager) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'

2 The Audit Planning Process

2.1 Risk Assessment

A risk-based audit needs assessment has been carried out by Internal Audit staff in which a review of the “audit universe” has been carried out. The audit universe includes all significant activities and systems that contribute to the achievement of the Council’s priorities and objectives.

This assessment of needs identifies all operations, resources, services and responsibilities, and prioritises key systems being operated, and key services provided. Senior management have been consulted on priority areas for review, while cognisance has been taken of the plans of External Audit and other statutory agencies, in order to avoid duplication, and increase potential for cross reliance. The audit needs assessment is based upon a matrix taking account of scores for each potential audit area in respect of:-

- Control risk
- Materiality
- Sensitivity
- Management concerns

The matrix gives an overall “score” for each area that is used to prioritise the audit reviews.

The risk process recognises the materiality of core financial systems by applying a weighting based on transaction value. In addition, the process ensures that major systems will be covered over a rolling programme by applying a weighting factor based on the date of the previous audit.

This process ensures that Internal Audit independence is maintained in the formation of the plan.

2.2 Systems Based Auditing

The systems based audit approach developed by the Chartered Institute of Public and Finance and Accountancy (CIPFA) will continue to form the basis for testing controls within each system, in line with good practice.

2.3 Strategic Risks

The Strategic Risk Register records the Council's own assessment of the most potentially damaging risks and their likelihood of occurrence. This document is used to inform the Audit Plan.

2.4 Strategic Plan 2012/17

As well as considering risk when formulating the plan, considerable attention has been paid to the strategic priorities and success factors contained in the Council’s Strategic Plan 2012/17 in order to ensure there is a spread of audit coverage across these key areas. The contribution of the work included in the Audit Plan to the Council’s strategic priorities and success factors is shown in *italics* in the appropriate schedules of this document.

2.5 Other Issues

Other factors which influence the plan are discussions with Senior Management, consideration of current issues arising, major computer systems being introduced, and recommendations from recently completed audits.

2.6 Irregularity

Allowance has been made for matters arising requiring investigation, and ad-hoc work, based upon levels experienced in the past.

3 Resourcing the Plan

Internal Audit

The Internal Audit Section has a core establishment of 5.1 FTE including four professionally qualified members of staff. Computer Audit will be carried out alongside systems reviews by the ICT Security Officer who will contribute 96 operational days to the Audit Plan. Available Audit Days have been calculated as 911 days, following the deduction of Administration, Management and Planning, Training and Leave. Within this overall resource, 133 operational days has been included for the Audit and Risk Manager's time to reflect the contribution he makes to the activities of the Internal Audit Section. The Audit and Risk Manager is professionally qualified to fulfil an audit role.

Through an assessment of the mix of knowledge, skills and experience of the Audit Team, it is considered that the available resources are sufficient to achieve the work outlined in the plan.

The Council's External Auditors work in conjunction with Internal Audit so that resources are optimised in providing overall assurance on the financial statements and the adequacy of the internal control environment. Towards the end of 2017/18, External Audit will advise on which areas of Internal Audit work it will place reliance upon for the year as outlined in its annual "Review of Adequacy of Internal Audit Arrangements" letter.

As described in Paragraph 2.1 above, a risk based audit needs assessment was carried out. The available staffing resources, in terms of Available Audit Days are matched to this and in 2017/18 in order to determine the areas of work to be included in the Audit Plan.

Planned Internal Audit Activity

The allocation of time to each audit category is shown in the table below.

Category	2017/18	
	Planned Days	% of Operational Time
Risk Based Audit	400	43.8
Computer Audit	90	9.9
Development	36	4.0
Investigations	150	16.5
Regularity / CRSA	30	3.4
Governance and Assurance	31	3.3
Follow up	20	2.2
Year-end procedures	5	0.5
Performance Indicators	20	2.2
Advise and Guidance / Grant Claims	35	3.8
Review	26	2.9
Health and Social Care Partnership	20	2.2
Other Bodies	48	5.3
Operational Time	911	100%
Administration	29	-
Management and Planning	44	-
Training / Staff Development	29	-
Leave	284	-
Non-Operational Time	386	-
Overall Total	1297	-

Corporate Fraud

The Audit Plan also includes a section showing the planned activity of the Corporate Fraud Team.

The Corporate Fraud Team has an establishment of 4 FTE. Available days have been calculated as 722 operational days, following the deduction of Administration, Management and Planning, Training and Leave. Through an assessment of the mix of knowledge, skills and experience of the Corporate Fraud Team, it is considered that the available resources are sufficient to achieve the work outlined in the plan. The Corporate Fraud Team Leader reports to the Audit and Risk Manager.

Planned Corporate Fraud Activity

The allocation of time to each category of work is shown in the table below.

Category	2017/18	
	Planned Days	% of Operational Time
Work carried out on behalf of DWP	70	9.7
National Fraud Initiative	82	11.4
Corporate Fraud	360	49.8
Development	55	7.6
Research	125	17.3
Review	30	4.2
Operational Time	722	100%
Administration	20	-
Management and Planning	45	-
Training / Staff Development	20	-
Leave	212	-
Non-Operational Time	297	-
Overall Total	1019	-

The Corporate Fraud Team have been given a target to make savings of £180,000 during 2017/18.

It is important that the pro-active work of the Corporate Fraud Team is structured to ensure the information obtained in any data match is current and that there are sufficient resources to deal with the output of the matches.

A large part of the work of the team will remain reactive as they respond to referrals made from members of the public, internal departments, outside agencies and the Joint Working Pilot and cognisance has to be taken of this commitment when planning proactive work.

4 Monitoring the Plan

Internal Audit reports performance to the Audit and Performance Review Committee on a quarterly basis:-

- Action Plans issued during the quarter
- Progress on implementation of audit recommendations

Internal Audit recommendations are shown in Covalent, the Council's risk and performance management system. This enables both service management

and Internal Audit to monitor and report on the implementation of recommendations more efficiently.

In addition Elected Members will be advised of progress against the overall Audit Plan 2017/18 through a six month update report and an Annual Report for the full year.

5. Annual Report

Section 2450 of the Standards states that:

‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to form its governance statement.’

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

This work underpins the Statement of Internal Financial Control / Annual Governance Statement, which will be published with the Abstract of Accounts, and subject to the scrutiny of External Audit.

6 Quality Assurance and Improvement Programme

Sections 1310 to 1312 of the Standards refer to the need for a quality assurance and improvement plan to be developed to include both internal and external assessments.

Internal assessments must include ongoing monitoring of Internal Audit performance and periodic assessments by other persons within the organisation with sufficient knowledge of the work of Internal Audit. It is proposed that Finance Section Accountants will fulfil this role.

External assessments must be conducted at least every five years by a qualified independent assessor. The Scottish Local Government Chief Internal Auditors’ Group (SLACIAG) has developed a framework for external assessments to be undertaken by member authorities of SLACIAG on a broadly reciprocal arrangement utilising a peer review option. The Council’s Internal Audit Section has participated in this framework and an external validation of its own self-assessment took place during 2015/16 for which all actions have now been implemented.

7 Delivering the Plan

The plan has been developed in line with the approved Internal Audit Charter and will be delivered in accordance with:

- The Standards;
- Relevant codes of ethics standards and guidelines issued by the professional institutes;
- Relevant corporate governance documents, standards, policies and procedures; and

- The Internal Audit Section's own Audit Manual and other internal standards, which will be adhered to by its entire staff including any contracted external specialists where appropriate.

8 Schedule of Risk Based Audits

As a result of a significant amount of investigations work to which the Internal Audit team has had to respond it has not been possible to fully complete the risk based audit plan for 2016/17. As a result, four risk based audits have been rolled forward into 2017/18. This approach has been agreed in discussion with External Audit. The first four audits listed below are the assignments that have been rolled forward from 2016/17.

Audit	Days	Objectives / key tasks
Housing - Tenancy, Allocations & Lettings Improve local housing and environmentally sustainable infrastructure	25	<ul style="list-style-type: none"> • Development of new system and new control procedures • Procedures are operated in accordance with housing and landlord legislation and the organisation's agreed written policy • Adequacy of documentary evidence to support all applications and lettings • Tenancy allocation and letting of all properties is legitimate and appropriate
Employment Support (Social Work initiative for vulnerable people) <i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i>	20	<ul style="list-style-type: none"> • Determination of suitability of clients • General cash controls • Recording of income and expenditure process • Stock control • General compliance with Council policies regarding fire assessments, health and safety training etc.
School Estates Strategy <i>Fit-for-purpose estate and facilities</i>	25	<ul style="list-style-type: none"> • Rebuilding programme / strategy • Procurement and contract arrangements • Financial monitoring / reporting • Value for money
Register of Gifts and Hospitality (Elected Members / Officers) <i>Strong financial governance and sustainable budget management</i>	20	<ul style="list-style-type: none"> • Compliance with Council Policies and Procedures • Review of Register
Payroll – Overtime Strong financial governance and sustainable budget management	25	<ul style="list-style-type: none"> • Overall monitoring • Approval process for Grade 8 staff and above receiving overtime

Internal Audit Plan 2017-18

Creditors <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> Processes and procedures Masterfile maintenance Invoice processing / authorisation checks Reconciliations
Guardianship Cases (MHO involvement) <i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i>	20	<ul style="list-style-type: none"> Legal requirements Management of cases Training Resources available
Use of Care First functionality for financial management <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> Functionality options and opportunities to develop further Extent of use of available processes Commitment information Authorisation process re addition / amendments / cessation of care packages Control and validation of rate / unit cost / pension changes
Management of Capital Projects <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> Policies and procedures Project management arrangements Governance arrangements
Social Work Tendering and Commissioning <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> Commissioning strategy Procurement arrangements Policies and procedures Payment monitoring Monitoring of delivery of contracted services
Burial Grounds / Crematorium <i>Strong financial governance and sustainable budget management</i>	30	<ul style="list-style-type: none"> Income controls General policies and procedures Tendering arrangements Policies, guidance and practice in relation to the handling of all recoverable remains Business continuity plans
Data and Information Security – Governance and Practice <i>Innovative use of Information Technology</i>	25	<ul style="list-style-type: none"> General Policy review Patching Policies and practice Compliance processes for Public Sector Network (PSN) and Payment Card Industry (PCI) Data Protection Act (DPA) compliance, General Data Protection Regulation (GDPR) preparedness Penetration Testing review
Council art works <i>Fit-for-purpose estate and facilities</i>	20	<ul style="list-style-type: none"> Policies and procedures Record keeping Storage / security / preservation Insurance

Internal Audit Plan 2017-18

Leisure Trust: Management of the Council's Outdoor Events <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> • Income from entry fees / stall holders • Expenditure controls • Hospitality arrangements • Risk assessments • General planning / contingency planning • Liaison with other agencies
Valuation Joint Board: Appeals process for Council Tax and Non Domestic Rates valuations <i>Strong financial governance and sustainable budget management</i>	25	<ul style="list-style-type: none"> • The validity/competence of appeals is checked • Appeals are properly logged and relevant paperwork is created/issued • Proposals (CT only) are changed to 'appeals' as appropriate • Reporting of proposals and appeals are notified to Valuation Appeal Panel Secretary / Assistant Secretary as required • Citations are issued in accordance with requirement • Relevant documentation is exchanged (NDR only) in advance of hearings as required by statute • Alterations are properly authorised and processed • Appellants are provided with suitable notification of outcomes • Appeals are processed in the relevant timescale (NDR only – CT has no 'back-stop') • Alterations to valuations / bandings as a result of appeals are properly authorised and updated, including notification to Councils' Finance service
Total	360	
Completion of 2016/17 risk based audits	40	n/a
Overall Total	400	

9. Schedule of Computer Audits

Audit	Days	Objectives / key tasks
Network Controls <i>Innovative use of Information Technology</i>	25	<ul style="list-style-type: none"> • Policies and procedures • Appropriate staff and skillsets • Correct balance between development and support functions • Change control procedures • Reporting and review of faults • Security measures across differing network areas • Protective measures including AV/Malware, anti spam, internet filtering, intrusion detection and prevention • Capacity planning • Adequacy and effectiveness of authentication processes

Internal Audit Plan 2017-18

IT Procurement (Hardware and Software) <i>Innovative use of Information Technology</i>	25	<ul style="list-style-type: none"> • Relevant procedures are in place and followed • Contract values and staff limits • Review of ICT contracts • Governance arrangements around ICT contracts • Use of PECOS / WeBuy within ICT
Remote access controls <i>Innovative use of Information Technology</i>	20	<ul style="list-style-type: none"> • Technology is fit for purpose • Adequacy and effectiveness of authentication processes • Encryption arrangements for data in transit and at rest • Data protection issues • Adequacy of protection over mobile technology
Help Desk / Service Desk <i>Innovative use of Information Technology</i>	20	<ul style="list-style-type: none"> • Software is fit for purpose • Adequacy of sharing agreements • Adequacy of segregation of roles and data inside the application • Fault resolution statistics and reporting • Effectiveness of benchmarking against other LA's • Effective capacity planning is in place
Total	90	

10. Schedule of Development Work

Audit	Days	Objectives / key tasks
Audit programmes	10	Development of audit programmes
PSIAS	12	Annual self-assessment and internal review process Review work for other local authority
TeamMate Development	14	Upgrades, audit programme uploads and layout modifications as appropriate
Total	36	

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit and Performance Review Committee: 8 March 2017

Subject: Audit Scotland - Review of Adequacy of Internal Audit Arrangements

1. Purpose

- 1.1** The purpose of this report is to advise the Committee of the External Auditor's assessment of the adequacy of the Council's Internal Audit arrangements.

2. Recommendations

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

3. Background

- 3.1** Audit Scotland's Code of Audit Practice sets out the wider dimension of public sector audit and requires the external auditor to undertake an annual assessment of the adequacy, strengths and weaknesses of the internal audit function. In addition, based on this assessment, areas are outlined where Audit Scotland, in their capacity as the Council's External Auditors, plan to place formal reliance on the work of Internal Audit.

4. Main Issues

- 4.1** Audit Scotland has issued a letter (see Appendix A) which sets out the nature of the review and raises a number of points. The Council's response to these points is included at Appendix B.
- 4.2** As is noted in Appendix A, External Audit intends to place reliance on the work of Internal Audit in the following areas for their financial statements audit work:
- Cash and bank;
 - Payroll;
 - Debtors; and
 - Stocks and Stores.
- 4.3** External Audit will also place formal reliance upon the following ICT audits:
- Disaster Recovery & Business Continuity Controls;
 - Education Services IT Arrangements;
 - ICT Risk Register; and

- Public Access to Council IT Systems.
- 4.4 In respect of their wider governance and performance audit work External Audit also plan to review the findings and consider other areas of Internal Audit work.
- 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 Failure to ensure that adequate Internal Audit arrangements are in place may result in External Audit being unable to place reliance on the work performed within individual Internal Audit assignments.
- 8. **Equalities Impact Assessment (EIA)**
 - 8.1 A screening has been carried out and found no issues relevant to equalities duties.
- 9. **Consultation**
 - 9.1 This report has been subject to consultation with appropriate Strategic Leads.
- 10. **Strategic Assessment**
 - 10.1 This report relates to all five of the Council's Strategic Priorities.

.....
Stephen West
Strategic Lead - Resources
Date: 22 February 2017

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

Appendices: A – Audit Scotland Letter - Review of Adequacy of Internal Audit Arrangements
B – Council response to Audit Scotland's letter

Background Papers: EIA Screening

Wards Affected: All Wards

Address:

4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Website:

www.audit-scotland.gov.uk

Telephone:

0131 625 1500

Email:

info@audit-scotland.gov.uk



Angela Wilson
Strategic Director -Transformation and Public Service Reform
West Dunbartonshire Council
Garshake Road
Dumbarton
G82 3PU

10 February 2017

Dear Angela

West Dunbartonshire Council
Review of Adequacy of Internal Audit Arrangements

Audit Scotland's Code of Audit Practice (the 'Code') sets out the wider dimension of public sector audit and requires the external auditor to undertake an annual assessment of the adequacy, strengths and weaknesses of the internal audit (IA) function. In addition, based on this assessment, we outline the areas where we plan to place formal reliance on the work of internal audit.

Our review covered the following:

- Organisational status – specific status of internal auditing within the council and the effect this has on the degree to which it can be objective.
- Technical competency – whether internal audit is performed by persons with adequate technical training and proficiency as internal auditors.
- Nature of assignments – the scope and coverage of the internal audit function.
- Standard of audit work – whether internal audit's work is properly planned, supervised, reviewed and documented.

Evidence to support findings was drawn from discussions with relevant council officers.

We will perform a review of the internal audit files for the areas which we are proposing to place reliance on once those areas of work have been completed.

Annual Review of Arrangements

We earlier completed a preliminary assessment of the adequacy of internal audit for 2016/17, in conjunction with our risk assessment process and concluded that internal audit have adequate documentation, standards and reporting procedures. This evaluation allows us to review and place reliance on a number of aspects of their work during 2016/17, this will therefore avoid duplication of audit coverage.

We would, however, wish to raise the following point:

The external review of the Council's Internal Audit Service undertaken between September and December 2015 found that for 13 assessment areas, the Council's Internal Audit Service fully conformed with the requirements of the Public Sector Internal Audit Standards (PSIAS) in six areas and generally conformed in seven areas. 19 of the 20 recommendations in the report have now been implemented, with the remaining recommendation, relating to audit remit, due to be implemented by 31 March 2017. The outstanding recommendation states that within the audit remit of each Internal Audit report that the key target dates, the resources used, details of the coverage and any exemptions

from the assignment are well documented. It also recommends that the audit planning documents fully detail the risks attached to the audit and how these have been controlled. Documents are currently being updated and there is no anticipated delay to the date of delivery for this.

Reliance on Internal Audit

We plan to place formal reliance on internal audit's work, in terms of International Statement of Auditing 610 (Considering the Work of Internal Audit), for our financial statements audit work, in the following areas:

- Cash and bank
- Payroll
- Debtors
- Stocks and Stores

In respect of our wider dimension audit responsibilities, we also plan to consider the following areas of internal audit work:

- Home Care
- Purchasing Cards
- City Deal
- Economic Development
- ICT Risk Register
- Public Access to Council IT Systems
- Disaster Recovery and Business Continuity Controls

If you have any queries regarding any of the points raised here, or would like to discuss these in more detail you can contact either myself or Karen Cotterell.

Yours sincerely



Carol Hislop
Senior Audit Manager

cc Colin McDougall, Audit & Risk Manager

Our Ref: AW/CM
Date: 10th February 2017

Council Offices
Garshake Road
Dumbarton
G82 3PU

Audit Scotland

Dear Carol

**Subject: West Dunbartonshire Council
Review of Adequacy of Internal Audit Arrangements**

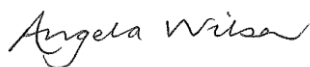
I refer to your letter of 6 February 2017 regarding the above subject. I am pleased to be advised that your team once again can place reliance on the Internal Audit team thereby avoiding duplication of audit coverage. I note the points you make and would offer the following in response:

Good Practice

Revisions to the audit remit documentation are being progressed and will be completed by 31st March 2017 to enable the Internal Audit team to be fully compliant with the Public Sector Internal Audit Standards (PSIAS).

I trust this response is sufficient, however I would be happy to clarify any points should this be required.

Yours sincerely



Angela Wilson

Strategic Director - Transformation & Public Service Reform

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Audit & Performance Review Committee: 8 March 2017**

Subject: Audit Scotland Annual Audit Plan 2016/17**1. Purpose**

- 1.1** The purpose of this report is to present Audit Scotland's Annual Audit Plan for the audit of financial year 2016/17 to Committee for information.

2. Recommendations

- 2.1** Members are asked to note Audit Scotland's audit plan for the audit of financial year 2016/17.

3. Background

- 3.1** Audit Scotland have produced their Annual Audit Plan which provides an overview of the audit approach to be adopted and describes the outputs the Council can expect to receive. The plan is appended to this report for noting.

4. Main Issues

- 4.1** The key audit risks, which require specific audit testing, are detailed in Exhibit 1 of the appended plan.
- 4.2** Details of the audit of trusts registered as Scottish charities are provided at paragraphs 3 to 5, including risks detailed at Exhibit 2.
- 4.3** Audit outputs are detailed within Exhibit 3 and the financial statement timetable is shown at Exhibit 6.
- 4.4** The fee for the local audit is £256,710 (2015/16: £277,024). In addition an audit fee of £2,100 has been agreed for the audit of trusts registered as Scottish charities – the Council will cover these costs.
- 4.5** As stated at paragraph 24, to support their audit opinion on the financial statements, Audit Scotland will place reliance on the following planned internal audit reviews:
- Cash and Bank;
 - Debtors;
 - Stocks and Stores; and
 - Payroll.

And, as stated at paragraph 25, other areas of internal audit work will also be considered, including:

- Home Care;
- Purchasing Cards;
- City Deal;
- Economic Development;
- ICT Risk Register;
- Public Access to Council IT Systems; and
- Disaster Recovery and Business Continuity Controls.

4.6 As noted at paragraph 35, Best Value work planned by Audit Scotland in West Dunbartonshire Council this year will focus on the Council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management.

5. Personnel Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 The total fee quoted at paragraph 9 of £256,710 compares to £277,024 for 2015/16. In addition an audit fee of £2,100 has been agreed for the audit of trusts registered as Scottish charities.

6.2 There are no procurement implications.

7. Risk Analysis

7.1 Audit Scotland's assessment of the risks facing the Council is detailed in their plan. An additional internal risk assessment was not required.

8. Equalities Impact Assessment (EIA)

8.1 An Equalities Impact Screening was carried out which revealed no relevant issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

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

.....
Stephen West
Strategic Lead - Resources
Date: 10 February 2017

Person to contact Stephen West, Head of Finance and Resources,
Council Offices, Garshake Road, Dumbarton,
G82 3PU
Telephone (01389) 737191
Email – Stephen.west@west-dunbarton.gov.uk

Appendix A: Audit Scotland Annual Audit Plan 2016/17

Background Papers: EIA Screening

Wards Affected: All wards

West Dunbartonshire Council

Annual Audit Plan 2016/17

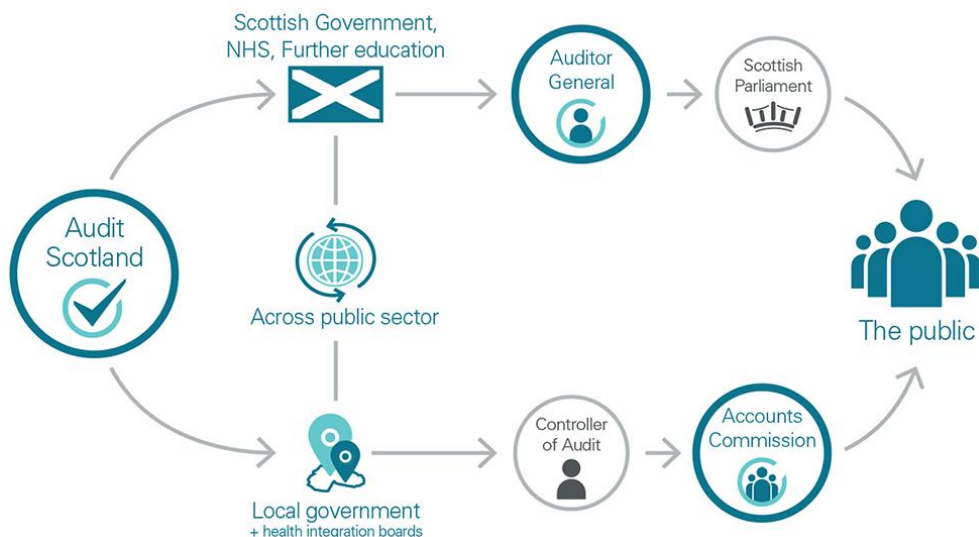


Prepared for West Dunbartonshire Council
February 2017

Who we are

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

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



About us

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

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

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

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Risks and planned work

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

Audit risks

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

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
1 Risk of management override of controls ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	<i>Owing to the nature of this risk, assurances from management are not applicable.</i>	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.
2 Risk of fraud over income West Dunbartonshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.	Robust income generation and cash handling processes, including separation of duties. Independent monitoring of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. Authorisation processes regarding transactions within	Analytical procedures on income streams. Detailed testing of revenue transactions focusing on the areas of greatest risk.

Audit Risk	Management assurance	Planned audit work
	the ledger – e.g. journals & creditor requests.	
3 Risk of fraud over expenditure The Code of Audit Practice requires consideration of risk of fraud over expenditure (excluding payroll costs which are already a core part of all annual audits).	Robust expenditure processing and cash handling processes, including separation of duties. Independent monitoring of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. Authorisation processes regarding transactions within the ledger – e.g. journals & creditor requests.	Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focusing on the areas of greatest risk.
4 Estimation and judgements There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non current assets, provisions and pension liabilities. This subjectivity represents an increased risk of misstatement in the financial statements.	Valuation methodology used by the valuer consistent each year, where appropriate. Updated as required. Valuation methodology consistent with accepted valuation principles. Five year rolling programme of valuations & review of significant changes each year. Pension liabilities valued annually by a professional actuary.	Completion of 'review of the work of an expert' for the professional valuer. Focused substantive testing of key areas. Review of the work of the actuary. Review of the pension assumptions used by the actuary.
5 Untaken annual leave There have been material audit adjustments to the council's untaken annual leave accrual in the previous two financial years. There is a risk the accrual may be understated in the council's balance sheet.	The process reviewed last year has now been fully implemented and the senior officer completing this task will be similar to previous years, which ensures consistency of approach. Finance staff will liaise with Human Resources to ensure all aspects of untaken annual leave are properly accounted for in the year-end accrual.	Review the 2016/17 untaken annual leave accrual during the audit of the 2016/17 financial statements. Ensure inclusion of untaken annual leave for those on maternity leave and long term sick leave.
6 Financial statements audit To reduce the risk of missing sign-off deadlines for the financial statements, it is essential that there is a process in place within the finance department for responding timeously to audit queries.	Appropriate planning arrangements for closure of final accounts will continue to be implemented and ongoing dialogue will continue between the Finance Service and the auditors to ensure timeous closure of accounts.	Liaise with finance staff in advance of financial statements audit.

Audit Risk	Management assurance	Planned audit work
Wider dimension risks		
<p>7 Financial sustainability</p> <p>At the time of writing this plan, West Dunbartonshire Council had identified a funding gap of £2.196 million in 2017/18. This incorporates management adjustments and increase to council tax bandings. It has been approved by members that reserves will be used to address this funding gap. West Dunbartonshire Council have an internally agreed prudential target of 2% of net expenditure. The use of reserves to close the funding gap in 2017/18 poses a significant risk that this prudential target will be breached.</p>	<p>Longer term finance strategy – reported to full Council in August each year and updated December/February.</p> <p>Monitoring of budgetary control reporting to CMT monthly from period three (also committee & full Council) – this includes monitoring of savings options.</p>	<p>Review financial monitoring reports and the financial position.</p> <p>Undertake specific audit work on financial planning and governance. This will include the robustness of long term financial planning.</p>
<p>8 Capital management</p> <p>In 2016/17, the capital budget for West Dunbartonshire Council (including HRA) was £135million. Last year external audit reported on significant underspends in the council's capital programme. In 2016/17, gross capital expenditure is projected to be underspent against the original budget by £35 million (26% underspend).</p> <p>There is a risk that the council's ability to deliver efficient and effective services and contribute to a prosperous, sustainable and inclusive economy for its area is affected due to delays in investment or improvements to the asset base.</p>	<p>Monitoring of capital spend monthly from period 3 through budgetary control reporting process – reported to CMT monthly (and & committee/full Council as part of normal cycle).</p>	<p>On-going monitoring of capital budget, plans and monitoring reports and inclusion in annual audit report as appropriate.</p>
<p>9 Elected members</p> <p>The 2017 local government elections will result in a number of new elected members. There is a risk that there is a loss of skills and experience amongst members and this may have a detrimental impact on the council's decision-making processes. To ensure members understand their roles and have the necessary skills to make informed decisions and provide effective scrutiny, development and training will be required. The Audit Scotland</p>	<p>Plans are in place and processes are being developed to provide elected members with appropriate training and development in the period following the election.</p>	<p>Review of the council's induction and training arrangements for councillors following the elections.</p> <p>Assess the effectiveness of decision making and scrutiny arrangements as part of ongoing BV audit work.</p>

Audit Risk	Management assurance	Planned audit work
<p>publication How Councils Work provides guidance in this area: http://www.audit-scotland.gov.uk/about-us/accounts-commission/how-councils-work-roles-and-working-relationships-in-councils-are-you</p>		
<p>10 Highway network assets</p> <p>Following release of the Highway Network Assets briefing number 4, the requirement of the Code to include highway network assets within the financial statements at depreciated replacement cost instead of historical cost has been postponed until 2017/18. Guidance issued by CIPFA/LASAAC has confirmed that the new accounting policies will be applied from 1 April 2017. The council should ensure that plans are in place to address this to reduce the risk of non-compliance and missed financial statements sign-off deadlines.</p>	<p>There is an agreement in place that the Roads Department will populate the valuation spreadsheet and it has been requested that internal audit assist in the sampling of this data.</p> <p>It has been agreed that the input data for the valuation will be populated annually using the latest version of the model, to enable a valuation to be included within the draft annual financial statements.</p>	<p>For 2016/17 we will review and report on the council's preparation for this significant change.</p>

The audit of trusts registered as Scottish charities

3. Members of West Dunbartonshire Council are sole trustees (that is, only members of the council are trustees) for 8 trusts, registered as Scottish charities, with total assets of some £343,000.

4. The preparation and audit of the financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 regulations require charities to prepare annual accounts, and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Consequently, a full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity

5. Based on our discussions with staff and initial planning work undertaken we have identified the audit risks detailed in [Exhibit 2](#).

Exhibit 2

Audit Risk	Management assurance	Planned audit work
1 Governing documentation The Deed of Trust for the UIE Award is in the process of being updated. If this is not concluded promptly there is a risk of delays in issuing awards.	<ul style="list-style-type: none"> Work is underway to normalise the position of this trust to allow awards to be made. 	<ul style="list-style-type: none"> Liaise with officers during process of updating Deed of Trust Review amended Deed of Trust Comment in Annual Audit Report

Reporting arrangements

6. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

7. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

8. We will provide an independent auditor's report to West Dunbartonshire Council, and the Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Accountable Officer and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 3

2016/17 Audit outputs

Audit Output	Target date	Audit and Performance Review Committee Date
Key Controls Report	31 May	21 June
Annual Audit Report including ISA 260 requirements	20 September	27 September
Signed Independent Auditor's Report	28 September	N/A

Audit fee

9. The agreed audit fee for the 2016/17 audit of West Dunbartonshire Council is £256,710. In determining the audit fee we have taken account of the risk exposure of West Dunbartonshire Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 30 June 2017.

10. We have also agreed an audit fee of £2,100 for the audit of trusts registered as Scottish charities.

11. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit and Performance Review Committee and Accountable Officer

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

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

Appointed auditor

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

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

Audit scope and timing

Financial statements

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

- understanding the business of West Dunbartonshire Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how West Dunbartonshire Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

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

- whether they give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the council and its group and of the income and expenditure of the council and its group for the year
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for West Dunbartonshire Council are set out in [Exhibit 4](#).



Exhibit 4

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2016 based on the latest audited accounts.	£4.035 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of planning materiality.	£2.018 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£40,000

19. We also set separate materiality levels for the audits of the charities accounts as detailed below.

Exhibit 5

Trust materiality values

Trust	Planning materiality*	Performance materiality	Reporting threshold**
Dr AK Glen & West Dunbartonshire Trust Funds	£3,500	£1,750	£100

* Based on the latest audited accounts and set at 1% total funds for the year ended 31 March 2016 , rounded up as considered appropriate.

**In view of the amounts involved, we have set the reporting floor at £100. .



20. We review and report on other information published with the financial statements including the management commentary, annual governance report and the remuneration report. Any issue identified will be reported to the Audit and Performance Review Committee.

Timetable

21. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at Exhibit 6 which takes account of submission requirements and planned Audit and Performance Review Committee dates.

Exhibit 6

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	28 June
Latest submission date of unaudited West Dunbartonshire Council financial statements with complete working papers package	30 June
Latest date for final clearance meeting with Strategic Lead - Resources	6 September
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	20 September
Independent auditor's report signed	28 September
Latest date for signing of WGA return	30 September

Internal audit

22. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by West Dunbartonshire Council staff overseen by the Audit and Risk Manager.

Adequacy of Internal Audit

23. Overall, we concluded that the internal audit service generally operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. Progress against internal audit's plan is reported on a quarterly basis at the Audit and Performance Review Committee, providing members with assurances over the council's governance arrangements. Although it has been stated that not all audits on the 2016/17 plan will be completed due to unforeseen investigations, these audits have been deferred and included within the 2017/18 plan.

Areas of reliance

24. To support our audit opinion on the financial statements, we plan to place formal reliance on the following planned internal audit reviews:

- Cash and Bank
- Debtors
- Stocks and Stores
- Payroll

25. In respect of our wider dimension audit responsibilities, we also plan to consider other areas of internal audit work including:

- Home Care
- Purchasing Cards
- City Deal

- Economic Development
- ICT Risk Register
- Public Access to Council IT Systems
- Disaster Recovery and Business Continuity Controls

Audit dimensions

26. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 7](#).

Exhibit 7

Audit dimensions



27. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

Financial sustainability

28. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the council can demonstrate the affordability and effectiveness of funding.

Financial management

29. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

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

Governance and transparency

30. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs).
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

31. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- the council can provide evidence that it is demonstrating value for money in the use of its resources.
- the council can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- the council can demonstrate that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

Best Value

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

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

- the Annual Audit Report for each council, which will provide a rounded picture of the council overall.

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

34. The first six councils on which a BVAR will be published during the first year of the new approach are listed in [Exhibit 8](#) below. Reports will be considered by the Accounts Commission in the period between May 2017 and March 2018.

Exhibit 8

2016/17 Best Value Assurance Reports

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

35. The work planned in West Dunbartonshire Council this year will focus on the council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management. The work will be integrated with that described above in these areas. It will also involve us gaining an understanding of how effective the council's self evaluation processes are in driving improvement across the council. The results of this work will be reported in the Annual Audit Report.

Independence and objectivity

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

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

Quality control

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

39. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland

conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

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

West Dunbartonshire Council

Annual Audit Plan 2016/17

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WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Audit and Performance Review Committee: 8 March 2017**

Subject: Revised Local Code of Good Governance**1. Purpose**

- 1.1** The purpose of this report is to advise Committee of the progress made in developing a revised local code of governance.

2. Recommendations

- 2.1** The Committee is asked to:

- Agree the attached revised West Dunbartonshire Council Code of Good Governance; and
- Note that a report will be presented to a subsequent Audit and Performance Review Committee to advise of the outcome of self-assessment process.

3. Background

- 3.1** *Delivering Good Governance in Local Government: Framework*, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remained 'fit for purpose' and published a revised edition in spring 2016. The new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 3.2** A comparison of the principles from the Framework (2016) and those included in the Framework (2007) is included for information at Appendix A.
- 3.3** The concept underpinning the revised Framework is that it assists local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. This Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities;

- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

3.4 In order to demonstrate a commitment to sound governance, local authorities are encouraged to publish a governance statement on an annual basis.

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 first 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 The new local code, based on the revised Framework, has been developed by the Chief Finance Officer and the Chief Internal Auditor and is attached as Appendix B.

4.3 During the next two months a group of officers will, as happens each year, assess the Council's compliance against its revised Code of Good Governance. The outcome of this review will be advised to a future meeting of this Committee.

5. People Implications

5.1 There are no personnel issues.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications with this report.

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 consultation with appropriate strategic leads.

10. Strategic Assessment

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

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Stephen West
Strategic Lead - Resources
Date: 7 February 2017

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Resources
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Appendices: A – Comparison with Framework published in 2007

B – Local Code of Good Governance – Revised Version

Background Papers: Report to Audit and Performance Review Committee (10 November 2010) - Local Code of Good Governance
Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)

Wards Affected: All Wards

APPENDIX A

Comparison with Framework published in 2007

The following table compares the principles from the Framework (2007) with those included in the revised Framework (2016).

Principles from 2016	Principles from 2007
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law <ul style="list-style-type: none"> ■ Behaving with integrity ■ Demonstrating strong commitment to ethical values ■ Respecting the rule of law 	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour <ul style="list-style-type: none"> ■ Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance ■ Ensuring that organisational values are put in place and are effective
B. Ensuring openness and comprehensive stakeholder engagement <ul style="list-style-type: none"> ■ Openness ■ Engaging comprehensively with institutional stakeholders ■ Engaging with individual citizens and service users effectively 	Engaging with local people and other stakeholders to ensure robust public accountability <ul style="list-style-type: none"> ■ Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships ■ Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership, or by commissioning ■ Making the best use of human resources by taking an active and planned approach to meet that responsibility to staff

In addition to the overarching requirements for acting in the public interest in principles A and B (2016 Framework), achieving good governance in the public sector also requires effective arrangements for the following:

Principles from 2016**C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- Defining outcomes
- Sustainable economic, social and environmental benefits

Principles from 2007**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning
- Ensuring that the authority makes best use of resources and that taxpayers and service users receive excellent value for money

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

Principles from 2016	Principles from 2007
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <ul style="list-style-type: none"> ■ Developing the entity's capacity ■ Developing the capability of the entity's leadership and other individuals 	<p>Developing the capacity and capability of members and officers to be effective</p> <ul style="list-style-type: none"> ■ Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles ■ Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group ■ Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles</p> <ul style="list-style-type: none"> ■ Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function ■ Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard ■ Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <ul style="list-style-type: none"> ■ Managing risk ■ Managing performance ■ Robust internal control ■ Managing data ■ Strong public financial management 	<p>Taking informed decisions which are subject to effective scrutiny and managing risk</p> <ul style="list-style-type: none"> ■ Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny ■ Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs ■ Ensuring that an effective risk management system is in place ■ Using their legal powers to the full benefit of the citizens and communities in their area

Principles from 2016

Principles from 2007

**G. Implementing good practices in
transparency, reporting, and audit to deliver
effective accountability**

- Implementing good practice in transparency
 - Implementing good practices in reporting
 - Assurance and effective accountability
-

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Ref	Sub Principles	Behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
A1.1	Behaving with integrity	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<ul style="list-style-type: none"> • Codes of conduct • Individual sign off with regard to compliance with code • Induction for new members and staff on standard of behaviour expected • Performance appraisals
A1.2	Behaving with integrity	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and	<ul style="list-style-type: none"> • Communicating shared values with members, staff, the community and partners

		understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	
A1.3	Behaving with integrity	Leading by example and using these standard operating principles or values as a framework for decision making and other actions	<ul style="list-style-type: none"> • Decision making practices • Declarations of interests made at meetings • Conduct at meetings • Shared values guide decision making • Develop and maintain an effective standards committee
A1.4	Behaving with integrity	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	<ul style="list-style-type: none"> • Anti-fraud and corruption policies are working effectively • Up-to-date register of interests (members and staff) • Up-to-date register of gifts and hospitality • Whistleblowing policies are in place and protect individuals raising concerns • Whistleblowing policy has been made available to members of the public, employees, partners and contractors • Complaints policy and examples of responding to complaints about behaviour • Changes/improvements as a result of complaints received and acted upon • Members' and officers' code of conduct refers to a requirement to declare interests • Minutes show declarations of interest were sought and appropriate declarations made

A2.1	Demonstrating strong commitment to ethical values	Seeking to establish, monitor and maintain the organisation's ethical standards and performance	<ul style="list-style-type: none"> • Scrutiny of ethical decision making • Championing ethical compliance at governing body level
A2.2	Demonstrating strong commitment to ethical values	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	<ul style="list-style-type: none"> • Provision of ethical awareness training
A2.3	Demonstrating strong commitment to ethical values	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	<ul style="list-style-type: none"> • Appraisal processes take account of values and ethical behaviour • Staff appointments policy • Procurement policy
A2.4	Demonstrating strong commitment to ethical values	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	<ul style="list-style-type: none"> • Agreed values in partnership working: <ul style="list-style-type: none"> ○ Statement of business ethics communicates commitment to ethical values to external suppliers ○ Ethical values feature in contracts with external service providers • Protocols for partnership working
A3.1	Respecting the rule of law	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<ul style="list-style-type: none"> • Statutory provisions • Statutory guidance is followed • Constitution
A3.2	Respecting the rule of law	Creating the conditions to	<ul style="list-style-type: none"> • Job description / specifications

		ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regularly requirements	<ul style="list-style-type: none"> • Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016) • Terms of reference • Committee support
A3.3	Respecting the rule of law	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	<ul style="list-style-type: none"> • Record of legal advice provided by officers
A3.4	Respecting the rule of law	Dealing with breaches of legal and regulatory provisions effectively	<ul style="list-style-type: none"> • Monitoring officer provisions • Record of legal advice provided by officers • Statutory provisions
A3.5	Respecting the rule of law	Ensuring corruption and misuse of power are dealt with effectively	<ul style="list-style-type: none"> • Effective anti-fraud and corruption policies and procedures • Local test of assurance (where appropriate)

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Ref	Sub Principles	Behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
B.1.1	Openness	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	<ul style="list-style-type: none"> • Annual report • Freedom of Information Act publication scheme • Online council tax information • Authority's goals and values • Authority website
B.1.2	Openness	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	<ul style="list-style-type: none"> • Record of decision making and supporting materials
B.1.3	Openness	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In	<ul style="list-style-type: none"> • Decision-making protocols • Report pro-formas • Record of professional advice in reaching decisions

		due course, ensuring that the impact and consequences of those decisions are clear	<ul style="list-style-type: none"> • Meeting reports show details of advice given • Discussion between members and officers on the information needs of members to support decision making • Agreement on the information that will be provided and timescales • Calendar of dates for submitting, publishing and distributing timely reports is adhered to
B1.4	Openness	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action	<ul style="list-style-type: none"> • Community strategy • Use of consultation feedback • Citizen survey
B2.1	Engaging comprehensively with institutional stakeholders	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	<ul style="list-style-type: none"> • Communication strategy
B2.2	Engaging comprehensively with institutional stakeholders	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<ul style="list-style-type: none"> • Database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes
B2.3	Engaging comprehensively	Ensuring that partnerships are based on:	<ul style="list-style-type: none"> • Partnership framework

	with institutional stakeholders	<ul style="list-style-type: none"> • trust • a shared commitment to change • a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit</p>	<ul style="list-style-type: none"> • Partnership protocols
B3.1	Engaging stakeholders effectively, including individual citizens and service users	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<ul style="list-style-type: none"> • Record of public consultations • Partnership framework
B3.2	Engaging stakeholders effectively, including individual citizens and service users	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	<ul style="list-style-type: none"> • Communications strategy
B3.3	Engaging stakeholders effectively, including individual citizens and service users	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	<ul style="list-style-type: none"> • Communications strategy • Joint strategic needs assessment
B3.4	Engaging stakeholders effectively, including individual citizens and service users	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	<ul style="list-style-type: none"> • Communications strategy
B3.5	Engaging stakeholders	Balancing feedback from more active stakeholder	<ul style="list-style-type: none"> • Processes for dealing with

	effectively, including individual citizens and service users	groups with other stakeholder groups to ensure inclusivity	competing demands within the community, for example a consultation
B3.6	Engaging stakeholders effectively, including individual citizens and service users	Taking account of the interests of future generations of tax payers and service users	<ul style="list-style-type: none"> • Reports • Joint strategic needs assessment

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Ref	Sub Principles	Behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
C1.1	Defining outcomes	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	<ul style="list-style-type: none"> • Vision used as a basis for corporate and service planning
C1.2	Defining outcomes	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	<ul style="list-style-type: none"> • Community engagement and involvement • Corporate and service plans • Community strategy
C1.3	Defining outcomes	Delivering defined outcomes on a sustainable basis within the resources that will be available	<ul style="list-style-type: none"> • Regular reports on progress

C1.4	Defining outcomes	Identifying and managing risks to the achievement of outcomes	<ul style="list-style-type: none"> • Performance trends are established and reported upon • Risk management protocols
C1.5	Defining outcomes	Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available	<ul style="list-style-type: none"> • An agreed set of quality standard measures for each service element are included in service plans • Processes for dealing with competing demands within the community
C2.1	Sustainable economic, social and environmental benefits	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	<ul style="list-style-type: none"> • Capital investment is structured to achieve appropriate life spans and adaptability for future use so that resources are spent on optimising social, economic and environmental wellbeing: <ul style="list-style-type: none"> ○ Capital programme ○ Capital investment strategy
C2.2	Sustainable economic, social and environmental benefits	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	<ul style="list-style-type: none"> • Discussion between members and officers on the information needs of members to support decision making • Record of decision making and supporting materials
C2.3	Sustainable economic, social and environmental	Determining the wider public interest associated with balancing conflicting interests between	<ul style="list-style-type: none"> • Record of decision making and supporting materials • Protocols for

	benefits	achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	consultation
C2.4	Sustainable economic, social and environmental benefits	Ensuring fair access to services	<ul style="list-style-type: none"> • Protocols ensure fair access and statutory guidance is followed

D. Determining the interventions necessary to optimise the achievement of the intended

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Ref	Sub Principles	Behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
D1.1	Determining interventions	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided	<ul style="list-style-type: none"> • Discussion between members and officers on the information needs of members to support decision making • Decision making protocols Option appraisals • Agreement of information that will be provided and timescales
D1.2	Determining interventions	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills,	<ul style="list-style-type: none"> • Financial Strategy

		land and assets and bearing in mind future impacts	
D2.1	Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	<ul style="list-style-type: none"> • Calendar of dates for developing and submitting plans and reports that are adhered to
D2.2	Planning interventions	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	<ul style="list-style-type: none"> • Communication strategy
D2.3	Planning interventions	Considering and monitoring risks facing each partner when working collaboratively including shared risks	<ul style="list-style-type: none"> • Partnership framework • Risk management protocol
D2.4	Planning interventions	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	<ul style="list-style-type: none"> • Planning protocols
D2.5	Planning interventions	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	<ul style="list-style-type: none"> • KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly
D2.6	Planning interventions	Ensuring capacity exists to generate the information required to review service quality regularly	<ul style="list-style-type: none"> • Reports include detailed performance results and highlight areas where corrective action is necessary

D2.7	Planning interventions	Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan	<ul style="list-style-type: none"> • Evidence that budgets, plans and objectives are aligned
D2.8	Planning interventions	Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	<ul style="list-style-type: none"> • Budget guidance and protocols • Medium-term financial plan • Corporate plans
D3.1	Optimising achievement of intended outcomes	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	<ul style="list-style-type: none"> • Feedback surveys and exit/ decommissioning strategies • Changes as a result
D3.2	Optimising achievement of intended outcomes	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	<ul style="list-style-type: none"> • Budgeting guidance and protocols
D3.4	Optimising achievement of intended outcomes	Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	<ul style="list-style-type: none"> • Financial strategy
D3.5	Optimising achievement of intended outcomes	Ensuring the achievement of 'social value' through service planning and commissioning	<ul style="list-style-type: none"> • Service plans demonstrate consideration of 'social value' • Achievement of 'social value' is monitored and reported upon

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Ref	Sub Principles	Behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
E1.1	Developing the entity's capacity	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	<ul style="list-style-type: none"> Regular reviews of activities, outputs and planned outcomes
E1.2	Developing the entity's capacity	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently	<ul style="list-style-type: none"> Utilisation of research and benchmarking exercises
E1.3	Developing the entity's capacity	Recognising the benefits of partnerships and collaborative working where added value can be achieved	<ul style="list-style-type: none"> Effective operation of partnerships which deliver agreed outcomes

E1.4	Developing the entity's capacity	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	<ul style="list-style-type: none"> • Workforce plan • Organisational development plan
E2.1	Developing the capability of the entity's leadership and other individuals	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	<ul style="list-style-type: none"> • Job descriptions • Chief executive and leader pairings have considered how best to establish and maintain effective communication
E2.2	Developing the capability of the entity's leadership and other individuals	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	<ul style="list-style-type: none"> • Scheme of delegation reviewed at least annually in the light of legal and organisational changes • Standing orders and financial regulations which are reviewed on a regular basis
E2.3	Developing the capability of the entity's leadership and other individuals	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	<ul style="list-style-type: none"> • Clear statement of respective roles and responsibilities and how they will be put into practice
E2.4	Developing the capability of the entity's leadership and other individuals	Developing the capabilities of members and senior management to achieve effective shared leadership and to	<ul style="list-style-type: none"> • Access to courses/information briefings on new legislation

		<p>enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from both internal and external governance 	<ul style="list-style-type: none"> • Induction programme • Personal development plans for members and officers • For example, for members this may include the ability to: <ul style="list-style-type: none"> - scrutinise and challenge - recognise when outside - expert advice is required - promote trust - work in partnership - lead the organisation - act as a community leader • Efficient systems and technology used for effective support • Arrangements for succession planning
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		weaknesses	
E2.5	Developing the capability of the entity's leadership and other individuals	Ensuring that there are structures in place to encourage public participation	<ul style="list-style-type: none"> • Residents' panels • Stakeholder forum terms of reference • Strategic partnership frameworks
E2.6	Developing the capability of the entity's leadership and other individuals	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	<ul style="list-style-type: none"> • Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs • Peer reviews
E2.7	Developing the capability of the entity's leadership and other individuals	Holding staff to account through regular performance reviews which take account of training or development needs	<ul style="list-style-type: none"> • Training and development plan • Staff development plans linked to appraisals • Implementing appropriate human resource policies and ensuring that they are working effectively
E2.8	Developing the capability of the entity's leadership and other individuals	Holding staff to account through regular performance reviews which take account of training or development needs	<ul style="list-style-type: none"> • Human resource policies

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Ref	Sub Principles	Behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
F1.1	Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	<ul style="list-style-type: none"> Risk management protocol
F1.2	Managing risk	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	<ul style="list-style-type: none"> Risk management strategy/ policy formally approved, adopted, reviewed and updated on a regular basis
F1.3	Managing risk	Ensuring that responsibilities for	<ul style="list-style-type: none"> Risk management protocol

		managing individual risks are clearly allocated	
F2.1	Managing performance	Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review	<ul style="list-style-type: none"> • Performance map showing all key activities have performance measures • Benchmarking information • Cost performance (using inputs and outputs) • Calendar of dates for submitting, publishing and distributing timely reports that are adhered
F2.2	Managing performance	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	<ul style="list-style-type: none"> • Discussion between members and officers on the information needs of members to support decision making • Publication of agendas and minutes of meetings • Agreement on the information that will be needed and timescales
F2.3	Managing performance	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>(OR, for a committee</p>	<ul style="list-style-type: none"> • The role and responsibility for scrutiny has been established and is clear • Agenda and minutes of scrutiny meetings • Evidence of improvements as a result of scrutiny • Terms of reference • Training for members • Membership

		system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	
F2.4	Managing performance	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	<ul style="list-style-type: none"> • Calendar of dates for submitting, publishing and distributing timely reports that are adhered to
F2.5	Managing performance	Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (eg financial statements)	<ul style="list-style-type: none"> • Financial standards, guidance • Financial regulations and standing orders
F3.1	Robust internal control	Aligning the risk management strategy and policies on internal control with achieving objectives	<ul style="list-style-type: none"> • Risk management strategy • Audit plan • Audit reports
F3.2	Robust internal control	Evaluating and monitoring risk management and internal control on a regular basis	<ul style="list-style-type: none"> • Risk management strategy/ policy has been formally approved and adopted and is reviewed and updated on a regular basis
F3.3	Robust internal control	Ensuring effective counter fraud and anti-corruption arrangements are in place	<ul style="list-style-type: none"> • Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)
F3.4	Robust internal control	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	<ul style="list-style-type: none"> • Annual governance statement • Effective internal audit service is resourced and maintained

F3.5	Robust internal control	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - that its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> • Audit committee complies with best practice – see Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) • Terms of reference • Membership • Training
F4.1	Managing data	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<ul style="list-style-type: none"> • Data management framework and procedures • Designated data protection officer • Data protection policies and procedures
F4.2	Managing data	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	<ul style="list-style-type: none"> • Data sharing agreement • Data sharing register • Data processing agreements
F4.3	Managing data	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	<ul style="list-style-type: none"> • Data quality procedures and reports • Data validation procedures
F5.1	Strong public financial management	Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance	<ul style="list-style-type: none"> • Financial management supports the delivery of services and transformational change as well as securing good stewardship

F5.2	Strong public financial management	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	<ul style="list-style-type: none"> • Budget monitoring reports

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Ref	Sub Principles	Behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance)
G1.1	Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	<ul style="list-style-type: none"> Website
G1.2	Implementing good practice in transparency	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	<ul style="list-style-type: none"> Annual report
G2.1	Implementing good practices in reporting	Reporting at least annually on performance, value for money and the stewardship of its resources	<ul style="list-style-type: none"> Formal annual report which includes key points raised by external scrutineers and service users' feedback on service

			delivery <ul style="list-style-type: none"> • Annual financial statements
G2.2	Implementing good practices in reporting	Ensuring members and senior management own the results	<ul style="list-style-type: none"> • Appropriate approvals
G2.3	Implementing good practices in reporting	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	<ul style="list-style-type: none"> • Annual governance statement
G2.4	Implementing good practices in reporting	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	<ul style="list-style-type: none"> • Annual governance statement
G2.5	Implementing good practices in reporting	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	<ul style="list-style-type: none"> • Format follows best practice
G3.1	Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon	<ul style="list-style-type: none"> • Recommendations have informed positive improvement
G3.2	Assurance and effective accountability	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are	<ul style="list-style-type: none"> • Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010) • Compliance with Public Sector

		acted upon	Internal Audit Standards
G3.3	Assurance and effective accountability	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	<ul style="list-style-type: none"> • Recommendations have informed positive improvement
G3.4	Assurance and effective accountability	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	<ul style="list-style-type: none"> • Annual governance statement
G3.5	Assurance and effective accountability	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	<ul style="list-style-type: none"> • Community strategy

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit & Performance Review Committee: 8 March 2017

Subject: Public Interest Disclosures 1 July to 31 December 2016

1. Purpose

- 1.1** The purpose of this report is to advise Committee of public interest disclosures received during the period 1 July to 31 December 2016.

2. Recommendations

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

3. Background

- 3.1** A disclosure in the public interest is where a concern is raised about a danger or illegality that has a public interest aspect to it. A confidential reporting facility is managed by Internal Audit as part of the WDC Public Interest Disclosure Policy. Internal Audit maintains a central record of all concerns raised under the Public Interest Disclosure Policy.

4. Main Issues

- 4.1** The one case recorded as outstanding in the previous report, submitted to committee on 28 September 2016, has been completed.
- 4.2** A total of six disclosures were received during the period July 2016 to December 2016 as summarised below:

<u>Ref</u>	<u>Date Received</u>	<u>Detail</u>	<u>Date completed</u>	<u>Outcome</u>
1.	28.07.16	Allegation that Council vehicle was regularly parked at employees house during the working day.	22.12.16	Investigated, unfounded.
2.	8.8.16	Allegation employee giving work to acquaintance	21.11.16	Investigated, unfounded.
3.	10.8.16	Allegations received of: <ul style="list-style-type: none"> • Employees receiving hospitality; • WDC being overcharged for hires; and 	30.8.16	Investigated, unfounded.

		<ul style="list-style-type: none"> Materials being stolen. 		
4.	4.11.16	Allegation that recyclable waste was not being properly recycled.	18.11.16	Investigated, unfounded.
5.	19.12.16	Allegation that recyclable waste at recycling centres is being removed with resultant cost to WDC.	21.2.17	Investigated, unfounded.
6.	30.12.16	Allegation of theft of cash from Council premises.	15.2.17	Investigated, unfounded.

4.3 Activity relating to public interest disclosure for recent reporting periods is as follows:

<u>Period</u>	<u>No. of Cases</u>
1 st July 2014 to 31 st December 2014	13
1 st January 2015 to 30 th June 2015	7
1 st July 2015 to 31 st December 2015	8
1 st January 2016 to 30 th June 2016	4
1 st July 2016 to 31 st December 2016	6

5. People Implications

5.1 There are no personnel implications with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications with this report.

7. Risk Analysis

7.1 There are risks to the Council in financial, legal, operational and reputational terms of not providing a service to enable a disclosure in the public interest.

8. Equalities Impact Assessment (EIA)

- 8.1** A screening has been carried out and found no issues relevant to equalities duties.

9. Consultation

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

10. Strategic Assessment

- 10.1** The Public Interest Disclosure Policy contributes to Council's strategic priorities by ensuring that early warnings of malpractice may mitigate the extent of financial losses to the Council, contributes to better asset management by utilising employees to manage risks to the organisation's reputation and supports fit for purpose services through the continuation and promotion of robust employment practice.

.....
Stephen West
Strategic Lead - Resources
Date: 21 February 2017

Person to Contact:	Colin McDougall, Audit and Risk Manager, Council Offices, Garshake Road, Dumbarton Telephone (01389-737436). Email: colin.mcdougall@west-dunbarton.gov.uk
Appendices:	None
Background Papers:	Revised Public Interest Disclosure Policy agreed by the Corporate Services Committee on 13 th August 2014 EIA Screening
Wards Affected:	All

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit and Performance Review Committee: 8 March 2017

Subject: Accounts Commission Report: How councils work - Follow-up messages for councils: *Roles and working relationships in councils - Are you still getting it right?*

1. Purpose

- 1.1** The report is to provide Members with information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.

2. Recommendation

- 2.1** It is recommended that Members consider the attached report, along with the series of checklists contained therein and note that it is planned to undertake development work with Members in relation to this report as part of a future Elected Members' development session.

3. Background

- 3.1** The Accounts Commission's 2010 *How councils work. Roles and working relationships: are you getting it right?* (HCW) report set out the importance of good governance in councils. This requires good working relationships, and members and officers being clear about their respective roles and responsibilities. As the Commission said at the time, getting these things right has a significant bearing on how well councils perform in delivering vital public services for local people and communities, and ensuring that public money is used wisely. Many, if not all, of the recommendations in that report still stand. The Commission hopes that this new report will be a useful tool to support Councillors and Officers in their complex and evolving role. It aims to help them review their practice and to take any necessary actions to ensure that their Council's governance arrangements remain fit for purpose. The *How councils work* series of reports and this follow-up report focus on supporting councils in their drive for improvement.

4. Main Issues

- 4.1** The messages highlighted in this report centre on the main themes of the original HCW of:
- clear roles and responsibilities and arrangements for governance that are up to date;

- effective working relationships, with councillors and officers demonstrating appropriate behaviours; and
- councillors having the skills and tools to carry out their complex and evolving role.

4.2 The report refers to Councils needing to put in place systems for governance that fit their particular ways of working. There are however broad principles of good governance that all councils must observe. The 2007 CIPFA/ SOLACE Delivering Good Governance in Local Government Framework sets out six core principles which provide a useful context for this report:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

The checklists throughout the report are designed to help Councils assess their governance arrangements taking these principles into account. It should be noted that item 9 within this Agenda advises Elected Members of the development of a revised Local Code for WDC which is based upon the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).

4.3 The report mentions that Councillors and Council Officers are working in an increasingly complex and challenging environment. Some of the major changes in the local government environment are summarised below:

- Continuing resource constraints, against a backdrop of increasing demand and rising public expectations about the quality of public services;
- The integration of health and social care, which is fundamentally changing the governance arrangements for this significant area of public service delivery;
- The increasing complexity of service delivery (ALEOs, Trusts, special purpose vehicles, charities, etc.), often in partnership with others (other public bodies, the third and private sector, or communities themselves);

- The re-emphasis on Community Planning and the Community Empowerment Act, which has the potential to fundamentally change the relationship between councils and local communities;
- The City Region Deal programme, which is giving councils a more prominent role in leading the development of the local economy;
- The Community Justice (Scotland) Act 2016, which gives community planning partnerships responsibility for the strategic planning and delivery of community justice;
- The potential impact on councils of the Scottish Government's Programme for Government; and
- The implications on local government of the United Kingdom's decision to leave the European Union.

4.4 The report contains a series of checklists for both Councillors and Chief Officers to consider on:

- (1) Keeping governance up to date;
- (2) Clear roles and expectations;
- (3) Effective scrutiny;
- (4) Partnerships and arm's-length bodies;
- (5) The role of statutory officers;
- (6) Conduct and working relationships; and
- (7) Councillors skills.

5. Personnel Implications

5.1 There are no personnel implications.

6. Financial and Procurement Implications

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

7. Risk Analysis

7.1 This report from the Accounts Commission provides Elected Members and Officers with a useful tool to support their complex and evolving role. It aims to help them review their practice and to take any necessary actions to ensure that the Council's governance arrangements remain fit for purpose.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

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.

.....
Stephen West
Strategic Lead - Resources
Date: 22 February 2017

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Appendices: Appendix 1: Accounts Commission Report: How councils work - Follow-up messages for councils
Roles and working relationships in councils - Are you still getting it right?

Background Papers: None

Wards Affected: N/A

How councils work

Follow-up messages for councils

Roles and working relationships in councils -
Are you still getting it right?



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
November 2016


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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Links

[PDF download](#)[Web link](#)

How councils work

Are you still getting it right?

1. The Accounts Commission's 2010 *How councils work. Roles and working relationships: are you getting it right?*  (HCW) report set out the importance of good governance in councils. This requires good working relationships, and members and officers being clear about their respective roles and responsibilities. As the Commission said at the time, getting these things right has a significant bearing on how well councils perform in delivering vital public services for local people and communities, and ensuring that public money is used wisely.

2. The report highlighted the complex and demanding role that councillors have in representing their constituents, providing strategic direction for the council, and scrutinising policy decisions and service performance. The Commission also drew attention to the increasing role of councillors on external bodies and partnerships such as health integration joint boards, arm's-length organisations, voluntary sector organisations and police and fire committees. The report stressed the importance of training and development to support councillors with the skills and tools to carry out their role.

3. Many, if not all of the recommendations in that report still stand. That is unsurprising as they were founded on core principles of good governance: clarity about roles and responsibilities; a culture of trust; and the application of good conduct and behaviour. However, since its publication in 2010, the context in which local government operates has changed markedly. The Accounts Commission has therefore decided to re-visit some of the report's key messages in the light of these changes.

4. The Commission hopes that this report will be a useful tool to support councillors and officers in their complex and evolving role. It aims to help them review their practice and to take any necessary actions to ensure that their council's governance arrangements remain fit for purpose.

Purpose of this report

5. Alongside its role as the local government public spending watchdog, the Accounts Commission also aims to help councils improve. The How councils work series of reports and this follow-up report focus on supporting councils in their drive for improvement.

6. In this report the Accounts Commission revisits the themes in its 2010 HCW report on roles and working relationships. It highlights issues that are important to the governance of councils in the current climate. The Commission hopes that this report will support councillors in their difficult and challenging role. It should also help councils to consider their current governance arrangements and make any necessary changes, including their preparations for the new intake of councillors following the May 2017 local government elections.

7. The messages highlighted in this report centre on the main themes of the original HCW of:



- clear roles and responsibilities and arrangements for governance that are up to date
- effective working relationships, with councillors and officers demonstrating appropriate behaviours
- councillors having the skills and tools to carry out their complex and evolving role.

8. Councils need to put in place systems for governance that fit their particular ways of working. There are however broad principles of good governance that all councils must observe. The 2007 CIPFA/ SOLACE Delivering Good Governance in Local Government Framework sets out six core principles which provide a useful context for this report:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

9. The checklists throughout the report are designed to help councils assess their governance arrangements taking these principles into account.

10. The [References](#) section provides links to other useful guidance material prepared by bodies including the Association of Public Service Excellence, the Centre for Public Scrutiny, the Chartered Institute of Public Finance and Accountancy, the Improvement Service, the Society of Local Authority Chief Executives and Senior Managers, and the Standards Commission.


11. As part of its research for this report, the Accounts Commission hosted two Round Table discussions to explore how the current local government context impacts on governance in councils. These were attended by senior officers and members from Scottish local authorities and leading local government policy experts and academics. Summaries of those discussions can be accessed here [Round Table 1](#) , [Round Table 2](#) . In addition to the round table discussions, the Commission has drawn on its own audit work in councils, and also wider research from those bodies identified in [references](#).

12. The following sections set out significant issues that the Accounts Commission believes are important to effective governance in the changing local government climate.


The changing local government operating environment

13. Councillors and council officers are working in an increasingly complex and challenging environment. Councils face continued financial constraints along with demand pressures in areas such as older peoples' care. Councils are having to rethink many of the ways in which they have done things in the past. This has implications for councillors and officers, and how they work together to lead change and improve services. Some of the major changes in the local government environment are summarised below:

- Continuing resource constraints, against a backdrop of increasing demand and rising public expectations about the quality of public services.
- The integration of health and social care, which is fundamentally changing the governance arrangements for this significant area of public service delivery.
- The increasing complexity of service delivery (ALEOs, Trusts, special-purpose vehicles, charities, etc.), often in partnership with others (other public bodies, the third and private sector, or communities themselves).
- The re-emphasis on Community Planning and the Community Empowerment Act, which has the potential to fundamentally change the relationship between councils and local communities.
- The City Region Deal programme, which is giving councils a more prominent role in leading the development of the local economy.
- The Community Justice (Scotland) Act 2016, which gives community planning partnerships responsibility for the strategic planning and delivery of community justice.
- The potential impact on councils of the Scottish Government's Programme for Government.
- The implications on local government of the United Kingdom's decision to leave the European Union.

14. The councillor role, while rewarding, can be challenging and stressful. Councillors play an increasingly important role in enabling communities to meet their aspirations. But at a time of financial constraint, they must also take difficult service decisions that may impact on the communities they serve. A report by the Association of Public Service Excellence (APSE) [*The future role of elected members in Scotland*](#)  illustrates these points well.

15. Councils need to take major decisions over how they provide services to meet current cost and demand pressures. The Accounts Commission has found that councils are implementing incremental changes to services, for example through introducing service charges or reducing employee numbers. But these approaches are not sufficient or sustainable given the scale of the challenges ahead.

16. In its 2016 report, [*An overview of local government in Scotland*](#) , the Commission emphasised that councils need to consider fundamental changes to cope with these pressures. A more strategic approach is needed with longer-term planning and a greater openness to alternative forms of service delivery. This requires both strong leadership and effective engagement with communities.

17. Good governance lies at the heart of how councils manage change and deliver improvement. But, governance has become more complex since the Accounts Commission's 2010 How councils work report because of a range of factors, including:

- the shift from single party council administrations to coalitions, where no single party has overall control
- the shift from traditional service-based committees to the executive or cabinet model, bringing a clearer separation between decision-making and scrutiny
- the increasing prominence of partnership working, including health and social care integration, and service delivery through alternative models such as arm's-length organisations
- the introduction of leaner management structures within councils, with executive directors holding wider service remits.

18. Many councils are taking measures to scale-down their management structures and reduce their workforces. Streamlining management and becoming more efficient is an important aspect of delivering Best Value, but the Commission has emphasised that councils need to retain sufficient leadership capacity to deliver effective services for the future. This means having the people in place with sufficient knowledge, skills and available time.

Checklist 1

Keeping governance up to date



As a councillor:

How effective is governance in your council?

Have your views been sought over the effectiveness decision-making and scrutiny, coalition working arrangements, or multi-member ward working for example?

Do you think councillors provide strong and effective leadership?

Do you feel that the council's senior management team has the capacity and capability to deliver the council's priorities?

Cont.

As a chief officer:

Have you consulted with councillors over the effectiveness of the council's governance arrangements?

Do you regularly review governance, eg schemes of delegation, standing orders and working protocols?

How well has the council adapted its governance to take into account significant changes such as health IJBs and its use of arm's-length companies?

Does your annual governance statement address significant issues and identify areas for improvement?

Councillors and officers must be clear on their roles

19. Governance can be described as the systems for directing and controlling an organisation's activities. Put simply, it's about being clear about what the council is trying to achieve and who is responsible for doing what. The 2010 HCW report emphasised that clear governance, particularly officer and member roles and responsibilities, is essential to delivering effective public services. That fundamental principle is as valid now as it ever was.

20. It is important that councillors actively support and contribute to the effective governance of the council itself. For example taking fair and objective decisions and providing constructive scrutiny. The Accounts Commission's Best Value work has shown how difficult it is for councils to make progress where councillors do not support, or may even obstruct their council's governance processes.

21. Councillors are required to observe the Councillors Code of Conduct. This sets out core requirements around the role of councillors and their conduct, for example around declaring interests and taking decisions. The McIntosh report into local government and the Scottish Parliament, June 1999 highlighted the distinct roles and responsibilities for councillors and officers.

- The full council (comprising all councillors) is the governing body of the council that determines policy. It is ultimately responsible for ensuring the quality of service delivery.
- Councillors are elected to determine policy, not to engage in the direct operational management of services – this is the responsibility of council officers.
- Officers advise and serve the whole council. The council has a right to expect advice which is candid, expert and impartial.

22. It found that these distinctions are often easier to state than to carry out consistently into practice. For example the distinction between policy development and management is notoriously difficult to draw up at the margin. In addition, the changed framework within which councillors and officers operate in cabinet or executive systems of governance call on a new level of skills on the part of officers who are required to work directly to both the executive leadership group and to the council as a whole.

23. Coalition administrations are now the norm for local government in Scotland, but these can bring less certainty over decision-making. It can take more effort from both councillors and officers to work effectively in a coalition. It also requires a more sophisticated or nuanced approach to balance different interests across political groups.

24. Some council administrations use coalition agreements to set out the joint expectations of the administration parties. These can be used to set out their shared vision and commitments, arrangements for budget setting, decision-making and scrutiny, and arrangements for resolving any differences. Coalition agreements can also be a useful focus for officers to help clarify the goals they need to work to. If managed well coalition working can lead to better decisions through testing policy proposals more widely.

25. Councils should also consider developing more specific local guidance or protocols to help clarify roles and responsibilities in their council. Examples include protocols for multi-member ward working; member-officer engagement; and employee conduct. [References](#) outline further guidance available to councillors.

Checklist 2

Clear roles and expectations



As a councillor:

How well do you understand and observe the roles expected of you?

Do you need further guidance on how to fulfil your role, for example protocols for member-officer working?

Do you actively contribute to effective governance in the council, as well as fulfilling your representative role as councillor?

Are officers accessible – and to what extent do they provide the right balance between supporting the administration and supporting the council as a whole?

Where your council is led by a coalition, are the working arrangements clear?

Where your council uses the executive or cabinet system, are the roles of the executive and non-executive groups clear?

As a chief officer:

Do you feel you provide the right balance between supporting the administration and supporting the council as a whole?

Have you reviewed the council's governance documents including schemes of delegation, guidelines and protocols to ensure they are clear and easily understood?

Do you think all councillors are clear on their roles and have the necessary skills, and have you taken steps to support them?

Scrutiny is an essential part of effective decision-making

26. Good governance involves councils being accountable and accessible to the communities they serve. Councils must be transparent about the decisions they make and the quality of the services they provide. The council's leadership must be scrutinised and held to account for its plans and performance. This requires a culture that recognises the importance of scrutiny and is open to candid discussions about risks.


27. Putting effective scrutiny in place can be particularly difficult in complex partnerships or where there is an uncertain and changing environment. Whatever system of governance is used, it is crucial to know who is asking questions over risk and resilience. A prerequisite for effective scrutiny is that councillors must regularly attend committee or board meetings and actively take part in scrutiny when they do so.

28. Councils must have good systems for decision-making, audit and scrutiny if they are to operate effectively. Scrutiny and audit are both important, but their distinction is not always clear. Blurring these roles can weaken governance.

29. In broad terms, scrutiny questions whether councils are doing the right thing and questions policy proposals and the performance and quality of services. Audit examines the regularity of governance and financial management including how the council has applied its resources to achieve its objectives. Councillors' involvement in discussion and debate at the start of the decision-making process is an important element of good policy making and effective scrutiny.

30. The Accounts Commission believes that effective and transparent scrutiny is best achieved where the chair of the scrutiny or audit committee is not a member of the political administration. Scrutiny and audit committees must have clear terms of reference that set out their independent role in scrutinising the councils decisions and its performance and practice. They should have adequate support and be given access to independent advice. Members of these committees must have the necessary skills and training to do their job.

31. Councils should give careful consideration to the design of their scrutiny arrangements, and review their effectiveness on an ongoing basis. The cabinet or executive model of governance makes a clearer distinction between decision-making and scrutiny. Where councils use this approach they should be clear on the powers that rest with executive members and the means by which non-executive members can hold the executive to account.

32. In its [overview of local government in Scotland](#)  report, the Accounts Commission' emphasised the importance of robust scrutiny over councils' strategic service delivery choices, noting that "it is increasingly important that councillors are able to challenge and scrutinise decisions and performance, and fully assess options for new and different ways of delivering services within their reducing budgets".

33. The Commission's Best Value work in councils has highlighted that scrutiny works best where councillors receive good quality information on which to base their decisions. But, councillors also need to be proactive and assure themselves that they have sufficient evidence before decisions are made. The information they receive should be balanced, comprehensive and understandable. If things go

wrong it is not enough for councillors to say 'I wasn't told', or 'we weren't given the information'. Where scrutiny fails the public interest is not met; the most graphic example being the failure in scrutiny by councillors in Rotherham MBC in relation to the sexual exploitation of children.

34. The 2015 Community Empowerment Act gives communities a much stronger say in how public services are to be planned and provided. The legislation provides a real opportunity for councils to develop imaginative ways of involving communities in local decisions and in scrutinising local services. Councils must use the opportunity that this new legislation presents to strengthen community engagement and participation to drive improved outcomes in local services.

Checklist 3

Effective scrutiny



As a councillor:

How open is your council to scrutiny – is scrutiny encouraged as a means to improve services and make better decisions?

Have you received training and support in your scrutiny role?

Do you actively engage in scrutiny and ask constructive and challenging questions?

Do you feel able to ask candid questions, for example about risks?

To what extent does scrutiny take into account service user and community views?

Are the chairs of the audit and scrutiny committees sufficiently independent?

Do you get sufficient information to make balanced decisions, for example on the best options for delivering services?

Does your council's scheme of special responsibility allowances reflect the importance of the scrutiny and audit functions?

As a chief officer:

Do you periodically review the effectiveness of scrutiny – including its impact on decision-making?


Are effective scrutiny and audit arrangements in place for services delivered through local partnerships or arm's-length bodies?

Do you provide councillors with comprehensive information on services, costs and risks?



Have you taken measures to engage service users and communities in scrutiny?

The governance of partnerships and arm's-length bodies needs to be considered at the outset

35. Councils and their partners must give careful consideration to the governance arrangements for partnerships, joint boards, and arm's-length organisations. Issues such as councillor representation, scrutiny and public accountability need to be considered at the outset.

36. Where the council jointly leads a service with other partners it is important that they share a common culture and purpose. The Accounts Commission's Best Value audit work found that community planning partnerships for example are most effective where they have a shared culture of trust. But, the integration of health and social care is an example of the complexities involved in achieving this. Our December 2015 report on [Health and social care integration](#)  highlighted the need for members of IJBs to understand and respect differences in organisational culture between councils and the NHS and to build a common understanding of the roles and responsibilities of board members.

37. There has been steady growth in councils' use of arm's-length organisations. First seen as sports trusts in the 1980s, ALEOs are now also widely used for property, transport, and economic development. More recently, ALEOs have been used for core services such as older people's care. This can mean councillors taking positions on the boards of companies and charitable trusts and brings particular demands to their already diverse role.

38. The councillors Code of Conduct sets out principles that councillors must follow when taking a role on outside bodies. The Standards Commission's Advice Note for Councillors on ALEOs provides supplementary guidance to help clarify this complex area of the Code. The Accounts Commission and COSLA's [Following the Public Pound Code](#)  (FPP) and the Accounts Commission's [How councils work](#)  reports on ALEOs also set out guiding principles for councils in this complex area.

39. These reports emphasise that councils should consider carefully the representation on arm's-length organisations. The key question is what skills are required of the board and who is best placed to meet these. Where councillors or officers take such roles they should be clear of their responsibilities and have the right mix of skills and experience.

40. There are risks of conflicts of interest where councillors or council officers take board positions. The Companies Act and Charities Act requires board members or trustees to act in the best interests of the company or trust on which they serve, and to put these interests first. But there may be times where this requirement may conflict with a councillors' duties to the council. This can be a difficult balance where councillors and council representatives may be privy to certain information, but are prohibited from sharing or acting on it because of their role. Examples could be council policy decisions that impact on local services and the funding provided to ALEOs.

41. There is an ongoing debate around the advantages and disadvantages of having councillors as board members. On the plus-side, councillors bring their status as democratically elected community representatives and their knowledge of the council and its services; on the minus-side, there are potential conflicts of interest between their council and ALEO roles. It is interesting to note that in England it tends to be the exception rather than the rule for councillors to be members of ALEO boards.

42. Councils should consider wider options to limit the risks of conflicts. For example, some councils have chosen not to use council representatives as board members for this reason. Alternatively, council representatives can take advisory or non-decision making roles in the ALEO. In all cases, and in line with FPP, councils should ensure that the performance of ALEOs is regularly reported and monitored by the council and reported to committee.

Checklist 4



Partnerships and arm's-length bodies

As a councillor:

Do you think the governance arrangements for local partnerships, the health IJB, and the council's arms-length bodies are clear and fit for purpose?

Do you have the necessary skills and abilities to undertake your role?

Do you receive support and training on your roles and responsibilities in relation to any partnership or arms-length body that you sit on?

Does your training specifically cover your legal responsibilities as a member or trustee in relation to the company or charitable trust that you are a member of?

Do you make a strong contribution through your attendance and engagement at board meetings?

Are the different aspects of the role clear eg providing strategic direction, scrutiny, audit, and representing the council or community?

Is the performance of the local body or partnership sufficiently monitored and reported to council?

Does the IJB have a common culture and purpose – is there a clear vision for improving care?

As a chief officer:

Does your council provide sufficient training and support to councillors in their roles on local partnerships and boards?

Does the council understand and observe the Following the Public Pound guidance? (eg setting clear criteria for funding, audit access, and monitoring)

Does the council have a clear rationale for council representatives having a role on outside bodies and partnerships?

Are you satisfied with the governance of the IJB including how its decisions are reported to the council?

Statutory officers need to have sufficient influence

43. Statutory officers have specific duties and discharge their role as part of their wider responsibilities within their council. They have an important, independent role in promoting and enforcing good governance and for making sure councils comply with legislation. [Exhibit 1](#) summarises the core roles of statutory officers.

44. The Accounts Commission believes that statutory officers must have sufficient influence and experience to undertake these important roles. It has found in its Best Value audit work that in some cases the role of monitoring officer can be undermined because of a lack of trust and respect between councillors and officers.


45. The 2010 HCW report found that councillors are not always clear on the purpose of the statutory officer roles. Council schemes of delegation should set out what these roles involve and why they are important, and the role of statutory officers should feature in induction schemes for all newly councillors. Councillors and committees should know when to seek advice from statutory officers to ensure that they operate legally and responsibly.

46. The chief executive is responsible for ensuring that statutory officers have sufficient access and influence to carry out their roles. This could mean for example their being a member of, or attending the senior management team. As such the chief executive may need to balance the benefits of having statutory officers as full members of the senior management team, with any intentions to operate slimmer executive management structures.

Exhibit 1

Statutory officer roles

Statutory officer post	Core duties
Head of paid service (the chief executive) <ul style="list-style-type: none"> established under the Local Government and Housing Act 1989 	The head of paid service (the chief executive) is responsible to councillors for the staffing of the council and ensuring the work in different departments is coordinated.
Monitoring officer <ul style="list-style-type: none"> established under the Local Government and Housing Act 1989 	The monitoring officer ensures that the council observes its constitution and operates legally. This includes reporting on the legality of matters, mal-administration, and the conduct of councillors and officers.
Chief financial officer <ul style="list-style-type: none"> established under the Local Government (Scotland) Act 1973 	The chief financial officer (section 95 officer or the senior financial officer) is responsible for the financial affairs of the council.
Chief social work officer <ul style="list-style-type: none"> established under the Social Work (Scotland Act) 1968 	Councils are required to appoint a professionally qualified chief social work officer to provide members and senior officers with effective, professional advice about the delivery of social work services.
Chief education officer <ul style="list-style-type: none"> established under the Education (Scotland) Act 2016 	Councils are required to appoint a suitably qualified and experienced chief education officer to carry out the authority's education functions as defined by the Education (Scotland) Act and other enactments.

47. Our report [Social work in Scotland](#)  highlights that the role of the chief social work officer (CSWO) has changed significantly as a consequence of health and social care integration. This has created risks that in some councils the CSWO may have too many responsibilities and insufficient status to enable them to fulfill their statutory responsibilities effectively. This is one example of the challenges councils face in putting effective governance in place at a time of ongoing change.

Checklist 5

The role of statutory officers



As a councillor:

Do you understand the roles of statutory officers, and do you have confidence in their abilities and contribution? (eg, monitoring officer, chief social work officer, chief finance officer)

Have you received sufficient training on the roles and responsibilities of statutory officers?

Do you / your committee understand how and when to consult with statutory officers?

As a statutory officer:

Do you have sufficient influence to ensure the council operates effectively?

Are you seen to be accessible in the support that you provide throughout the council?

Do you have a constructive relationship with the senior management team?

Are your views sought, and do you provide advice and direction to councillors and senior officials?

Are the responsibilities of the statutory officer roles adequately set out in the council's governance documents?

Good conduct and behaviours are crucial

48. Culture is set from the top and a positive culture is essential for any organisation to operate effectively. The Accounts Commission has stressed the importance of councillors and officers working well together. This means good working relationships built on trust, openness and mutual respect between all parties. Where these are absent it is difficult for any organisation to make progress.

49. Councils should reflect on whether their working relationships are constructive and productive. Councils operate in an often highly politicised environment and this can lead to tensions. The Standards Commission has noted increasing incidences of complaints against councillors. This can damage the reputation of councils and distract them from their purpose to provide people with vital services.

50. The Accounts Commission's Best Value work in councils has found instances where working relationships have broken down between political groups, or where there are tensions between members and officers. For example where

members lack confidence in officers and the information they provide to them. Social media and instantaneous communications are also becoming an increasing area of risk for councillor conduct.

51. Councillors and officers should send clear signals over how their people should behave and interact. Councillors should observe the ethical standards and behaviours set out in the councillors' code of conduct. Monitoring officers also have a role to help them with this. Exit interviews for councillors are seldom undertaken but they can provide useful reflection on how councils are run.

52. The 2010 HCW report noted the benefits of using cross-party meetings to help foster good communication and working relationships between political groups. Similarly, member-officer working groups can be useful to for members to work more closely with officers. These meetings should not be used for decision-making, observing the principle for council decisions and discussions to be taken in public.

53. Ultimately, actual behaviours are more important than rules – which can be worked around or ignored. It can be difficult for monitoring officers to challenge personal behaviours and this takes confidence and experience. Monitoring officers need to know how to act, and when. It is important that they address issues at an early stage, nipping potential problems in the bud to prevent poor behaviour becoming an accepted part of how the council runs itself.

Checklist 6

Conduct and working relationships



As a councillor:

To what extent do you think councillors work constructively together and show mutual trust and respect?

Is there a culture of trust and openness between councillors and chief officers?

Are you made aware of the behaviours and conduct expected of you?

Are cross party or group meetings and member-to-officer working groups used and do they work well?

As a chief officer:

Is sufficient guidance on roles and expected conduct available to both councillors and officers /employees?

Do you have positive and constructive working relationships with officers?

Are sufficient opportunities in place for cross party / group meetings, and for members to work with officers?

Are such meetings constructive, and do they respect the principle for public debate and decision-making?

Does the council undertake exit interviews for councillors and learn from them?

Councillors need the skills and tools to carry out their role

54. Local government in Scotland is a significant undertaking on any measure, involving annual expenditure of £20 billion and employing over 240,000 people. The increasing complexity of the local government environment, highlighted in this report, underlines the crucial importance of councillors having the skills, knowledge and confidence to provide demonstrable leadership, to undertake a much wider variety of roles, and to manage this complexity effectively.

55. It is essential that councils practice effective scrutiny, and decision-making to make sure that every pound they spend is spent wisely. There is an over-riding need for good governance and this can be especially challenging as service delivery arrangements become more complex.

56. Many councils carry out training needs analysis and put in place personal development plans for councillors. But evidence from Best Value audits indicates that councillors' take up of training is at best variable and sometimes they have poor perceptions of the training they receive.

57. Despite the importance of skills development there is no requirement in the Councillors Code of Conduct for councillors to participate in training. However, all councils provide compulsory training for the quasi-judicial roles in regulatory functions such as planning and licensing.

58. This is in contrast to the position in the health service where health boards have a duty to provide non executive directors with the necessary information and training to ensure that they are able to discharge their corporate responsibility to their highest standards. The approach recommends mandatory training and development for new non executive directors of a health board relevant to their governance committee membership or as identified through the performance development process.

59. It is also important to draw attention to the requirement in the Following the Public Pound (FPP) code for councils to properly advise members and officers of their responsibilities in relation to ALEOs, including declarations of interests. Councils should consider the role of their training and development programmes in meeting this requirement. This is not only in the public interest but in the best interests of councils themselves.

60. The Accounts Commission urges councils to go further and ensure that councillors receive training in the essential areas of scrutiny, audit, and financial decision-making.

61. Involving councillors in the design of training programmes can help to make them more relevant to their needs. Drawing on the views of newly elected and longer-serving members can help ensure that training and development, particularly induction training, is appropriate and effective. This can help to overcome the 'you don't know what you don't know' challenge where councillors may not be aware of skills and knowledge gaps until they have been in the job for some time. There is also a role for peer-to-peer training so councillors can learn and benefit from others' experience.

62. Training and development should be an ongoing process, not just a one-off induction. Newly elected councillors can be overloaded at the start of their term.

Councils should consider wider options such as training in the transition period before councillors take office; or a second wave of training once councillors have settled into their roles and are in a better position to apply new learning.

63. It is also important that officers provide ongoing support to councillors including good quality advice and information to help them in their various roles. This includes the opportunity to learn from good practice in other councils – another recurring theme of Best Value audits. The overall focus needs to be on continuing personal development.

Checklist 7

Councillors skills



As a councillor:

How well do you understand your role in relation to the council, local community, and on partnerships and outside bodies?

Is training and development sufficient for you to do your job?

Are you able to make an effective contribution to scrutiny, audit, and financial aspects of council business?

Do you take up training opportunities and make the most of advice and support from officers?

As a chief officer:

Do you ensure that training and development opportunities are available to councillors?

Does training include essential skills in areas such as scrutiny, audit and financial decision-making

Do you give sufficient support, information and guidance to councillors across their diverse roles, including partnerships and arm's-length companies?

Do you tailor training to the individual needs of councillors make it available on an on-going basis?

Do you seek feedback on the effectiveness of training and act on this?

Has the council reviewed the facilities and support provided to councillors to help them make the best use of their time and skills?

References

Accounts Commission/Audit Scotland

[*How councils work. Roles and working relationships*](#) , Audit Scotland, August 2010.

[*How councils work. Arm's-length external organisations \(ALEOs\)*](#) , Audit Scotland, June 2011.

[*The following the Public Pound Code \(Accounts Commission and COSLA\)*](#) , Audit Scotland, March 2004.

[*An overview of local government in Scotland 2016*](#) , Audit Scotland, March 2016.


Other references (as in October 2016)

[Councillors' Code of Conduct \(The Standards Commission\)](#) .

CIPFA/SOLACE [Delivering Good Governance in Local Government: Framework \(2016 Edition\)](#) .

[Advice for councillors on arm's length external organisations](#)  (The Standards Commission).

[Improvement Service learning materials](#) , eg Elected Member Briefing Notes & Guidance (CPP board guidance, continuous professional development, induction, briefings etc.)

Scottish Parliament Information Centre (SPICe) Financial Scrutiny Unit Briefing, [Subject profile – local government in Scotland](#) , (includes councillor roles and council powers / functions).

[The role of the chief financial officer](#) , CIPFA.

Association of Public Service Excellence (APSE) report: [The final piece of the jigsaw: elected members, everyday politics and local democracy in Scotland](#) .

Local Government Association information on being a councillor: <http://beacouncillor.co.uk/> .

Scottish Government: [On Board: A Guide for Board Members of Public Bodies in Scotland](#) .


How councils work

Follow-up messages for councils

Roles and working relationships in councils
- Are you still getting it right?


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WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit and Performance Review Committee: 8 March 2017

Subject: Accounts Commission Report: *Local government in Scotland Financial overview 2015/16*

1. Purpose

- 1.1** The report is to provide Members with information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.

2. Recommendation

- 2.1** It is recommended that Members consider the attached report, along with the checklist contained at Appendix 2 and note that it is planned to undertake development work with Members in relation to this report as part of a future Elected Members' development session.

3. Background

- 3.1** This financial report is the first of the Accounts Commission's new overview outputs. It tells the strategic financial story for local government in Scotland in 2015/16 which was another challenging year for Councils.

4. Main Issues

- 4.1** This report provides a high-level, independent view of Councils' financial performance and position in 2015/16. It is aimed primarily at councillors and senior council officers as a source of information and to support them in their complex and demanding roles. It is in two parts:
- Part 1 (page 9) focuses on the Councils' income and expenditure in 2015/16 and trends over time; and
 - Part 2 (page 19) comments on the financial outlook of Councils at the end of 2015/16 and outlines important factors to be considered in assessing future spending plans.
- 4.2** The key messages of the report are:
- The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's Councils and, for the fifth year in a row, issued unqualified opinions on Councils' accounts;

- Significant challenges for local government finance lie ahead. Councils' budgets are under increasing pressure from a long-term decline in funding, rising demand for services and increasing costs, such as pensions. There is variation in how these pressures are affecting individual councils, with some overspending their total budgets or budgets for individual services such as social care. It is important that Councils have effective budgetary control arrangements in place to minimise unplanned budget variances that can affect their financial position.
 - Councils need to change the way they work to deal with the financial challenges they face. All Councils face future funding gaps that require further savings or a greater use of their reserves. There is variation in how well placed councils are to address these gaps.
 - Long-term financial strategies must be in place to ensure council spending is aligned with priorities, and supported by medium-term financial plans and budget forecasts. Even where the Scottish Government only provides councils with one-year financial settlements, this does not diminish the importance of medium and longer-term financial planning. This is necessary to allow Councillors and Officers to assess and scrutinise the impact of approved spending on future budgets and the sustainability of their Council's financial position.
- 4.3** Throughout the report, there are questions that Elected Members may wish to consider to help them better understand the Council's financial position and to scrutinise financial performance. The questions are also available in Supplement 1: Self-assessment tool for councillors (see Appendix 2)
- 4.4** Supplement 2 contains information on the Local Government Pension Scheme 2015/16 (Appendix 3).
- 5. Personnel Implications**
- 5.1** There are no personnel implications.
- 6. Financial and Procurement Implications**
- 6.1** There are no direct financial or procurement implications arising from this report.
- 7. Risk Analysis**
- 7.1** This report from the Accounts Commission provides Elected Members and Officers useful information of a financial nature.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

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.

.....
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Strategic Lead - Resources
Date: 22 February 2017

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Appendices: Appendix 1: Accounts Commission Report: *Local government in Scotland Financial overview 2015/16*
Appendix 2: Self-assessment tool for councillors
Appendix 3: Local Government Pension Scheme
2015/16

Background Papers: None

Wards Affected: N/A

Local government in Scotland

Financial overview 2015/16



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
November 2016


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.

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- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
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- 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 

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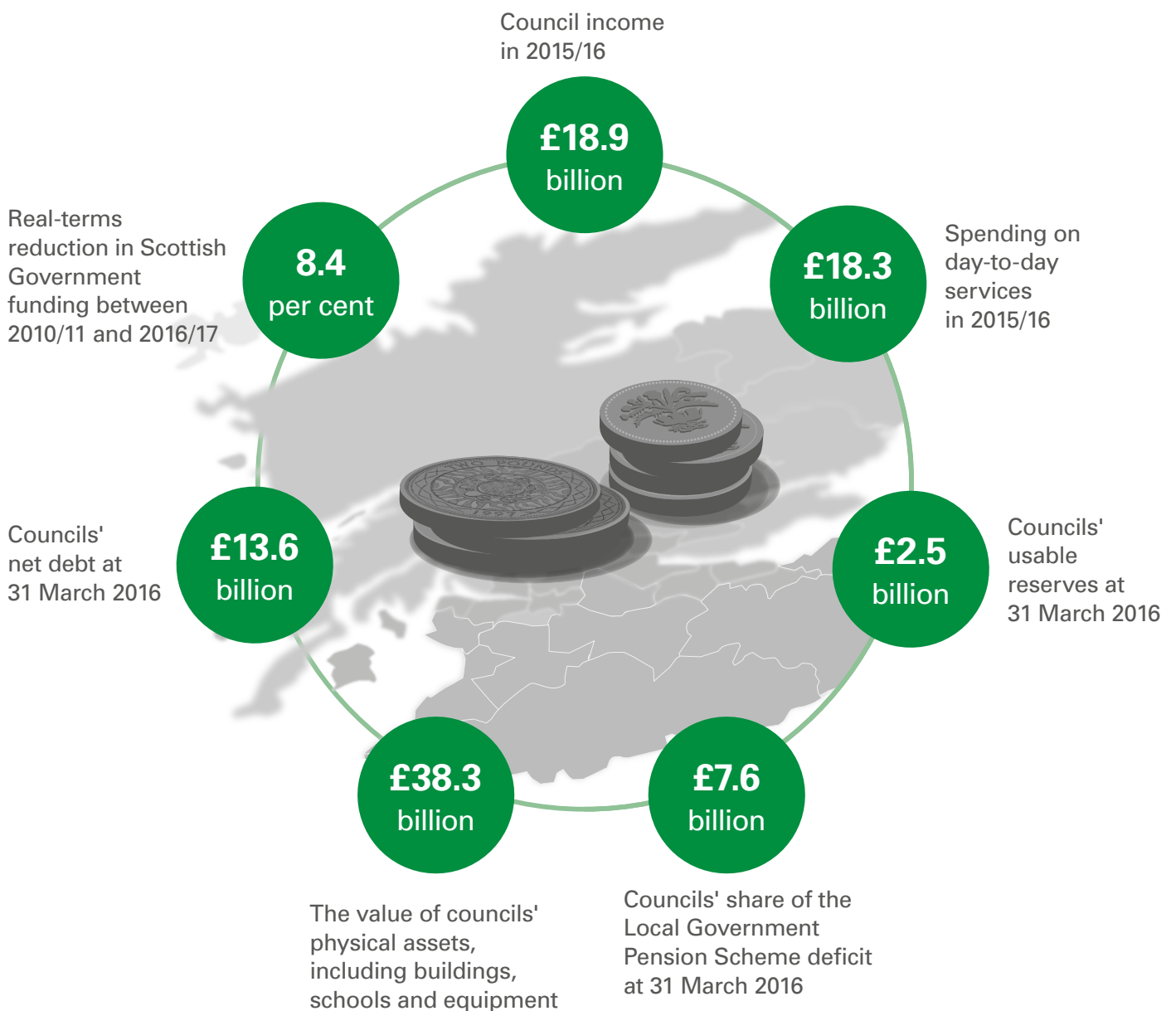
Exhibit data

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.



These question mark icons appear throughout this report and represent questions for councillors.

Key facts




Chair's introduction



This financial report is the first of our new overview outputs. It tells the strategic financial story for local government in Scotland in 2015/16, another challenging year for councils. Overall, councils responded well by controlling their spending and have also increased reserves and reduced debt. Scottish Government funding has fallen in real terms in recent years and, although there was a small annual real-terms increase in 2015/16, it fell again in 2016/17. Councils also continue to face cost pressures, including increasing pension costs and wage inflation. We recognise councils have been making difficult decisions when setting their budgets and that this has required a disciplined approach to delivering savings. This disciplined approach must continue when we move into the 2017 election year, as significant challenges lie ahead and councils need to be well placed to meet them.


In anticipation of reductions in future Scottish Government funding, most councils have continued to increase their reserves. Councils must consider how and when reserves are used to support services, in line with their financial plans and reserves policies, as they can only be used once and relying on them is not sustainable. All councils have identified future funding gaps that will need to be addressed through making savings or using reserves. How well placed individual councils are to address these funding gaps is a combination of the relative size of the funding gap, the reserves they hold, and their ability to identify and make savings and to service debt.

Financial scrutiny and transparency in financial reporting are themes that recur throughout this report. Under the new [Code of Audit Practice 2016](#) , auditors will comment on the financial sustainability of councils. It is important that all councils have long-term financial strategies in place that support their strategic priorities, underpinned by more detailed financial plans and indicative budgets that cover the next three to five years. These will help councillors and officers assess the impact of approved spending on their current and future financial position.

Our new approach to overview reporting

This year, we have developed our approach to overview reporting for local government into a series of outputs throughout the year. We will examine the performance of council services and the challenges facing councils in our upcoming overview report in March 2017, but hope that the links between good financial and service performance remain clear.

We are publishing this analysis of the 2015/16 accounts and audit findings a few months earlier than usual, so that they can be considered by councils and councillors when setting their 2017/18 budgets. In addition to this report and the accompanying supplements, an interactive exhibit and additional financial

information are available on our [website](#) . These will allow council officers and councillors to look at areas that may be of particular interest to them and to compare their council with others.

I hope this report and the supplementary information prove to be informative and help shed light on the complex nature of local government finances. We welcome feedback and will use this to inform our approach to overview reporting in future years.

Douglas Sinclair
Chair of Accounts Commission

Summary



Key messages

- 1** The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's councils and, for the fifth year in a row, issued unqualified opinions on councils' accounts.
- 2** Significant challenges for local government finance lie ahead. Councils' budgets are under increasing pressure from a long-term decline in funding, rising demand for services and increasing costs, such as pensions. There is variation in how these pressures are affecting individual councils, with some overspending their total budgets or budgets for individual services such as social care. It is important that councils have effective budgetary control arrangements in place to minimise unplanned budget variances that can affect their financial position.
- 3** Councils need to change the way they work to deal with the financial challenges they face. All councils face future funding gaps that require further savings or a greater use of their reserves. There is variation in how well placed councils are to address these gaps.
- 4** Long-term financial strategies must be in place to ensure council spending is aligned with priorities, and supported by medium-term financial plans and budget forecasts. Even where the Scottish Government only provides councils with one-year financial settlements, this does not diminish the importance of medium and longer-term financial planning. This is necessary to allow councillors and officers to assess and scrutinise the impact of approved spending on future budgets and the sustainability of their council's financial position.

councils have managed their finances well but significant challenges lie ahead

About this report


1. This report provides a high-level, independent view of councils' financial performance and position in 2015/16. It is aimed primarily at councillors and senior council officers as a source of information and to support them in their complex and demanding roles. It is in two parts:

- **Part 1 (page 9)** focuses on the councils' income and expenditure in 2015/16 and trends over time.
- **Part 2 (page 19)** comments on the financial outlook of councils at the end of 2015/16 and outlines important factors to be considered in assessing future spending plans.

2. Throughout this report we present a detailed analysis of councils' finances in 2015/16 and, where appropriate, comparisons over a five-year period (2011/12 to 2015/16). Our primary sources of information are councils' audited accounts and their 2015/16 annual audit reports. We have supplemented this with other information supplied by auditors and councils. This includes budget information collected by auditors shortly after councils approved their 2016/17 budgets and which informed our analysis of councils' projected funding gaps up to 2018/19.

3. Where we refer to councils' funding in 2016/17, we use information from the Scottish Government's 2016/17 Local Government financial settlement. Although we do not audit this information, we feel it is important to make appropriate references to funding in the current financial year. Where we have done this, we have analysed trends since 2010/11 when Scottish Government funding peaked.

4. We refer to real-terms changes in this report where we are showing financial information from past and future years in 2015/16 prices, adjusted for inflation, so that they are comparable to information from councils' 2015/16 accounts. In general we compare income and expenditure items in **Part 1** in real-terms but do not adjust items in **Part 2** as they are adjusted in their preparation.

5. Throughout the report, we identify questions that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The questions are also available in [**Supplement 1: Self-assessment tool for councillors**](#)  on our website.

6. We recognise that complex financial information is often presented differently for different purposes. For example, local finance returns (LFRs), which councils submit to the Scottish Government, present spending information for councils on a different basis from the spending information that councils record in their annual accounts. There are also differences in how funding is recorded in different sources. Alongside this report, we have published a short supplement to explain the main differences in the way financial information is reported. This is included in the self-assessment tool for councillors.

7. Accompanying this report, and to facilitate insight and comparisons across the sector, we have provided additional financial information on our website. The information is based on councils' audited accounts. We hope this will be useful for senior council finance officers, their staff and other interested stakeholders.

Part 1

Income and spending



Key messages

- 1** The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's councils and, for the fifth year in a row, issued unqualified opinions on councils' accounts.
- 2** More than half of councils' income comes from the Scottish Government. Councils have experienced a long-term decline in their grant funding from the Scottish Government. This is expected to continue to fall in future, putting greater pressure on budgets.
- 3** Councils have managed their finances well so far in responding to the pressures they face. In 2015/16, 15 councils planned to use some of their reserves to support spending and, across local government, revenue reserves were forecast to decrease. However, only seven councils drew on their reserves and, overall, revenue reserves increased in 2015/16.
- 4** Councils spent £19.5 billion in 2015/16. Spending on providing services remains lower than in 2011/12, but is increasing in key services, most noticeably in social care because of rising demand from an ageing population. Many councils overspent their social care budgets and this poses a risk to their longer-term financial position. Councils need to ensure budgets reflect true spending patterns so that the impact of current spending on their financial position is clearly understood.
- 5** Over and above growing demands on services, councils need to manage other financial pressures such as increasing pension costs and wage inflation. It is essential that councils have long-term financial strategies and plans in place that align with their priorities and are supported by medium-term financial plans and budget forecasts.

there has been a long-term decline in grant funding to councils, this is to continue

All councils received an unqualified audit opinion on their 2015/16 accounts but they can better use their accounts to explain financial performance

8. The overall financial health of local government was generally good in 2015/16. All accounts were received on time and, for the fifth consecutive year, auditors issued all of Scotland's 32 councils with a true and fair unqualified audit opinion on their 2015/16 accounts.

9. Over two-thirds of councils operated within their budgets and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the short-term financial position of Scotland's councils, but raised a number of concerns about individual councils facing significant funding gaps over the next two to three years.

10. For the last two years, councils have produced a management commentary to accompany their annual accounts. These commentaries play an important role in helping readers to better understand the accounts and a council's financial performance. As such, they should include explanations of amounts included in the accounts as well as:

- a description of the council's strategy and business model
- a review of the council's business
- a review of principal risks and uncertainties facing the council
- an outline of the main trends and factors likely to affect the future development, financial performance and financial position of the council.

11. The management commentary should concisely present the financial 'story' of a council in an understandable format for a wide audience. Auditors express an opinion on whether the management commentary is consistent with the audited financial statements.

12. Analysis of the management commentaries shows variation in how clearly councils explain their financial and general performance. However, there is a general improvement from last year. It is the Commission's view that councillors have an important role in ensuring that the management commentary effectively tells the story of the council's financial performance and can be understood and scrutinised by a wide audience.

Scottish Government funding increased in 2015/16 but has reduced significantly over the longer term

13. In 2015/16, councils' total revenue and capital income was £18.9 billion, a real-terms increase of 2.9 per cent since 2014/15. £10.9 billion (57 per cent) of this came from the Scottish Government ([Exhibit 1, page 11](#)). The share of council income coming from the Scottish Government has reduced slightly from 2014/15 (58 per cent), mainly because of a large increase in income from service fees and charges.¹

14. Scottish Government grants are councils' major source of income. Between 2010/11 and 2015/16, Scottish Government funding (combined revenue and capital) for councils reduced in real terms by around £186 million (1.7 per cent) to £10.9 billion.² Taking into account 2016/17 funding, councils have experienced a real-terms reduction in funding of 8.4 per cent since 2010/11. This is approximately the same as the reduction in the Scottish Government's total budget over the same period.

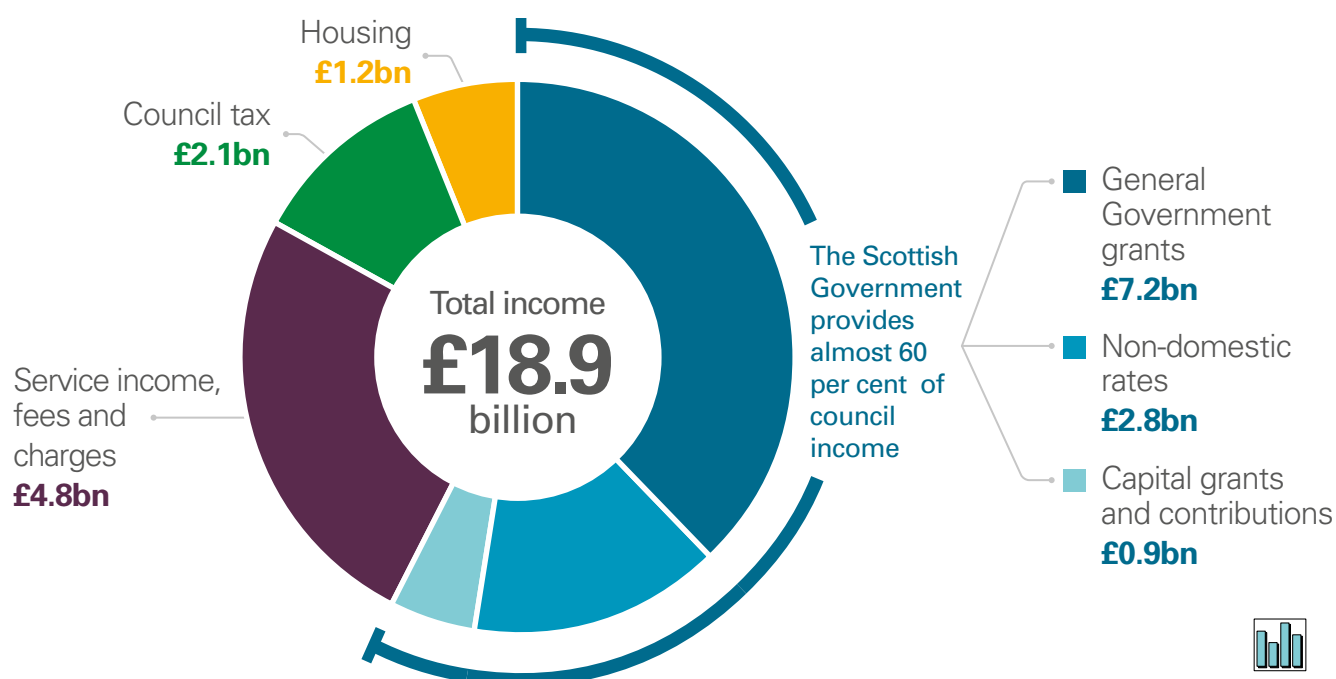


Does the management commentary section of the annual accounts provide a clear and easily understandable account of the council's finances?

Exhibit 1

Sources of councils' income in 2015/16

Councils' total income in 2015/16 was £18.9 billion and almost 60 per cent (£10.9 billion) of this came from the Scottish Government.



Notes: 1. Figures have been rounded to one decimal place so the sum of the categories does not exactly match total income. 2. Service income, fees and charges may include specific service-related grants and income such as payments from the Scottish Government, NHS or other councils. It also includes funds returned to councils from Integration Joint Boards. 3. Capital grants and contributions include income from the Scottish Government and others such as central government bodies, National Lottery and the European Union. As the majority is in the form of Scottish Government capital grants, we have included this within income provided by the Scottish Government.

Source: Councils' audited annual accounts, 2015/16

In 2015/16, councils received a slight increase in revenue funding from the Scottish Government to support the implementation of national policies

15. The Scottish Government allocates councils a set amount of revenue funding from both grants and non-domestic rates (NDR). In 2015/16, this amounted to £10.0 billion. This represents a real-terms annual increase of 1.1 per cent but a 2.1 per cent reduction since 2010/11.

16. Revenue grants totalled £7.25 billion in 2015/16 and included: £560 million for continuing to freeze council tax at 2007/08 levels; around £350 million to replace council tax benefit previously provided by the UK Government; and additional funding for implementing other Scottish Government policies, such as maintaining teacher numbers and pupil to teacher ratios. In their accounts, councils record income from Scottish Government funding differently from how it is allocated ([Supplement 1: Self-assessment tool for councillors](#)). As a result, councils' accounts show income from Scottish Government general revenue grants of £7.2 billion in 2015/16. This represents a real-terms reduction in councils' income of £38.0 million since 2014/15.

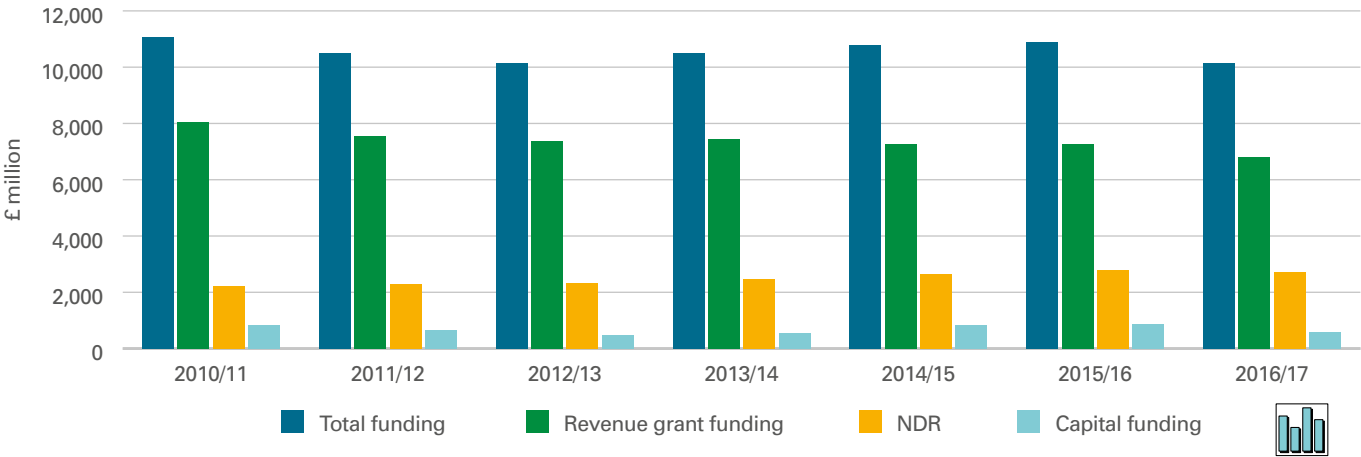
17. An increasing proportion of revenue funding is coming from NDR (29 per cent in 2015/16 compared to 22 per cent in 2010/11). The increase in NDR income in recent years has not fully offset reductions in revenue grant funding.

Scottish Government revenue funding fell by almost seven per cent between 2010/11 and 2016/17, and further reductions are expected

18. In 2016/17, Scottish Government grant funding has fallen by £489 million to £9.6 billion. This is a greater reduction than in previous years and represents a real-terms annual reduction in revenue grant of 5.9 per cent and NDR of 2.2 per cent. Since 2010/11, combined revenue funding has fallen by 6.8 per cent ([Exhibit 2](#)).

Exhibit 2

Scottish Government funding to councils from 2010/11 to 2016/17, at 2015/16 prices
Councils are experiencing a long-term reduction in revenue funding.



- Notes:
1. Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013. From 2013/14, revenue funding includes payments for council tax reduction, replacing council tax benefit previously coming from the UK Government. We have also adjusted these figures for specific elements of the local government settlement relating to adjustments for police and fire pensions.
 2. Since 2013/14, Scottish Government revenue funding has included payments of around £350 million per year to fund council tax reductions, replacing council tax benefit which previously came from the UK Government.
 3. The 2016/17 figures do not include £250 million the Scottish Government allocated to health and social care integration authorities specifically for social care. This is an allocation from the Scottish Government health budget to NHS boards, rather than councils. The NHS boards will allocate this funding to the integration authorities.

Source: Local Government Finance Circulars 2011-16, Scottish Government



How do you consider potential changes to income streams and their impact on spending and services as part of medium and long-term planning?

19. Councils expect revenue funding to decrease in future years, although the extent of this is not clear as, the Scottish Government has provided councils with one-year funding settlements in 2015/16 and 2016/17. Councils contend that this constrains their ability to develop meaningful long-term financial strategies and medium-term financial plans. However, the challenging financial environment further strengthens the case for councils taking a long-term view of their finances [Part 2 \(page 19\)](#). There should be clear links between financial strategies and plans and councils’ strategic priorities to provide a basis for decision-making.

Income from NDR and council tax increased in some councils in 2015/16

20. In 2015/16, councils received £2.79 billion in NDR income, a real-terms annual increase of £134.3 million (5.1 per cent). Twenty-six councils saw an increase in their NDR income in 2015/16. This ranged from a £12.1 million (16.0 per cent) reduction in Falkirk Council to an increase of £26.5 million (7.3 per cent) in City of Edinburgh Council.

21. Council tax income was £2.1 billion in 2015/16, a real-terms annual increase of £32.3 million (1.6 per cent). With council tax levels being frozen nationally ([paragraph 16](#)), real terms increases and decreases will come about through changes in council tax relief and collection rates, as well as changes in the number of households paying council tax through new housebuilding, empty homes and/or depopulation. Council tax income increased in 29 councils but decreased in real terms in three (Aberdeenshire 1.4 per cent, Argyll and Bute 0.1 per cent and East Lothian 1.7 per cent.)

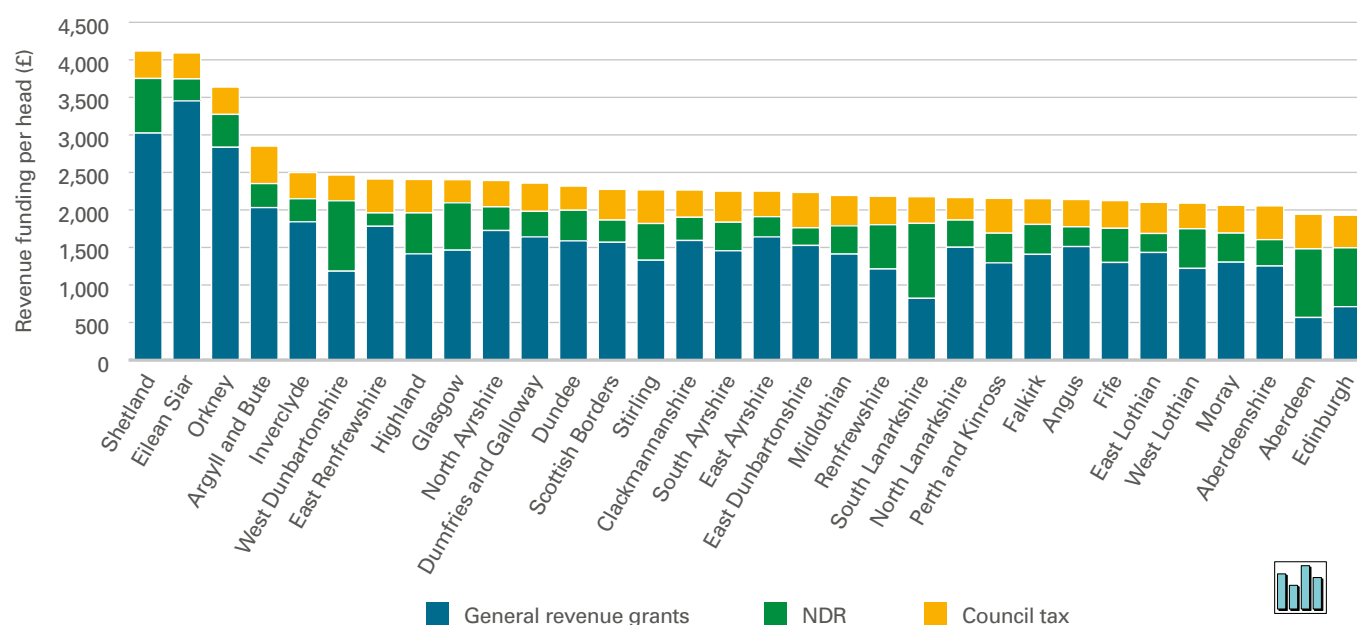
22. Councils collected 95.7 per cent of council tax in 2015/16. This was up from 95.3 per cent in 2014/15. Collection rates ranged from 93.6 per cent in Dundee City Council to 98.5 per cent in Perth and Kinross Council. We will look in more detail at councils' performance in collecting council tax and the associated costs in our March 2017 report.

23. The funding available to councils from Scottish Government general revenue grants, NDR and council tax varies widely. For Scotland, this equated to £2,232 per person in 2015/16. This is around £14 (0.6 per cent) higher in real terms than in 2014/15 and around £214 (8.8 per cent) lower than in 2011/12. The highest revenue funding per person was in Shetland Islands Council, around £4,118; and the lowest was around £1,928 in City of Edinburgh Council ([Exhibit 3](#)). The variation in funding per head between councils can impact upon both their financial performance and financial position.

Exhibit 3

Revenue funding from general grants and taxation, 2015/16

Revenue funding per head varies significantly by council.



Note: General revenue grant funding allocations for individual councils are decided by a needs-based formula that takes into account a variety of factors including rurality (including an allowance for island authorities) and levels of deprivation.

Source: Councils' audited accounts for 2015/16; and General Registrar of Scotland mid-year population estimate for 2015

Councils are raising an increasing proportion of their income through fees, charges and specific grants

24. Councils' 2015/16 accounts show income from fees and charges and other specific grants income totalled £4.8 billion. In real terms, this was £324.0 million (7.2 per cent) more than in 2014/15 and represents the largest growth area in council income. Service income increased in a number of areas, including education, roads and transport. The most significant increase was within social work and social care services, reflecting how councils have accounted for funds provided by Integration Authorities for delivering services.³ Service income from other areas, including environmental and planning and development services, fell in real terms.

25. Councils' accounts do not show how much of their income is specifically from service charges. In 2013, the Accounts Commission highlighted that councils need to be clear about how their charging policies affect local citizens.⁴ Charges should not be set in isolation. Any decision to vary or introduce charges to generate income should take account of the council's priorities. We will be looking at this again in our future work programme.

Capital income increased in 2015/16, reflecting earlier Scottish Government decisions about capital funding

26. In 2015/16, councils' total capital income was £0.9 billion. This represented a real-terms annual increase of £50.4 million (5.8 per cent). £856.3 million of this capital income came from Scottish Government grant funding. Between 2010/11 and 2015/16, capital funding from the Scottish Government increased by three per cent in real terms.

27. As part of its 2011/12 Spending Review, the Scottish Government rescheduled some of councils' planned capital grant funding for 2012/13 and 2013/14 by two years. As a result, capital allocations in 2014/15 and 2015/16 were around 50 per cent more than originally planned. Scottish Government capital funding in 2016/17 has fallen to £597.9 million owing to the Scottish Government again rescheduling capital funding (£150 million) to later years.

28. When councils borrow, it is mainly to finance assets such as buildings, schools and houses. Councils' current and planned capital expenditure therefore impacts upon what they borrow, their total levels of debt and the level of reserves they hold. In [Part 2 \(page 19\)](#), we examine the financial position of councils and how debt and reserves directly affect this.

Councils' spending on services increased in 2015/16 but is lower than five years ago

29. In 2015/16, councils spent £19.5 billion (revenue and capital). This real-terms increase of £708.9 million on 2014/15 was driven by increased spending in 22 councils. Although councils spent £0.6 billion more than their income, this can be attributed in part to accounting adjustments that councils must make in their annual accounts.

30. Councils' spending included pensions and interest on borrowing, but the vast majority (94.2 per cent) was spent on providing services to their communities. At £18.3 billion, this was a real-terms increase of £756.6 million (4.3 per cent) on 2014/15.



Is income from fees and charges clearly reported?

What increases in fees and charges are planned and how will these affect your citizens? Do you consider local economic impacts?

How do your fees and charges compare to other councils?

Is your capital investment programme appropriately funded?

31. Twenty-six councils own council houses. In 2015/16, these 26 councils spent £1.3 billion on council housing, around 6.5 per cent of total local government spending. This ranged from three per cent of total spending in Shetland Islands Council to 19.2 per cent of spending in Aberdeen City Council.

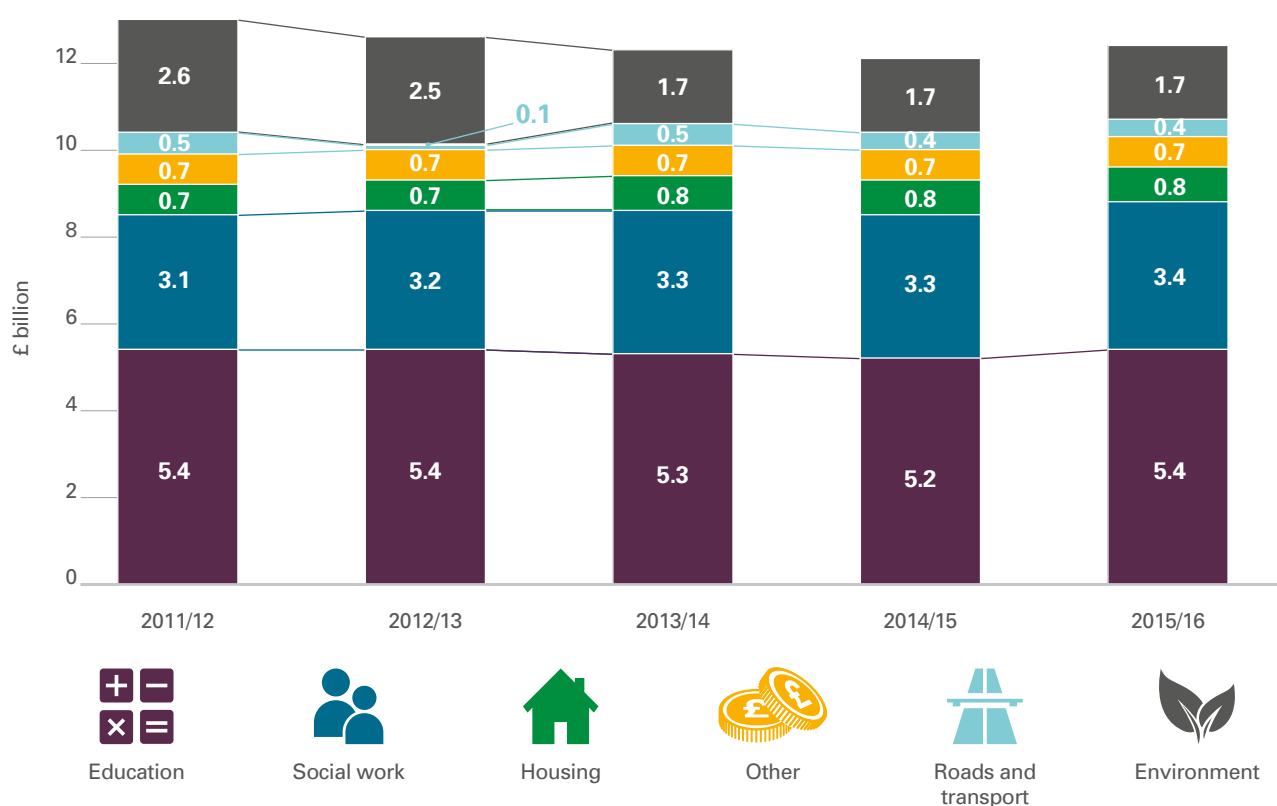
32. Overall, council expenditure remains 1.4 per cent lower than in 2011/12. Councils have managed financial pressures by controlling net spending (spending minus service income) over time. However, net service spending in 2015/16 was higher than in 2014/15, at £12.4 billion. The increase in 2015/16 included a real-terms increase of £217.3 million in net spending on education, driven by additional funding from the Scottish Government to support national educational priorities.

33. Real-terms spending on other services, such as roads and housing, has been maintained or reduced over time. The exception to this is social work and social care, where net spending has increased by £268 million (8.6 per cent) since 2011/12 ([Exhibit 4](#)). This reflects the increasing demand from a growing elderly population, which presents a huge challenge for both health and social care.⁵

Exhibit 4

Council spending on main services, 2011/12 to 2015/16 (at 2015/16 prices)

Councils have reduced or maintained real-terms net spending in a number of service areas, but there have been annual increases within social work.



Notes:

- The figures show net spending, which is the total amount spent less any income from fees, charges or other service income.
- Housing figures include spending from the General Fund (GF) and Housing Revenue Account (HRA).

Source: Councils' audited annual accounts, 2011/12-2015/16



Councils spent around £2.4 billion on capital projects in 2015/16, with around a quarter of this spent on council housing projects

34. Of the £19.5 billion that councils spent in 2015/16, £2.4 billion (12 per cent) was on investing in capital projects such as buildings, roads and equipment. Just over a quarter of this capital spending (£632 million, 27 per cent) was on council housing projects. Capital spending ranged from £13.8 million in Shetland Islands Council to £191.9 million in City of Edinburgh Council.


35. There is a wide range in the scale of councils' capital investment programmes relative to their other expenditure. For example, less than seven per cent of total spending in East Ayrshire Council was on capital projects, while it was over 20 per cent of total spending in Highland Council. Capital investment will be driven largely by the condition of councils' current estate and their local priorities. Capital investment can reduce ongoing revenue expenditure and generate income, but it also incurs long-term costs that impact on councils' revenue budgets.

36. The majority of councils (28) underspent significantly against their combined General Fund and Housing Revenue Accounts (HRA) capital budgets in 2015/16. Common reasons for this were project delays and project slippage where spending did not progress as expected. Where possible, councils attempted to offset this by bringing projects scheduled for later years forward into 2015/16. For example, Angus Council spent £48.3 million on its General Fund capital programme in 2015/16, £4.0 million (eight per cent) less than budgeted. This was after the council offset some of the forecast shortfall by bringing forward two education projects and beginning them in 2015/16 rather than in 2016/17.



Do you know what slippage there has been in capital projects and why? Are you assured that appropriate action is being taken?

Over two-thirds of councils remained within their overall budgets in 2015/16 but there were variations within individual services

37. Councils are required to submit their annual budget and expected expenditure (provisional outturn) to the Scottish Government. Like the budgets presented to councillors, these are prepared on a funding basis and this differs from the figures in the annual accounts ([Supplement 1](#)  outlines the differences).

38. Throughout the year councils will revise their initial budget estimates to take into account factors such as extra funding. Our analysis of annual accounts and the information councils provide to the Scottish Government indicates that provisional outturns were relatively accurate when compared to actual spending, with actual expenditure being within two per cent in most cases. ([Exhibit 5, page 17](#)).

39. While over two-thirds of councils have remained in line with their overall budgets in 2015/16, there are significant variations in how different services have performed within councils. Where some services are significantly overspending, this may be offset by underspends elsewhere and result in a council remaining within their overall budget.

40. Our review of councils' annual audit reports has highlighted a number of service areas where councils commonly over- or underspent against their budgets. Around a third of the reports highlighted overspending in social work or elements of social work services. Aberdeenshire Council, for example, overspent against its adult social work budget by £2.0 million, with a £2.7 million overspend on care packages being the main contributor to this. A number of councils, including Clackmannanshire, Dundee and Falkirk, reported overspending relating to fostering services and residential school placements.

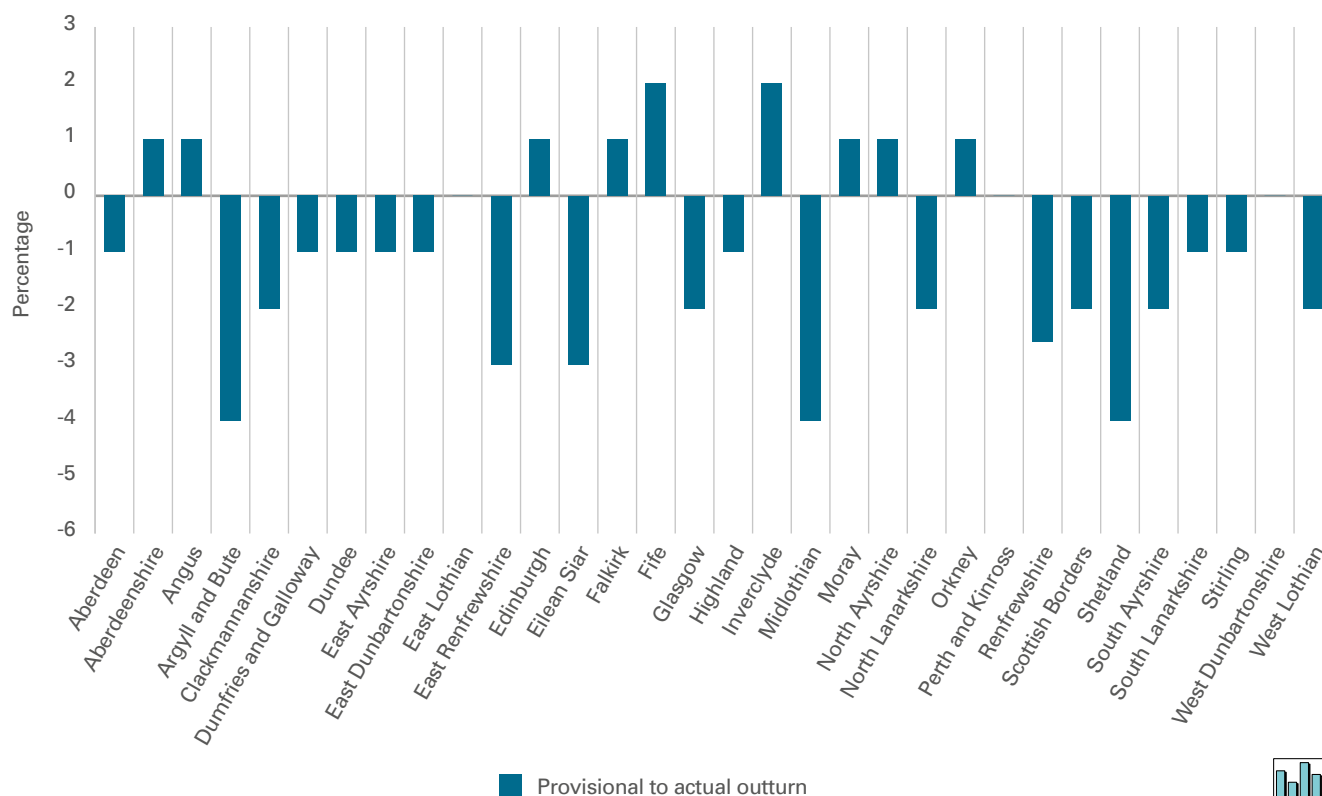
Do service budgets reflect your priorities?

Are potential overspends highlighted to you as they occur and before year-end?

Exhibit 5

Councils' provisional and actual net service expenditure, 2015/16

Only a few councils spent significantly more or less than they estimated near the end of the year.



Note: Budget figures that councils submit to the Scottish Government are prepared on a funding basis ([Supplement 2](#)). While there is no corresponding figure in the annual accounts, we are able to adjust the figures from the accounts to allow final service spending from the accounts to be compared to councils' provisional outturns.

Source: Councils' audited accounts 2015/16; and Provisional Outturn and Budget Estimate Statistics 2015/16, Scottish Government

41. Conversely, around a third of councils reported underspending against their education budgets or elements of these, and several councils underspent against their social work budgets. Last year, we reported that City of Edinburgh Council overspent its health and social care service budget by £5.9 million owing to demand pressures. In 2015/16, the service received additional funding of £9.8 million to provide additional short-term support and underspent its total budget by £3.4 million.

42. The need for budgets and forecasts to reflect actual spending becomes increasingly important for councils with decreasing or low levels of usable reserves to draw on. Councils cannot continue to rely on underspends in certain services offsetting overspending elsewhere. Where services have been found to consistently overspend, budgets should be revised to reflect true spending levels and patterns. This requires good financial management to ensure spending is accurately forecast and monitored within the year. The impact of current spending approved by councillors on the financial position can only be accurately assessed if budgets are robust.



Are there services where you are consistently over or under spending against your budget? Are such variances adequately explained?

Councils continue to generate savings through reducing their workforce

43. Councils have continued to reduce their workforces to make recurring savings. In doing so, they incur significant initial costs, typically lump sum payments for redundancy or early retirement, and additional payments to pension schemes if employees are offered enhanced benefits or early access to their pension. Councils' decisions on reducing their workforce numbers through exit packages are supported by business cases which set out the associated costs and potential savings. Councils will typically expect to recoup the costs and start making savings within a few years.⁶

44. In 2015/16, 2,246 staff left councils through exit packages at a total cost of £79.7 million. This represents an average cost of around £35,500 per package. In the last five years, just over 13,000 staff have left councils through exit packages at a cost of £518.5 million (at 2015/16 prices) (**Exhibit 6**). We will consider how councils are managing their workforces in more detail in our March 2017 report.



Are exit packages supported by business cases setting out the total estimated costs and savings?

Exhibit 6

Number and cost of staff exit packages, 2011/12 to 2015/16

Over 13,000 staff have left via exit packages since 2011/12 at a cost of £518.5 million at 2015/16 prices. The average cost per package has been reducing since 2012/13 and is less than £40,000 over the period.

2015/16 prices	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Number of packages	4,070	2,407	2,373	1,933	2,246	13,029
Cost of packages (£m)	156.9	112.7	94.2	75.0	79.7	518.5
Cost per package (£)	£38,555	£46,818	£39,681	£38,798	£35,504	£39,797

Source: Councils' audited accounts 2011/12-2015/16



Equal pay claims impact on councils' financial position

45. Equal pay remains a substantial issue for local government and continues to be of public interest. Settling claims may require councils to use a significant amount of their usable reserves, influencing their financial position. The Accounts Commission is currently carrying out a performance audit on equal pay and will publish our findings in 2017.

Part 2

Financial outlook



Key messages

- 1** By the end of 2015/16, usable reserves had risen by five per cent across local government and net debt decreased slightly for the second year in a row. Some councils are building up reserves and reducing borrowing in anticipation of further funding reductions.
- 2** Councils' net debt currently stands at £13.72 billion. Councils currently spend around £1.5 billion a year on the associated interest and repayments. The proportion of their income that councils spend on servicing debt varies and this has direct implications for the amount available to spend on services.
- 3** Local Government Pension Scheme (LGPS) deficits decreased from £10.0 billion to £7.6 billion in 2015/16. Despite this, councils and pension funds continue to face challenges from below-target or negative returns on investments and increasing administration costs.
- 4** All councils face future funding gaps and there is significant variation in how well placed individual councils are to address them. Councils will need to make further savings and/or generate additional income as relying on reserves is not sustainable. Opportunities to make savings are partly affected by national policy commitments and the costs of servicing debt. Councils' ability to make savings will also be influenced by the level of savings they have already made and the extent of their plans for transforming how services are delivered. It is therefore important that councils' savings plans are achievable within the timescales required.
- 5** Councils face tough decisions around their finances that require strong leadership and sound financial management. Long-term financial strategies must be in place to ensure council spending is aligned with priorities. Decisions need to be informed by well-developed medium-term financial plans and budget forecasts that allow councillors and officers to assess the impact of approved spending on their longer-term financial position.

all councils should have long-term financial strategies supported by more detailed financial plans

Councils continued to increase their usable reserves and reduced their net external debt in 2015/16

Usable reserves reached £2.5 billion in 2015/16

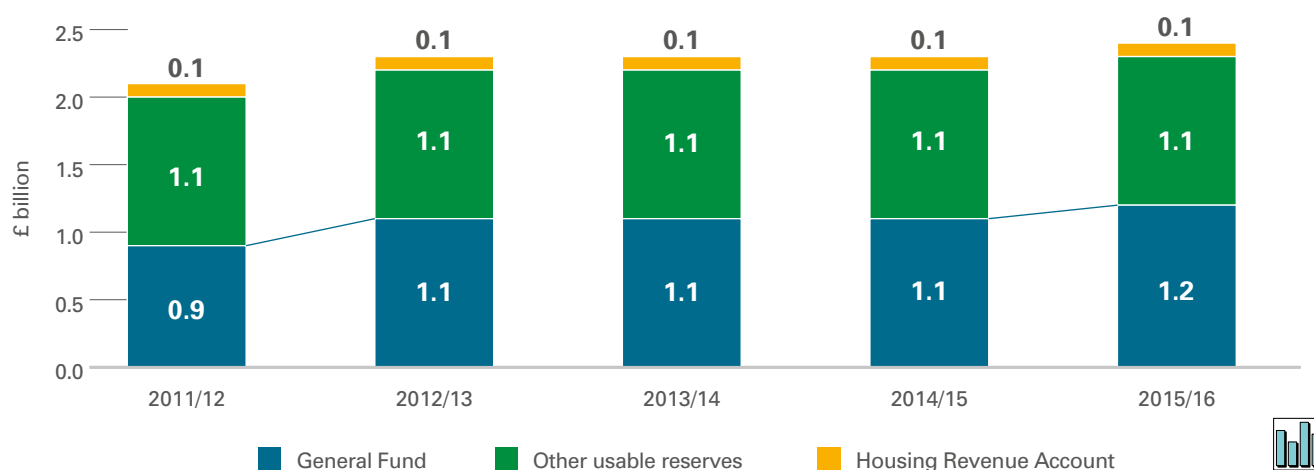
46. Councils' reserves at 31 March 2016 were £18.9 billion. Of these, £2.5 billion (13 per cent) were usable reserves that can be used to support services (these are often referred to as cash-backed reserves). The remainder were unusable reserves (£16.4 billion), which represent accounting adjustments to reflect things such as an increase in the value of council-owned buildings. Continuing the trend in recent years, councils increased both their usable and unusable reserves during 2015/16.

47. Usable reserves comprised £1.9 billion of revenue and £0.6 billion of capital reserves. The General Fund, which can be used to support a wide variety of services, is the largest usable reserve. Together with the Housing Revenue Account (HRA) reserve, these represent over half of usable reserves ([Exhibit 7](#)).

Exhibit 7

Councils' usable reserves, 2011/12 to 2015/16

Usable reserves have increased since 2011/12.



The level of General Fund reserves as a proportion of income from general revenue grants, NDR and council tax income has increased slightly since 2011/12.

2011/12	2012/13	2013/14	2014/15	2015/16
7.6%	8.8%	9.2%	9.4%	9.8%

Note: Other usable reserves are primarily attributable to Orkney and Shetland Islands holding large reserves relating to oil, gas and harbour related activities.

Source: Councils' audited accounts 2011/12-2015/16

48. Twenty-three councils increased their General Fund reserves in 2015/16, resulting in an overall increase of £58.0 million (5.2 per cent) to £1.2 billion. This is equivalent to about nine per cent of councils' available revenue income from

Scottish Government grants, NDR, council tax and council house rents. Half of the 26 councils with council houses increased their HRA reserves. This resulted in HRA reserves increasing by £11.9 million (9.2 per cent) overall to £141.8 million.

49. While usable reserves can be used to support services, councillors must consider how and when these are used as they can only be used once. Use of reserves must comply with the council's annually reviewed reserves policy. This should be clearly linked to financial plans and consideration must be given to the impact on future financial position. Using reserves to support services in the short term is not sustainable unless they are used to support service transformation and generate future savings. A significant proportion of usable reserves held by councils have already been allocated for specific purposes and so will not be available for other uses.



Do you know what levels of reserves are needed and why?

Do you think reserves are being used effectively?

Net debt decreased again in 2015/16, but is set to rise as councils use their reserves to fund services

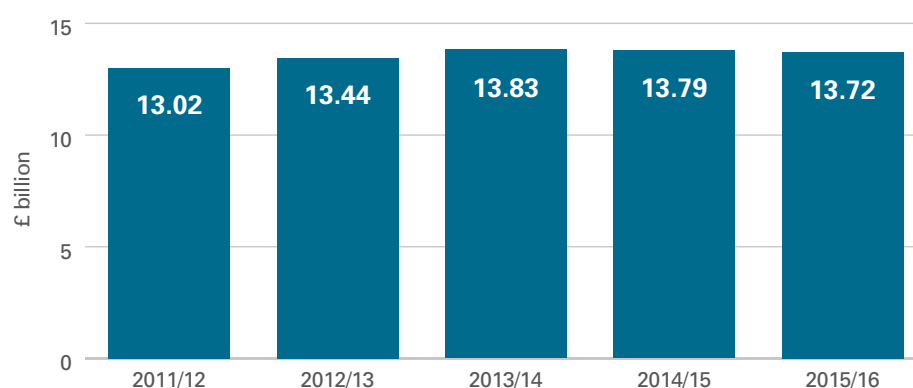
50. In 2015/16, Scotland's councils owned physical assets worth £38.3 billion. Councils can borrow from both external and internal sources to fund capital investment in new assets, such as building a school. Councils' assess the affordability of borrowing decisions under CIPFA's Prudential Code and it is up to individual councils as to what they borrow to invest in assets. External borrowing involves a council borrowing from another public sector body, from the financial markets or entering into a public-private partnership. Internal borrowing is when a council temporarily borrows from funds it has available, such as its reserves. This can delay it having to borrow externally. By doing this, a council will avoid paying costs to a lender but will also forego interest it could receive by investing its reserves.

51. For the second year in a row, councils' net debt (total external debt minus investments) decreased in 2015/16. The fall in net debt is largely a result of councils having higher levels of usable cash reserves that they can either invest or use to finance the capital expenditure for which they would otherwise have to borrow. Councils now have debt of around £15.2 billion and investments of around £1.5 billion. This means net debt is £13.72 billion, a reduction of £69 million (0.5 per cent) since 2014/15 ([Exhibit 8](#)).

Exhibit 8

Councils' net external debt, 2011/12 to 2015/16

Councils' net external debt has been falling but remains higher than in 2011/12.




Note: Orkney and Shetland Islands councils hold large reserves and investments related to oil, gas and harbour activity so are excluded from this analysis of net debt.

Source: Councils' audited accounts 2011/12-2015/16



52. We estimate value of internal borrowing across councils is about £0.9 billion. Interest payable on external debt is higher than the interest a council can receive on investments and so councils are utilising more internal borrowing to save money.

53. A key treasury management decision for councils will be when to borrow rather than use their cash reserves to fund projects. This will be influenced by councils' capital investment plans, the extent to which reserves are needed to support service spending as cost pressures increase (which means councils will need to borrow externally to replace the reserves used for internal borrowing) and whether any forecast change in interest rates makes external borrowing more attractive. The link between capital plans and debt is important and councillors must have a clear understanding of how changes in capital programmes will affect their council's debt position. Our report [*Borrowing and treasury management in councils*](#)  outlines this in more detail.⁷

Councils spend around £1.5 billion on servicing debt each year

54. Councils' external debt comprises borrowing from a variety of sources:

- the Public Works Loan Board (PWLb), which is a UK Government agency
- long-term liabilities from assets acquired under public/private partnerships, including the Public Finance Initiative (PFI), Public/Private Partnerships (PPP) or the Scottish Government's newer Non-Profit Distributing (NPD) model ([paragraphs 58 and 59](#))
- lender option/borrower option loans (LOBOs) ([paragraph 60](#))
- other market loans.

55. Within councils' accounts, debt is categorised by when it has to be repaid and not by source. It is also discounted to take into account factors such as when it has to be paid and interest payments. The source and value of councils' external debt in 2015/16 is shown in [Exhibit 9 \(page 23\)](#).

56. The presentation of local government accounts mean that it is not always possible to identify whether a council's debt is related to its HRA or its General Fund. This is an important distinction, as the cost of servicing HRA debt will affect council house rents, whereas the cost of servicing General Fund debt will need to be met from general revenue grants, NDR and council tax that are typically used to fund services.

57. The capital finance requirement included in councils' accounts, a measure of what council debt still needs to be financed, can be split between the HRA and General Fund. Using this split, we have apportioned debt to both the HRA and General Fund [Exhibit 10 \(page 23\)](#). This shows considerable variation.

58. Most council debt takes the form of traditional fixed interest rate loans, providing certainty over future interest payments. The exception to this is PFI/PPP/NPD debt and LOBOs. The cost of PFI/PPP/NPD debt is generally acknowledged to be more expensive than traditional borrowing, as repayments are usually inflation-linked. Councils should have considered this in their value for money assessments. Councils with a high proportion of PFI/PPP/NPD debt will have to make more complex affordability assessments for future borrowing. [Exhibit 11 \(page 24\)](#) shows levels of General Fund debt relative to the size of council, with the debt split between borrowing and other long-term liabilities (PFI/PPP/NPD and finance leases).



Are there clear links between the capital programme and treasury management strategy?

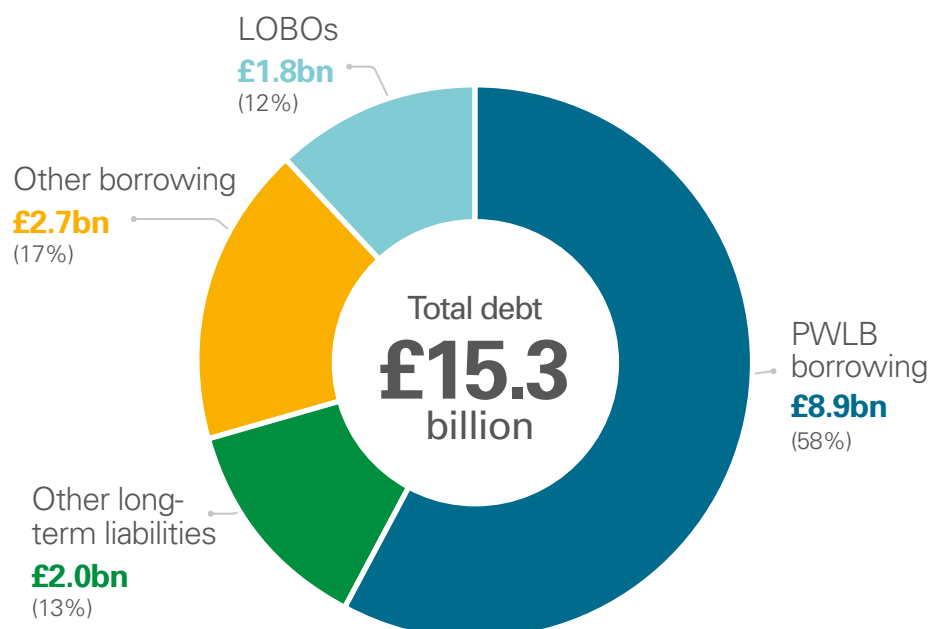
Do you know the implications that different types of borrowing options have on future revenue budgets?

Do you know the split in debt between General Fund and HRA (where applicable)? Is this reported within your management commentary?

Exhibit 9

Sources of councils' debt, 2015/16

Over half of council debt is borrowing from the PWLB.



Note: Total figure subjects to rounding.

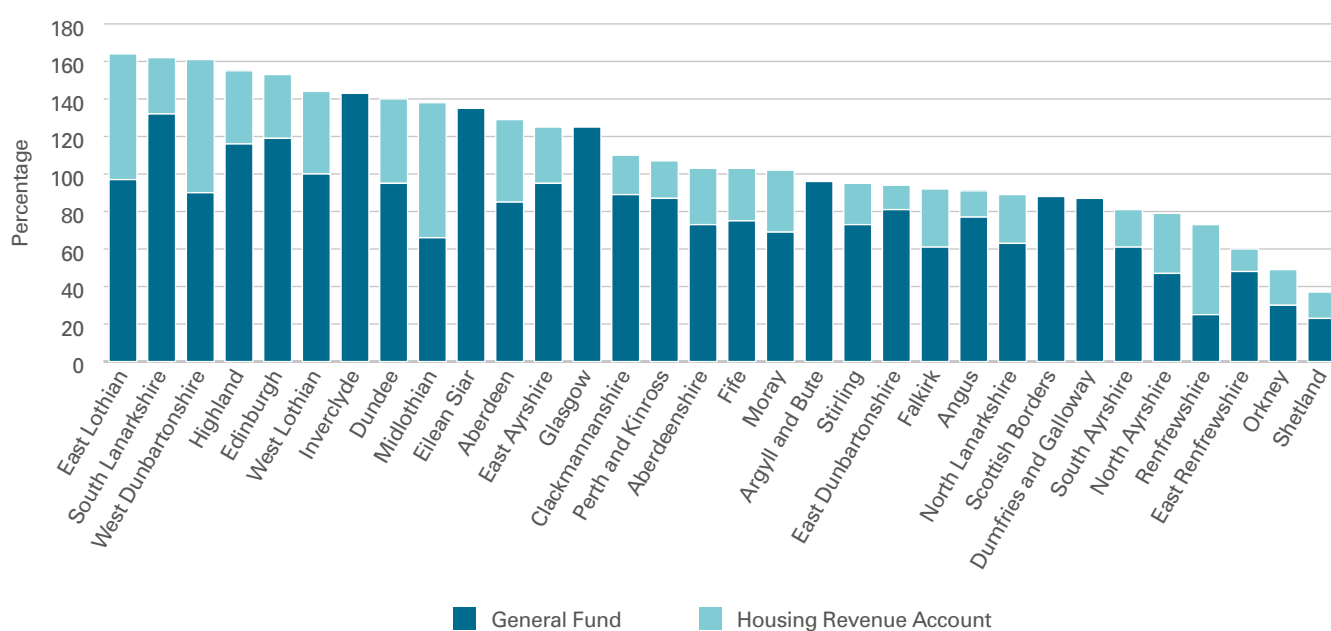
Source: Councils' audited accounts 2015/16 and auditor returns



Exhibit 10

Councils' total debt as a proportion of their annual income, 2015/16

Councils' debt varies from less than half to more than one and a half times their annual income.



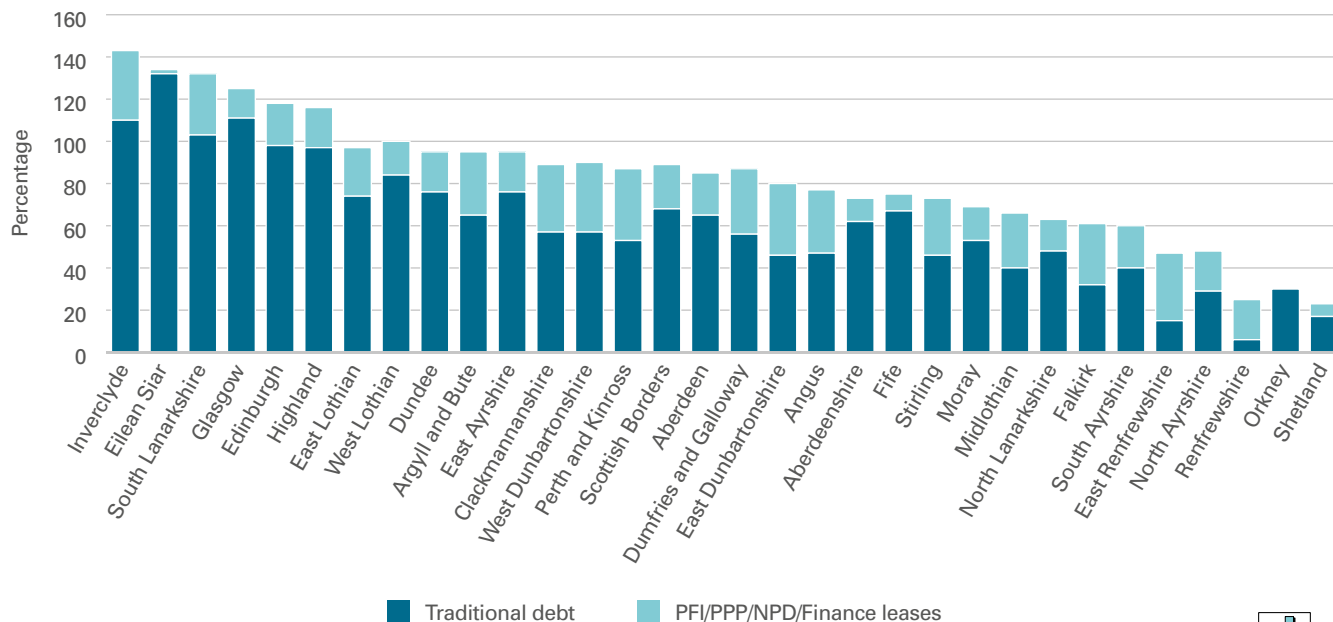
Source: Audit Scotland's analysis of councils' audited accounts 2015/16



Exhibit 11

Councils' General Fund debt, 2015/16

Councils with more debt relating to PFI/PPP/NPD projects and finance leases may face higher costs.



Source: Audit Scotland's analysis of councils' audited accounts 2015/16



59. As well as the debt and debt repayments associated with public/private partnerships, there are also significant revenue costs associated with these projects. Under the terms of the contracts, councils make annual repayments (unitary charges). Around 90 per cent of annual unitary charges relate to schools projects. The charges are made up of three elements: debt repayment, interest costs (both of which are included in debt servicing costs) and an annual service charge (included within the relevant service revenue spending). Councils' annual unitary charge payments are around £500 million per year. As councils' revenue budgets decrease, and the repayments increase in line with inflation, the proportion of revenue budgets being used to service the revenue elements of these contracts will increase.

60. LOBOs offered councils borrowing at lower interest rates than were available for fixed or variable interest loans but, at fixed intervals, a lender can decide to change the interest rate. As such, the long-term cost of servicing LOBOs is uncertain. While councils benefited from lower interest rates offered by LOBOs, their use has attracted public interest owing to the financial risk to which councils are exposed from the potential change in the interest rate.

61. The cost of servicing debt (repaying debt and interest costs) will depend on the mix of borrowing a council has, the interest rates secured at the time loans were taken out and the amounts it requires to set aside to repay debt. In 2015/16, this cost councils around £1.5 billion, equivalent to 12 per cent of their available funding from general government revenue grants, NDR, council tax and council housing rents. The percentage of this funding that councils use to service debt varies significantly, from 19.2 per cent in Comhairle nan Eilean Siar to 4.3 per cent in Orkney Islands Council. Aberdeenshire Council, with 7.1 per cent, is the council with the next smallest percentage of income used to service debt ([Exhibit 12, page 25](#)).

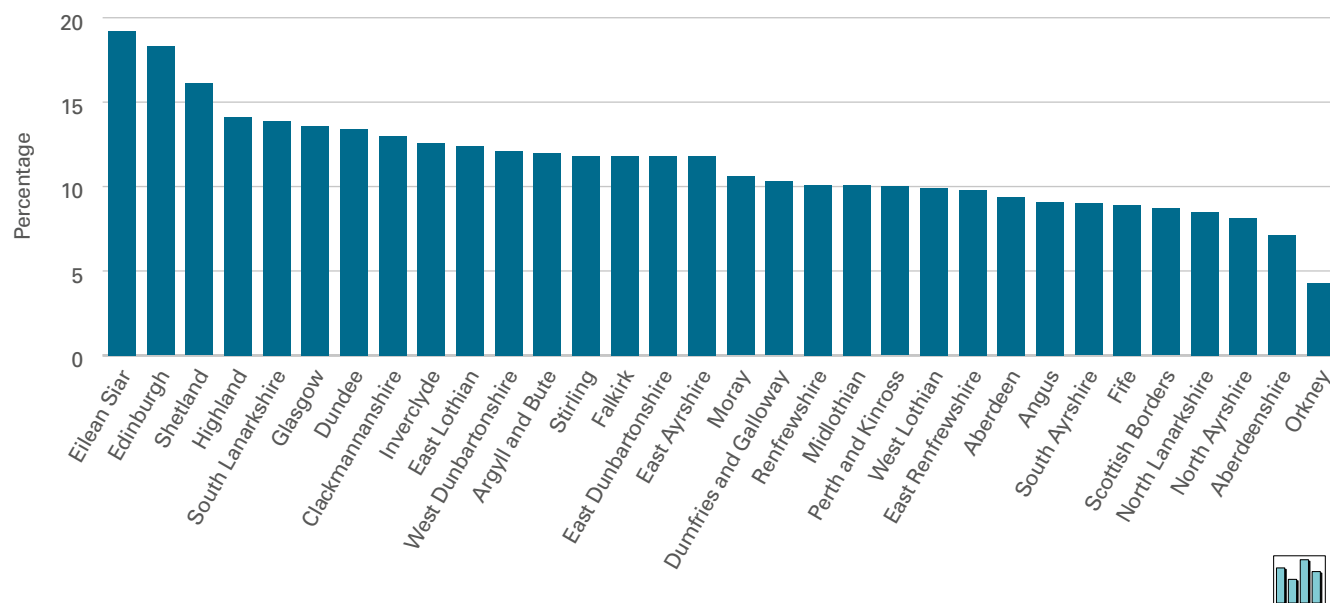


Do you know how debt repayments affect what money is available to spend on services?

Exhibit 12

The percentage of income used to service debt, 2015/16

Twenty-two councils spend ten per cent or more of their revenue income on servicing their debt.



Source: Councils' audited accounts 2015/16

62. The cost of servicing debt directly impacts upon council spending on services. However, councils can elect to reduce their debt by making extra repayments or by repaying loans early. Councillors must satisfy themselves that any accelerated debt repayment represents an appropriate use of funds, balancing the future savings against the current impact on council services.

Local government pension deficits decreased in 2015/16, mainly owing to estimated changes in long-term liabilities

63. Councils have long-term commitments regarding pensions. They are required to include a pension liability on their balance sheets for the Local Government Pension Scheme (LGPS) but not for the Scottish Teachers Superannuation Scheme (STSS).

64. The size of council pension liabilities varies significantly and depends on factors including:

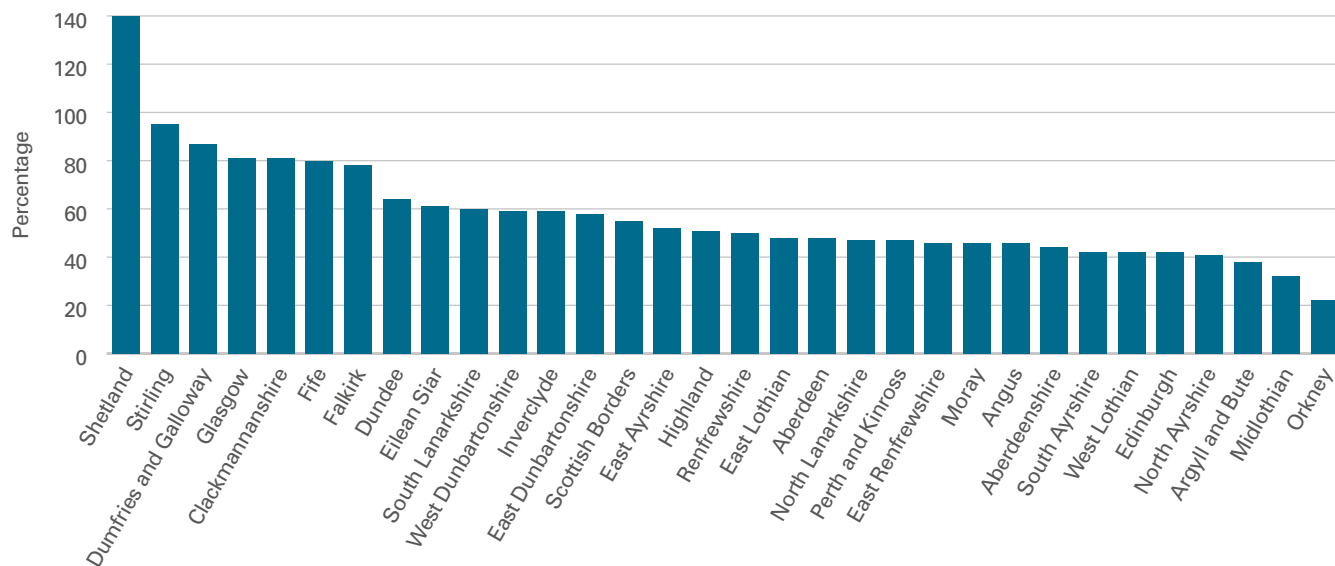
- performance of the pension funds of which they are members
- assumptions made by actuaries of the various funds
- the maturity of the council's membership (average age of pension scheme members)
- decisions made by councils to award discretionary benefits to staff retiring early.

65. Councils with larger pension liabilities will tend to have higher annual costs. The scale of the challenge for each council in meeting these costs can be illustrated by considering their pension liability in relation to their annual income ([Exhibit 13, page 26](#)).

Exhibit 13

Council pension liabilities (LGPS and discretionary benefits awarded), 2015/16

Councils' pension liabilities range from around 1.4 to 0.2 times their annual revenue incomes.



Source: Councils' audited accounts 2015/16

66. The LGPS is a funded pension scheme, where employers' and employees' contributions are invested to meet the cost of future benefits. For most councils, the estimated value of employees' benefits exceeds the current value of investments, leading to a net pension deficit. Councils' pension deficits reduced from £10.0 billion to around £7.6 billion during 2015/16 ([Exhibit 14, page 27](#)). This reduction is primarily due to actuarial calculations discounting the current value of what the funds will need to pay in the future. The factors contributing to this decrease include assumptions around inflation and salary increases decreasing and the discount rate increasing significantly.

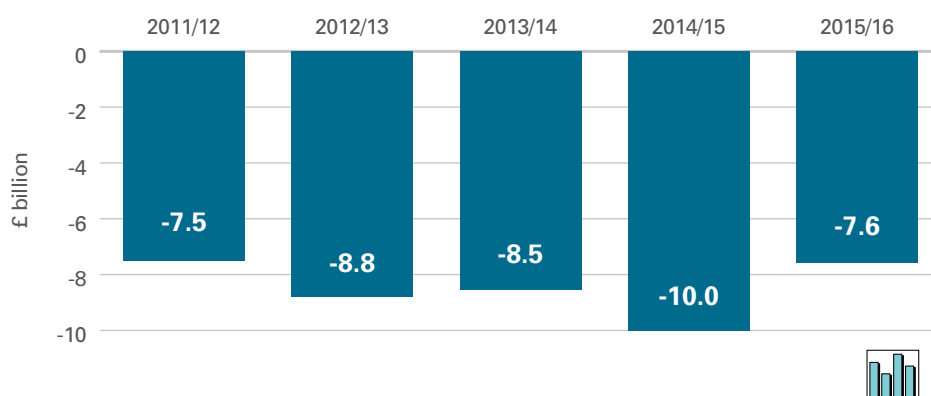
67. With increasing life expectancy, pension contributions have risen to help meet the increased cost of providing pension benefits. Employer contributions in respect of teachers increased by two per cent to 17.2 per cent in October 2016. Councils' contributions to the LGPS are reviewed every three years and will next be reviewed in 2017.

68. In 2015/16, the new 2015 LGPS was introduced. This sees pensions based on average career earnings and the pension retirement age linked to the state retirement age. The scheme includes a cost-sharing mechanism that limits employer costs to ensure it remains affordable. This cap is set by considering the cost associated with active members and will come into force when these reach a maximum of 17.5 per cent for the whole of the scheme (rather than for individual employers).

Exhibit 14

Pension deficits on councils' balance sheets, 2011/12 to 2015/16

Councils' pension deficits decreased in 2015/16, mainly owing to actuarial calculations discounting the value of future commitments.



Source: Councils' audited accounts 2011/12-2015/16

69. Alongside changes to the LGPS, pension auto-enrolment for existing and new employees is now in place. Traditionally there is high pension scheme membership among council staff but there will be additional costs associated with existing and new staff joining the pension scheme.

70. The councils that administer the 11 LGPS funds in Scotland have coped well with these changes. However, the scheme changes, combined with workloads associated with councils reducing their staffing costs through voluntary severance and having to administer added year payments, means there are ongoing administrative pressures.

71. We comment on the 11 LGPS funds, their accounts, governance and performance in a supplement to this report ([Supplement 2: Local Government Pension Funds 2015/16](#) )

Good financial planning and management are required to ensure the impact of spending decisions is fully understood

72. Councils are developing their financial strategies and plans in an increasingly complex environment. It is imperative that long-term financial strategies (covering five to ten years) link spending to councils' strategic priorities and that spending plans are considered in this context.

73. The Commission recognises that the Scottish Government providing funding settlement figures for a single year (as in 2016/17 and 2017/18) presents challenges to councils updating medium-term financial plans and ensuring they have long-term financial strategies in place. Although we recognise changes in Scottish Government funding may alter assumptions in both the long and medium terms, the absence of indicative funding should not prevent councils projecting future income and spending, and planning accordingly.

74. Fourteen councils currently have long-term financial strategies in place while 15 others have at least a medium-term financial strategy (three to five years) linking their spending plans to their wider strategic priorities. Three councils (East Renfrewshire, Glasgow City and Highland) do not have a financial strategy covering the medium or long term.



Do you have a long-term financial strategy covering five to ten years?

Are there clear links between the financial strategy and the vision for the future?

Is the long-term financial strategy supported by detailed plans covering a minimum of three years?

75. Twenty-nine councils have either medium-or long-term financial plans that set out planned spending, the savings required and how they intend to use reserves to support spending. Two councils have financial plans covering less than three years (Falkirk and Glasgow City). Orkney Islands Council does not have a financial plan but has a medium term financial strategy and a change programme is in place to deliver the medium-term savings identified.

76. There should be very clear links between a council's medium-term financial plan and the annual budgets that councillors approve. Although councillors approve only the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures for councils. Presenting a budget for a single year in isolation does not allow councillors to fully scrutinise the implications of spending decisions.

77. There is variation across councils in how they presented indicative future budgets to councillors alongside their 2016/17 budget. Twenty-three councils presented budgets up to 2018/19; four (Glasgow City, North Ayrshire, South Ayrshire and West Lothian) presented budgets up to 2017/18; and five (Aberdeen City, Angus, Dundee City, Orkney Islands and Renfrewshire) presented budget figures for 2016/17 only.

Councils face significant funding gaps over the next three years

78. We asked auditors to provide information about budgets for 2016/17 and indicative plans for 2017/18 and 2018/19 that were presented to councillors when the 2016/17 budget was being approved ([Appendix \(page 34\)](#)). We focused on the largest elements of councils' budgets: the General Fund revenue budget; the level of approved savings within this budget; and the potential impact of this upon councils' General Fund reserves.

79. Within our analysis we have made several simplifying assumptions. We have only adjusted for savings approved in 2016/17 and further savings will have been identified. When approved these savings will offset future funding gaps. We have also assumed that any identified funding gaps will be met from General Fund reserves when councils' can also use other usable reserves to support spending. Finally, we have assumed that all General Fund reserves are available to close identified funding gaps when a significant proportion of these reserves may have already been allocated.

80. Where councils did not provide information to their auditors about their forecast General Fund budgets in 2017/18 and 2018/19, we made some assumptions from available information. Most councils that provided information up to 2018/19 are forecasting a continued reduction in revenue funding from the Scottish Government but with increases in council tax receipts. They are also forecasting that spending will increase. In particular, they anticipate rising demand on key services through demographic changes and generally assume wage inflation of between 1.0 and 1.5 per cent in both 2017/18 and 2018/19.

81. At the time of setting the 2016/17 budgets, councils anticipated an £87 million in-year shortfall between General Fund revenue income (excluding any use of reserves) and expenditure (after approving savings of £524 million). They planned to bridge the gap by using seven per cent of existing General Fund reserves, reducing them from £1.2 billion to around £1.1 billion by the end of 2016/17.

82. All councils have adequate reserve cover in 2016/17, meaning at the end of the year they will still have General Fund reserves they can use in future. The



Is the long-term financial strategy supported by detailed plans covering a minimum of three years?

Do financial plans set out the implications of different levels of income, spending and activity?

Is there a clear link between the council's revenue plans and the budget information you are asked to approve?

Do financial plans identify the differences between income and expenditure for the next three years?

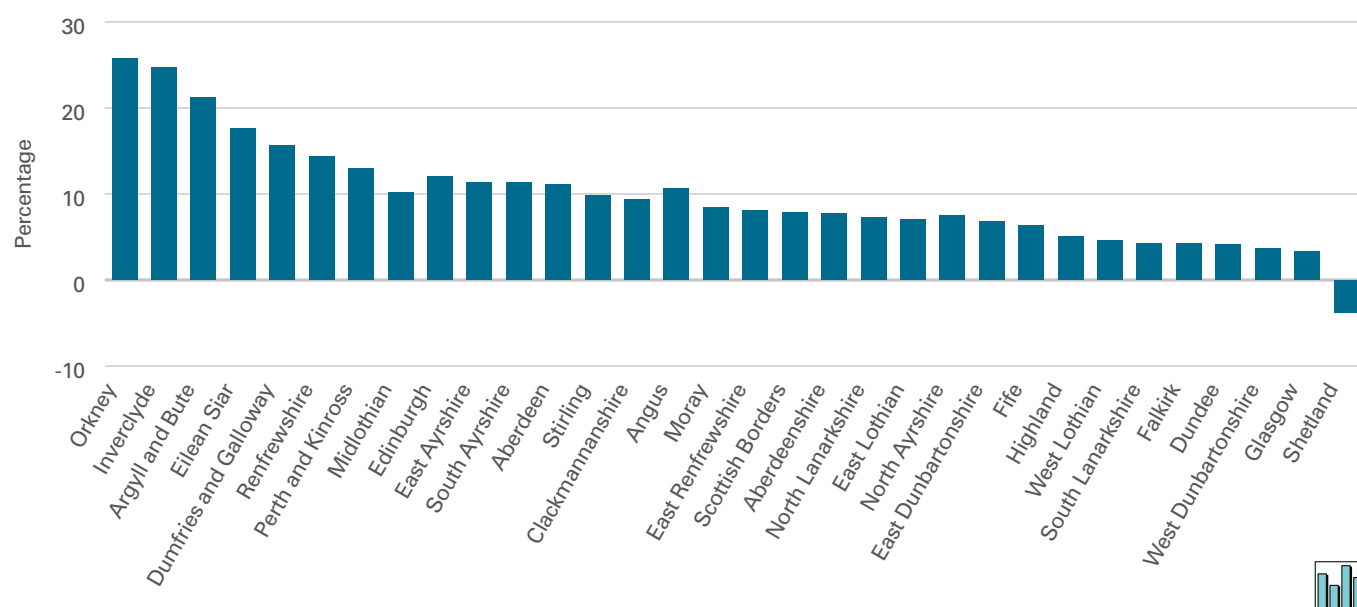
Do you know the actions being taken to close the funding gap?

exception is Shetland Islands Council, but only because of the way it classifies its sizeable reserves as opposed to any financial difficulties or it approving an unbalanced budget. General Fund reserves at the end of 2015/16 were equivalent to nine per cent of councils' overall income from the Scottish Government, NDR, council tax and council housing rents ([paragraph 48](#)). Adjusting for reserves that councils planned to use in 2016/17 reduces this to just over eight per cent ([Exhibit 15](#)). Councils will also have already allocated a proportion of their available reserves for specific purposes, and therefore what remains available as a contingency to support services will be significantly less.

Exhibit 15

2015/16 General Fund reserves as a percentage of councils' income, adjusted for planned reserve use in 2016/17

The level of reserves held as a percentage of income varies widely among councils.



Note: Shetland Islands Council classifies its reserves differently. This is not an indication of financial difficulties or an unbalanced budget.
Source: Councils' audited accounts 2015/16 and auditor returns

83. Seventeen councils planned to use reserves to balance their budget in 2016/17. This ranged from Moray Council planning to use 28 per cent of reserves to Dumfries and Galloway Council intending to use less than one per cent.

84. Excluding Shetland Islands Council, two councils (Falkirk and South Lanarkshire) forecasted a funding gap in excess of their General Fund reserves in 2017/18. A further 11 councils currently forecast a funding gap in excess of their General Fund reserves in 2018/19. Our analysis therefore indicates that by 2018/19, over a third of councils will face a funding gap that exceeds their General Fund reserves. We recognise that since setting their 2016/17 budgets this position will have changed as councils have continued to identify other savings to address funding gaps.

Exhibit 16

Council budget information for 2016/17, 2017/18 and 2018/19

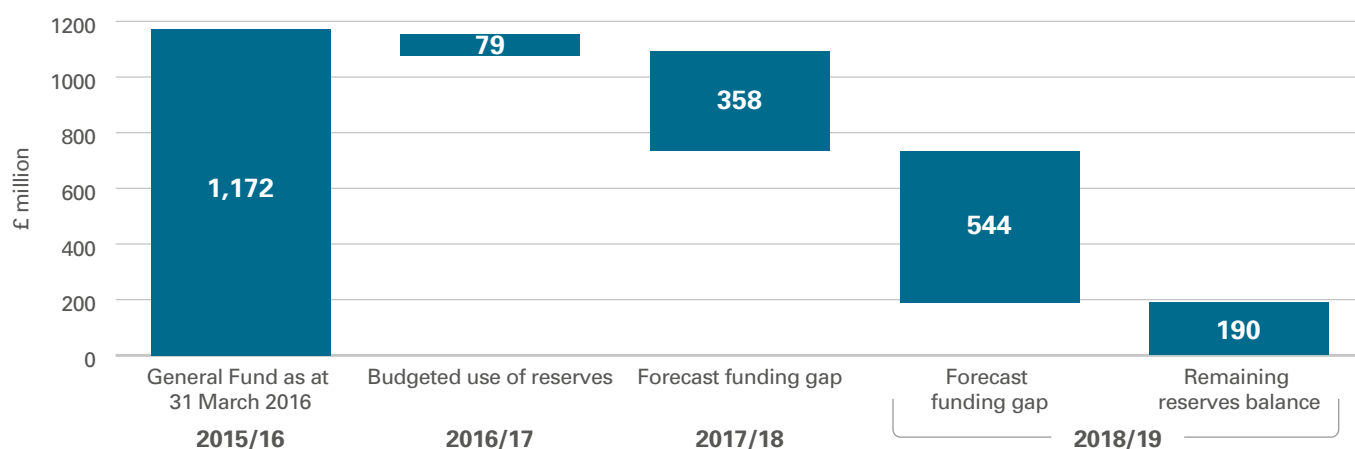
Councils planned to use £79 million of reserves in 2016/17 and forecast significant funding gaps in the following two years. There were significant forecasted funding gaps across the 23 councils that approved their 2016/17 budgets accompanied by indicative plans for the next two years.

	2016/17 (32 councils)	2017/18 (27 councils)	2018/19 (23 councils)
	Budget	Forecast funding position	Forecast funding position
Income	£11.94 billion	£10.32 billion	£7.85 billion
Expenditure	£12.01 billion	£10.65 billion	£8.25 billion
Budgeted use of reserves/ Forecast funding gap	£79 million	£323 million	£402 million

After applying assumptions derived from completed returns to estimate the position for councils that did not provide information for all three years, we estimated the following position:

	2016/17	2017/18	2018/19
	Budget	Forecast funding position	Forecast funding position
Income	£11.94 billion	£11.82 billion	£11.72 billion
Expenditure	£12.01 billion	£12.18 billion	£12.27 billion
Budgeted use of reserves/ Forecast funding gap	£79 million	£358 million	£544 million

The potential impact on General Fund reserve balances is illustrated below, assuming that further savings are not approved and funding gaps are met from General Fund reserves. A proportion of these reserves, however, will have already been allocated for other purposes.



Note: Total figures subject to rounding.

Source: Councils' audited accounts 2015/16 and auditor returns



85. The level of General Fund reserves as a percentage of General Fund revenue expenditure would fall from 9.1 per cent at the end of 2016/17 to 1.5 per cent at the end of 2018/19 if all funding gaps had to be met from General Fund reserves. This reflects the need for councils to draw on a significant proportion of reserves if further savings are not identified and approved ([Exhibit 16, page 30](#)).

Councils need to appraise all possible options to address forecasted funding gaps

86. Councils need to make significant savings to address forecasted funding gaps without significantly reducing reserves in the next three years to support recurring spending. Councils' ability to make savings will be influenced by a range of factors, including:

- the level of savings they have already made and the extent of their plans for transforming how services are delivered
- national policy commitments for example, around education
- demographic changes increasing demand for services such as social care
- the costs of servicing debt, such as PPP/PFI/NPD revenue payments relating to school buildings.

87. In total, net spending on education, social work and interest payments on external debt equates on average to almost 75 per cent of local government income from general revenue grants, NDR, council tax and council housing rents. The variation across councils is shown in ([Exhibit 17, page 32](#)). Councils with a higher proportion of spending on education, social work and debt repayment may face greater challenges in generating their required savings, and potentially face making more significant savings in other areas. This highlights the importance of councils appraising all possible options for delivering their broad range of services. Recent Best Value audits have shown councils relying on incremental savings rather than considering service redesign options. The Commission is of the view that this is neither sufficient nor sustainable given the scale of the challenge facing councils.

Councillors should understand how the plans and budgets they are approving will affect the financial position of their council

88. Throughout this report, we ask councillors and officers to be clear about how their financial strategies, plans and agreed budgets affect their council's financial position. We would expect the following to form part of an assessment of the short and medium-term financial sustainability:

- confirmed and indicative changes in Scottish Government funding to councils
- how to avoid any short-term budget pressures, such as significant overspending in services that could result in the financial position of councils deteriorating
- whether future financial plans provide sufficient spending information to be considered when approving budgets.

89. In the medium to long term, we would also expect the presence of long-term financial plans, and the assumptions these make, to be taken into account alongside the following factors:



Do you know what plans there are to redesign services and deliver savings?

Are savings plans realistic within agreed timescales?

Are all savings clearly identified and categorised as recurring or non-recurring (i.e. one off) savings?

Is the council reliant on non-recurring savings?

Do you know what will happen to the reserves if savings are not made?

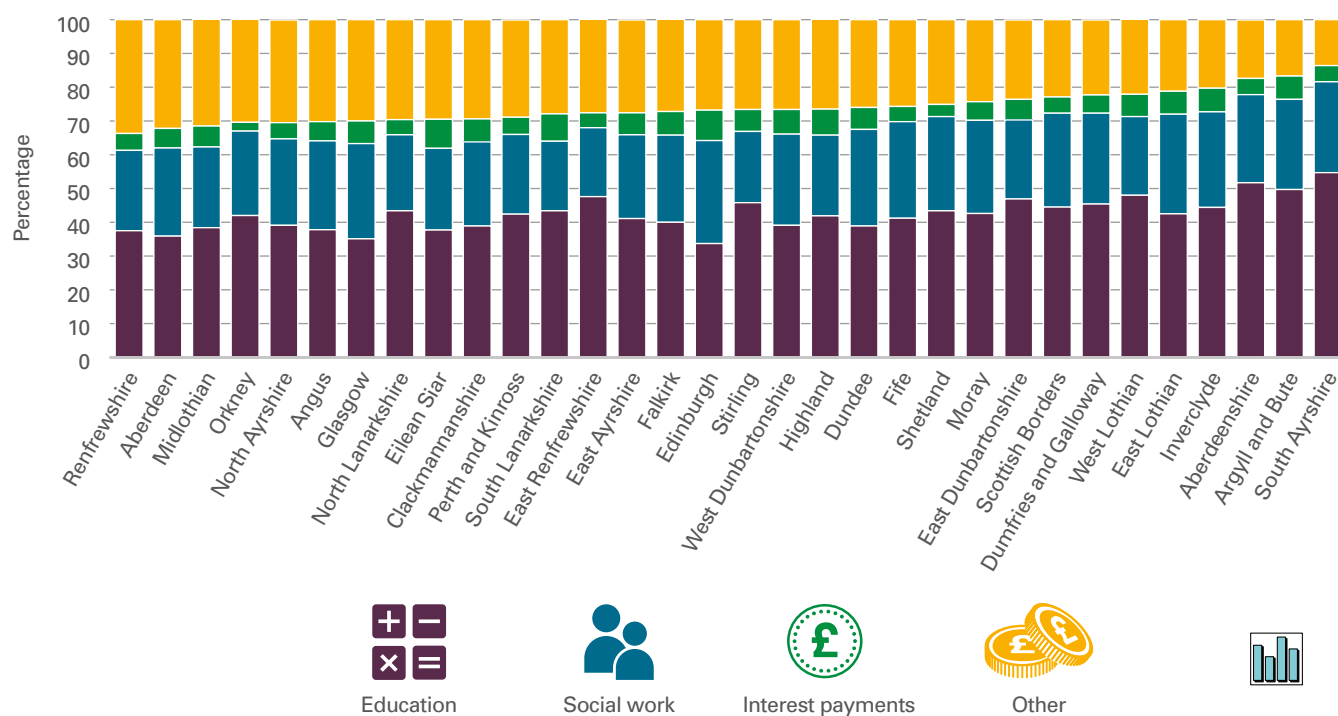
Do you feel you have the knowledge and expertise to scrutinise your finances effectively?

- current reserve levels and how these will be used to support service transformation and delivery while continuing to provide a suitable level of contingency
- expected demand and ongoing cost pressures, including councils' pension obligations, and how these are likely to impact on the services councils need to deliver
- the impact options for investing in assets (such as buildings) will have on both councils' debt and available income, taking into account ongoing servicing costs.

Exhibit 17

Percentage of councils' income spent on education, social work and interest payments, 2015/16

Savings may be more difficult to identify where councils devote more spending to education, social work and paying interest on their external debt.








Notes: 1. Figures are from councils' accounts and include interest payments totalling £814 million, including annual interest costs associated with PFI/PPP/NPD projects. 2. The £1.5 billion debt servicing costs quoted elsewhere are on a funding basis and are not directly comparable for the purposes of this analysis and includes the annual repayments of debt related to PFI/PPP/NPD projects. 3. For the purposes of this analysis net spending on social work services includes money directed to and from Integration Authorities.

Source: Councils' audited accounts 2015/16

Endnotes



- ◀ 1 Most of the increase in service income is due to a £371 million increase in social work and social care income because of how councils have accounted for money being returned to councils from the new Integration Joint Boards (IJBs) which are now responsible for local health and social care.
- ◀ 2 Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013. From 2013/14, revenue funding includes payments for council tax reduction, replacing council tax benefit previously coming from the UK Government.
- ◀ 3 Councils contribute to Integration Authorities (IAs), and receive money back to provide services on behalf of the IA. Social Work income in the accounts may be inflated depending on how councils have recorded this income received from the IA.
- ◀ 4 [*How councils work: an improvement series for councillors and officers – Charging for services: are you getting it right?*](#) , Audit Scotland, October 2013.
- ◀ 5 [*Health and social care integration*](#) , Audit Scotland, December 2015; and [*Social work in Scotland*](#) , Audit Scotland, September 2016.
- ◀ 6 [*Managing early departures from the Scottish public sector*](#) , Audit Scotland, May 2013.
- ◀ 7 [*Borrowing and treasury management in councils*](#) , Audit Scotland, March 2015.

Appendix

Methodology of funding gaps analysis



There are challenges in analysing budget information for individual councils to provide a comparative picture across local government. This is mainly due to variations in the way councils prepare and present budget information and the terminology used to define funding gaps. In discussions with local auditors and wider stakeholders we have designed our approach to try and address these challenges.

To allow a more consistent comparison among councils, we have revised how we define a funding gap. Previously the Commission identified a budget shortfall as the difference between income and expenditure, and a funding gap to be any remaining difference once savings approved by councillors have been taken into account (for example, service redesign, approved savings or use of reserves). Feedback from auditors and wider stakeholders suggested these definitions did not accurately reflect how councils refer to a funding gap.

As part of our 2015/16 audit work, we issued an information request to auditors. This focused on councils' General Fund revenue budgets for 2016/17, their budgeted use of reserves and forecasted differences between income and expenditure. We also requested information about approved savings and the main assumptions in respect of the forecasted figures.

In this analysis, we have focused on councils' General Fund budgets and the difference between income (excluding income drawn from reserves) and expenditure (reduced only for approved savings). This allows us to report on the budgeted use of reserves in 2016/17. Forecasted differences between income and expenditure in 2017/18 and 2018/19 then represent the forecasted funding gap, better reflecting the feedback we received about how this term is generally used.

The revised approach provides greater clarity about each council's plans and of the current position of the sector. We asked auditors to provide the level of savings formally approved by councils as part of the 2016/17 budget-setting process. This will include specific savings as well as general efficiencies. While it is expected that councils will continue to identify and approve further savings, the forecast funding gaps for 2017/18 and 2018/19 represent what councils currently forecast they will need to reduce expenditure by or finance from their reserves, ahead of formally approving further savings for these years.

We have applied common assumptions to allow the position of all 32 councils to be reported for years where individual councils did not supply information. Using information supplied by the other councils, we derived and applied:

- a reduction in income of 1.10 per cent and an expenditure increase of 1.16 per cent in 2017/18
- a reduction in income of 0.89 per cent and an expenditure increase of 0.66 per cent in 2018/19.

Local government in Scotland

Financial overview

2015/16

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Local government financial overview 2015/16

Self-assessment tool for councillors

ACCOUNTS COMMISSION 



This self-assessment brings together a number of potential questions for councillors related to [Local government in Scotland: Financial overview 2015/16](#) . It is designed to help councillors identify how well informed they are about each area and to highlight areas where they may wish to ask further questions.

We have also included a high-level guide to the main service expenditure on an accounting basis (as identified in the accounts) and on a funding basis (as used for budgeting purposes).

How well informed am I?		
Questions for councillors to consider	What do I know?	Do I need to ask further questions?
Annual accounts and financial transparency (paragraphs 10 to 12)		
<ul style="list-style-type: none"> Does the management commentary of our annual accounts provide a clear and easily understandable account of the council's finances? 		
Funding and income (paragraphs 13 to 25)		
<ul style="list-style-type: none"> How do you consider potential changes to income streams and their impact on spending and services as part of medium and long-term planning? 		
<ul style="list-style-type: none"> Is income from fees and charges clearly reported? 		
<ul style="list-style-type: none"> What increases in fees and charges are planned and how will these affect our citizens? Do you consider local economic impacts? 		

How well informed am I?

Questions for councillors to consider

What do I know?

Do I need to ask further questions?

- How do your fees and charges compare to other councils?

Capital investment (paragraphs 26 to 28)

- Is your capital investment programme appropriately funded?
- Do you know what slippage there has been in capital projects and why? Are you assured that appropriate action is being taken?

Council budgeting (paragraphs 37 to 42)

- Do service budgets reflect your priorities?
- Are potential overspends highlighted to you as they occur and before year-end?
- Are there services where you are consistently over or under spending against your budget? Are such variances adequately explained?

Council workforces (paragraphs 43 to 45)

- Are exit packages supported by business cases setting out the total estimated costs and savings?

Reserves (paragraphs 46 to 49)

- Do you know what levels of reserves are needed, and why?
- Do you think reserves are being used effectively?

Debt (paragraphs 50 to 62)

- Are there clear links between the capital programme and our treasury management strategy?

How well informed am I?

Questions for councillors to consider

What do I know?

Do I need to ask further questions?

- Do you know what the implications that different types of borrowing options have on future revenue budgets?
- Do you know the split in debt between General Fund and HRA (where applicable)? Is this reported within your management commentary?
- Do you know how debt repayments affect what money is available to spend on services?

Financial strategies and plans (paragraphs 72 to 77)

- Do you have a long-term financial strategy covering five to ten years?
- Are there clear links between the financial strategy and the vision for the future?
- Is the long-term financial strategy supported by detailed plans covering a minimum of three years?
- Do financial plans set out the implications of different levels of income, spending and activity?
- Is there a clear link between the council's revenue plans and the budget information you are asked to approve?

Funding gaps, savings and service transformation (paragraphs 78 to 87)

- Do financial plans identify the differences between income and expenditure for the next three years?
- Do you know the actions being taken to close the funding gap?
- Do you know what plans there are to redesign services and deliver savings?

How well informed am I?

Questions for councillors to consider

What do I know?

Do I need to ask further questions?

- Are savings plans realistic within agreed timescales?
- Are all savings clearly identified and categorised as recurring or non-recurring (ie, one-off) savings?
- Is the council reliant on non-recurring savings?
- Do you know what will happen to the reserves if savings are not made?

Scrutiny considerations (paragraph 88 to 89)

- Do you feel you have the knowledge and expertise to scrutinise your finances effectively?

The differences between financial information presented on a funding and an accounting basis

Council accounts show spending on services on an accounting basis which is higher than the amounts council's budget to spend

1. Councils prepare their annual accounts based on International Financial Reporting Standards. These are the same standards followed by large private sector companies and they set out the principles and rules that apply for accounting. The Code of Practice on Local Authority Accounting in the United Kingdom, published annually by CIPFA, interprets how these standards are to be applied to councils.

2. Some spending on services recorded in the accounts does not need to be funded from available resources in the year. Conversely some of the things that councils do need to fund in the year, by statute and regulation, are not required to be treated as spending by companies. Councils set their budgets on the basis of what needs to be funded in the year. This means they budget for the amounts they need to either pay or to set aside.

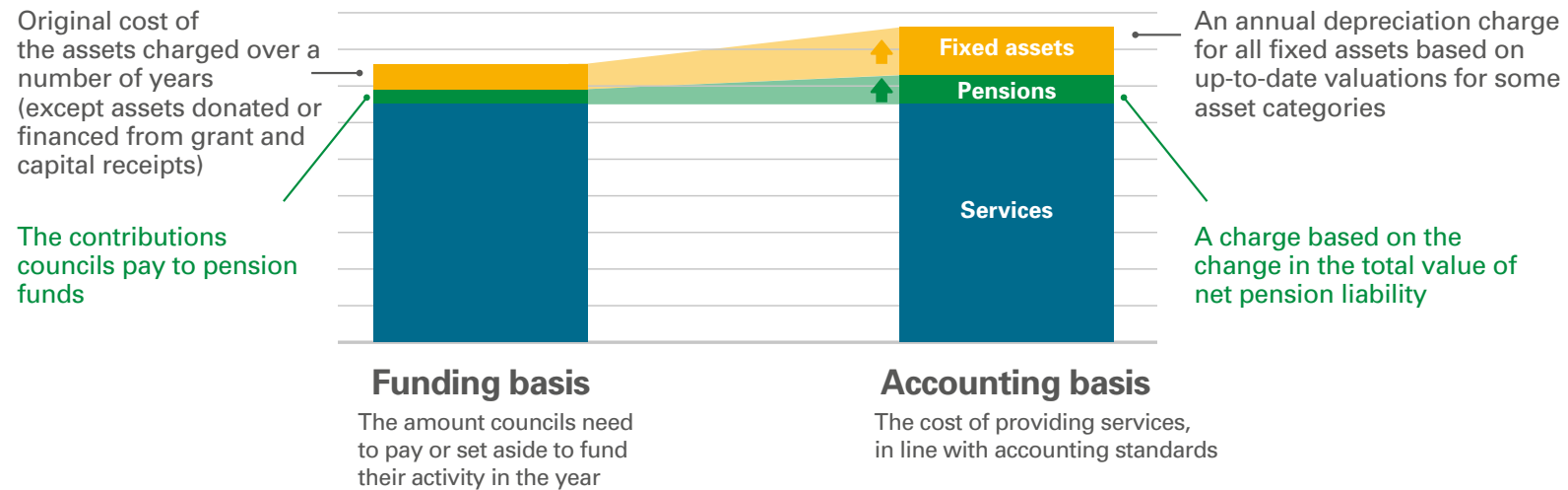
3. Councils' annual accounts include details of the adjustments necessary to get from an accounting basis to a funding basis. However, this complex area is not always well explained. Councils have found it difficult to link the figures in the annual accounts with those in budget reports. The [Exhibit 1 \(page 5\)](#) overleaf shows the main differences between service expenditure on an accounting basis (as identified in the accounts) and on a funding basis (as used for budgeting purposes).

4. From 2016/17, councils will be required to include an expenditure funding analysis showing more clearly the differences between the figures in the accounts and those that officers and members will be more familiar with from budget reports. The Commission welcomes this development as it is hoped this will present figures councillors are more familiar with and therefore make the accounts more useful at a local level and improve scrutiny of the accounts.

Exhibit 1

The main differences between a funding basis and an accounting basis

The main differences are in respect of pensions and fixed assets.



Source: Audit Scotland



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Local Government Pension Scheme 2015/16



ACCOUNTS COMMISSION 

1. This supplement accompanies our Financial Overview of Local Government in Scotland 2015/16.
2. There are 11 council administered Local Government Pension Scheme (LGPS) pension funds in Scotland. They range from one of the biggest pension funds in the UK (Strathclyde) to one of the smallest (Orkney). Key LGPS facts are shown in [Exhibit 1](#).

Exhibit 1

Scottish Local Government Pension Scheme—key numbers

Membership



Active **226,000**
Deferred¹ **126,000**
Pensioner **169,000**

Assets and liabilities



Position
£34.5 billion assets
£41.8 billion liabilities
(estimate)

Transactions



£1.1 billion benefits paid
£0.94 billion employer contributions
£0.27 billion employee contributions
£0.68 billion return on investments

Note: 1 Deferred pensioners are members who have left the scheme but will be eligible for benefits upon reaching retirement age

3. It has been a challenging year for the LGPS in Scotland with the introduction of the new career average revalued earnings (CARE) scheme from 1 April 2005, new governance arrangements at UK, Scotland and local levels and uncertainty in investment markets affecting investment returns.

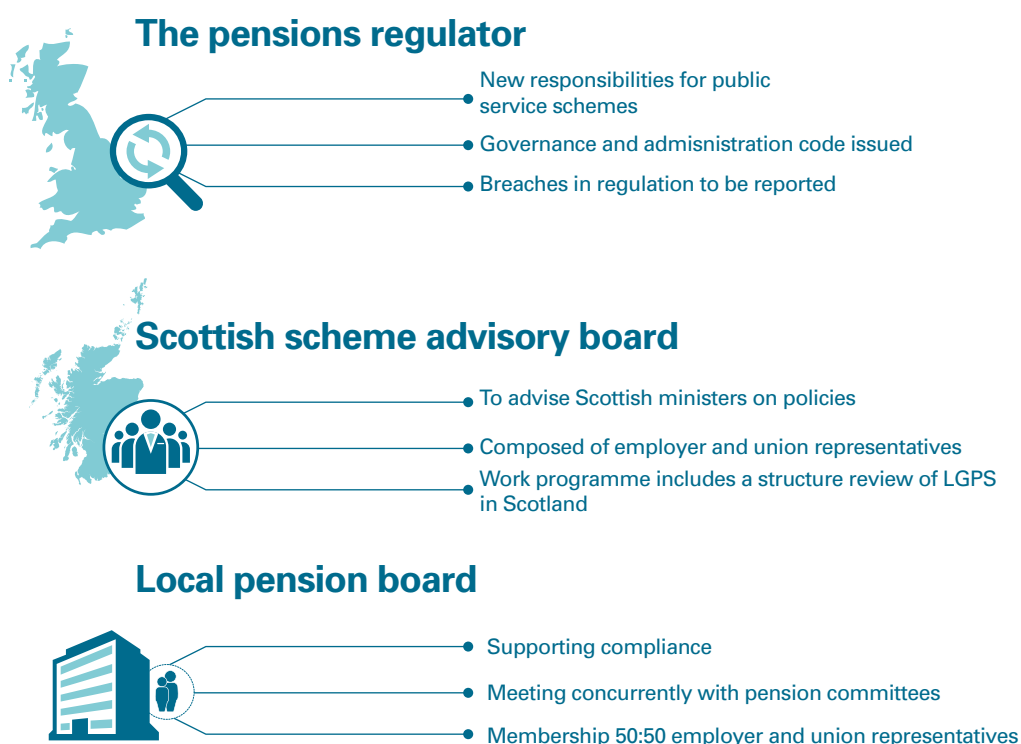
4. Pension funds are required by regulation to produce an annual report and accounts and these are audited separately from the accounts of the administering council. Auditors' deemed the 2015/16 annual accounts of all 11 pensions funds to be true and fair.

Governance arrangements

5. The Public Service Pensions Act 2013 introduced significant changes to the governance framework for public service pension schemes and for the LGPS in Scotland. [Exhibit 2](#) sets out the key changes to governance in 2015.

Exhibit 2

New LGPS governance arrangements in Scotland 2015



6. The Pensions Regulator has issued a code of practice for public sector schemes and pension funds in Scotland continue to monitor compliance with the new code assisted by local pension boards. Fund managers and advisors have a statutory responsibility to report significant breaches to the Pensions Regulator. We have not been made aware of any reports in respect of breaches in 2015/16.

7. The Scheme Advisory Board has a comprehensive programme of work and is planning to review of the LGPS structure in Scotland during 2016-17. Its review will include consideration of collective investment vehicles and the asset pooling model adopted in England and Wales.

8. At a local level all funds introduced pension boards. The role of pension boards is to support pension committees on compliance with regulations and codes. The role pension boards can play is developing, but it is clear they can also provide a useful scrutiny function. Auditors will be expected to monitor the operation of pension boards.

The new Career Average Revalued Earnings LGPS 2015

9. A new Scottish Local Government Pension Scheme was introduced on 1 April 2015. The key changes include:

- a move to benefits being worked out using career average (CARE) rather than final salary
- pension is built up at a rate of 1/49th of annual pensionable pay
- member's normal retirement age being linked to their own State Pension Age.
- A cost-control mechanism will be implemented to make sure the Scheme remains affordable and sustainable in the future.

10. Pension funds have coped well with the introduction of the new CARE LGPS with only minor teething issues reported by auditors. However, there are ongoing challenges in relation to the new scheme as record keeping is more complex than for final salary schemes and there is greater dependency on employers for complete and accurate information. Pension calculations for existing older members will be complex as many will have benefits accrued under the new 2015 scheme (based on CARE and 1/49ths) the previous 2009 scheme (based on final salary and 1/60ths) and the 1998 scheme (based on final salary and 1/80ths).

Cost control under the LGPS 2015

11. The new LGPS 2015 includes a cost control mechanism designed to ensure that the LGPS remains affordable for employers. Under this arrangement, the Government's Actuary Department (GAD) has established a Scottish LGPS cost cap of 15.5 per cent for employers (on a whole scheme basis). If the cost in relation to future service increases by more than two per cent above the employer cost cap, then employee contributions and/or benefits will be reviewed. We understand that employer cost cap costs will next be appraised by GAD following the 2017 triennial valuation and that the earliest cost sharing could start would be 2019.

Investment returns and expenses 2015/16

12. A number of LGPS funds saw negative investment returns on their assets in 2015/16, as shown in [Exhibit 3 \(page 4\)](#). This was influenced by increased uncertainty in global investment markets, low inflation and low growth. The outlook for investment management remains challenging with ongoing volatility and uncertainty in global markets following important events such as Brexit and the US presidential election.

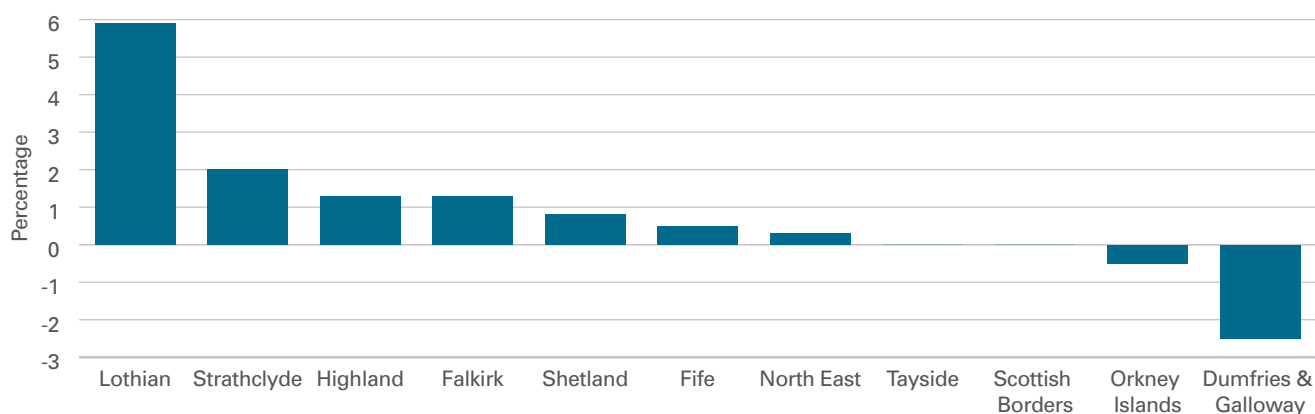
13. Although pension funds manage their investments in line with the same regulatory and governance regimes they have differing strategies and arrangements. Investment management is a complex area and funds make use of external advisers and managers. The full costs of investment management are not always fully transparent and there has been increased scrutiny and changes to guidance around accounting for these costs in recent years.

14. In 2015/16 we saw a divergence in approach by pension funds to the inclusion of investment management expenses in their annual accounts. Revised accounting guidance for 2016/17 emphasises that pension funds' financial statements should only include costs for which they are directly liable, or are within their control. The Accounts Commission is encouraged by the commitment of Scottish funds to full transparency around investment management costs charged and supports indirect expenses being reported in the wider annual report.

Exhibit 3

LGPS pension funds – Net return on investment 2015/16

In 2015/16, four funds saw negative returns on investments.



Source: Pension Fund accounts 2015/16

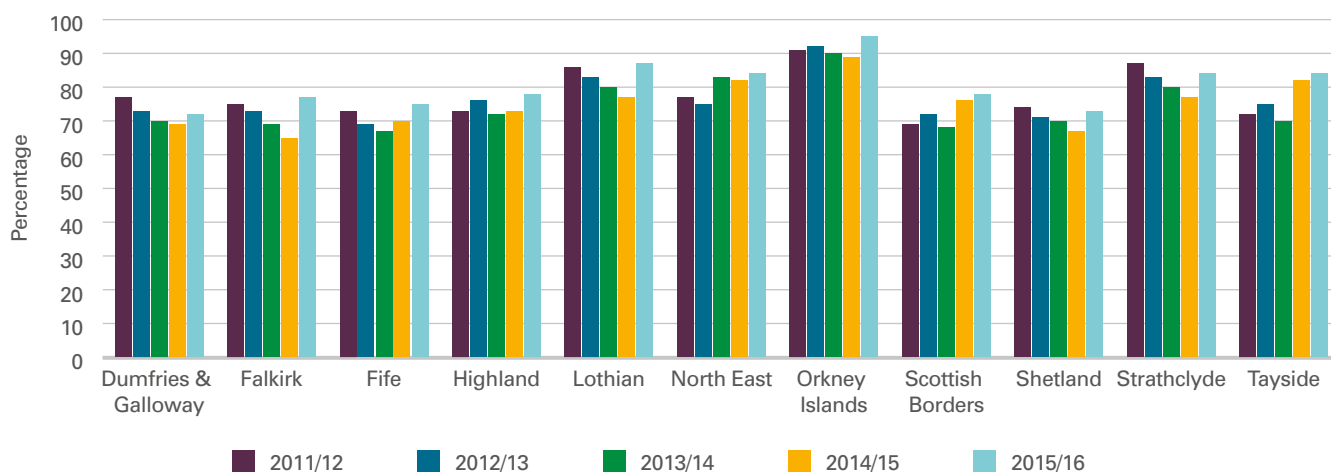
Present value of promised retirement benefits

15. Pension fund accounts include a disclosure of the present value of promised retirement benefits. This value of this liability is an estimate made by actuaries based on a number of assumptions about the future and the figure is quite sensitive to changes to those assumptions. The Liability can be compared with the assets of the pension fund at a point in time and [Exhibit 4](#) shows the valuation of pension fund assets as a proportion of liabilities for each of the last five years.

Exhibit 4

Pension fund assets as a proportion of the present value of promised retirement benefits

The position of all funds improved in 2015/16.



Note: The Scottish weighted average is close to that for Strathclyde which is by far the biggest pension fund in Scotland and one of the biggest in the UK.

Source: Pension Fund accounts 2011/12–2015/16

16. The percentages shown in [Exhibit 4](#) will typically be lower than those calculated by actuaries for the triennial funding valuations which are then used to set employer contributions. This is because the assumptions that can be used for accounting purposes are more tightly prescribed.

17. The overall Scottish LGPS net pension deficit at 31 March 2016 was £7.3 billion. Pension fund deficits are included in employers' accounts. Pension funds have arrangements to recover deficits over periods of up to 20 years in some cases, depending on the risk status associated with individual employers.

18. Pension deficits and employer contributions are complex areas and it can be difficult to establish differences between pension funds from their annual reports. Greater transparency and consistency of reporting in this an area would be beneficial to an understanding of the LGPS in Scotland.

Outlook

19. At a time when councils are under increasing financial pressure, administrative workloads will remain high as councils: continue to reduce their workforces and deal with auto enrolment; refine how they administer the new LGPS; embrace new online technologies to improve information flows with employers and members; deal with recent changes to pension scheme governance; and changes to the UK state pension arrangements.

20. The low inflation and low growth economic outlook together with uncertainty on the financial markets means that investment management will remain challenging at a time when investment performance is key.

21. The new cost control mechanism should help ensure that the LGPS remains affordable for employers in respect of active members although it does nothing to reduce the costs of pensions in payment and the associated deficits.

22. The Scottish Scheme Advisory Board is currently undertaking a structural review of the LGPS in Scotland. The outcome of this review is clearly of pivotal importance to the shape of the scheme and to administration costs going forward.



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WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit and Performance Review Committee: 8 March 2017

Subject: Accounts Commission Report: *A Review of Housing Benefit Fraud Investigation Liaison Arrangements in Scotland*

1. Purpose

- 1.1** The report is to provide Members with information regarding a report recently published by the Accounts Commission and prepared by Audit Scotland.

2. Recommendations

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

3. Background

- 3.1** The Accounts Commission set out to consider the impact of the introduction of the Department for Work and Pension's (DWP) Single Fraud Investigation Service (SFIS).
- 3.2** SFIS saw the transfer of counter fraud work for Housing Benefit from Local Authorities (LA'S) to the Fraud and Error Service (FES).
- 3.3** In Scotland the transfer was complete by March 2016. West Dunbartonshire Council's transfer date was March 2015.
- 3.4** The report is intended to highlight areas of good practice and look at any detrimental effect on performance as a counter fraud service.
- 3.5** The Accounts Commission report aims to access the liaison arrangements between LA's and FES and risk assess the procedure under the new regime and make any appropriate recommendations.
- 3.6** Since March 2015, WDC have submitted 137 referrals to FES and to date they have responded to only 6 referrals.
- 3.7** Considerable time and effort has been spent by WDC Fraud team pursuing these referrals to establish the status and outcome of the referrals.

4. Main Issues

- 4.1** The report highlights a number of key messages for Scottish LA's summarised below.
- 4.2** DWP have acknowledged that current arrangements were not effective overall and had implemented a number of activities to help improve performance and procedures
- 4.3** The report advises that Housing Benefit overpayments have increased since the responsibility for fraud investigation was transferred to FES.
- 4.4** Overpayments have increased from 5.3% of the Housing Benefit expenditure to 6% which in monetary terms sees a rise from £1.28 billion to £1.46billion, the highest ever recorded.
- 4.5** Liaison between LA's and FES had been found to be generally good, where the LA previously employed the investigator, however,
- No standard approach for LA's internal IT systems or via DWP's Fraud Referral and Incident Management System (FRAIMS), to record and monitor the progress of fraud referrals sent to FES.
 - consequently there is a lack of management information nationally and locally
- 4.6** As part of the review consideration was given to the number of cases referred to the Procurator Fiscal Service and the number of Administrative penalties offered to offenders, the results show the numbers have declined significantly since transfer to FES.
- 4.7** The UK fraud referral form should be reviewed to ensure a minimum level of information is provided to ensure DWP's Central Referral Service (CRS) can make an informed decision on appropriate action.
- 4.8** Scottish LA's were asked to complete a questionnaire on the relationship between them and DWP, the salient issues raised are:
- Cases were being closed or passed to DWP compliance teams without LA teams being informed
 - Outcome of cases were not reported to LA's therefore, had no knowledge if cases had been sanctioned or not.
 - Lack of evidence provided to LA Decision Makers to allow robust overpayment decisions
 - Unclear requests for information from LA's from FES officers
 - Lack of regular liaison meetings.
 - Loss of referrals issued by LA's resulting in additional workload and cost for LA's
- 4.9** Although 27 of the 32 Scottish Authorities recorded the number of referrals to FES, none had sufficient management information to determine LA or FES performance against all indicators. Likewise FES

have advised that it is not possible for them to determine FES or LA performance against the indicators.

- 4.10** WDC have always kept comprehensive records of all referrals sent and received under SFIS and any outcomes recorded, however, the management information has not been routinely sought by the DWP and this almost certainly has led to the current situation where there is a lack of reliable management information.
- 4.11** In line with DWP's new burdens doctrine, local authorities receive an agreed payment to help mitigate the financial impact of the administration involved with the transfer of counter-fraud work to FES.
- 4.12** When the funding data analysed in respect of the 27 local authorities that recorded referral data, for the period 1 July 2014 to 31 May 2016, the review found a disproportionate amount of funding was provided to local authorities per case referred.
- 4.13** As the current funding methodology does not take account of the number of cases referred, or the quality of referrals received by FES, the review considers that this approach is financially detrimental to authorities that are referring more cases, and could act as a disincentive, as the amount of resource required to manage the referral process would be significantly greater than in local authorities that refer fewer cases.
- 4.14** In order to encourage high quality referrals, and ensure that local authorities are being appropriately funded, DWP should consider reviewing the funding methodology to take account of the actual number of referrals made per local authority that meet a pre-defined and agreed quality standard, that are subsequently accepted for compliance or investigation.
- 4.15** There should be an agreed minimum standard for fraud referrals between the two organisations
- 4.16** UK local agreement should be reviewed and updated to ensure key performance indicators are relevant and achievable
- 4.17** WDC carry out a number of good practice measures such as:
 - Having a fraud officer review all the referrals that are referred to SFIS to ensure they contain the evidence for a viable case
 - Give cognisance to the DWP tariff levels for prosecution cases of £2000 and therefore if the case is unlikely to exceed £2000 the case will not be referred but any changes notified to the benefits team who will adjudicate and instigate overpayment recovery. This reduces the number of unsuitable cases for DWP

- 4.18** Additionally WDC embarked on a joint working Pilot with the DWP, the only LA in Scotland to participate in joint investigations of HB and Council tax reduction, in November 2015. Initially this was for a 6 month period but the success of the Pilot has meant the arrangement has continued.
- 4.19** The objective of the pilot was to show that joint work can reduce time and money on investigative work, leading to sharing of evidence gathering duties and a single Interview Under Caution leading to better customer experience and joint submissions to the Procurator Fiscal
- 4.20** The very nature of joint working links in with the report's recommendation for LA's and FES to work together and to an agreed quality standard. This is currently done by way of the Joint Investigation Process
- 4.21** The pilot will be launched nationally in March 2017, and can be considered a vital tool in good practice.

5 Personnel Implications

- 5.1** There are no personnel implications

6 Financial and Procurement Implications

- 6.1** If the additional burden's methodology is changed this may affect the amount of additional burden funding West Dunbartonshire Council receives in future years.

7 Risk Analysis

- 7.1** The report highlights the importance of getting the methodology of working between LA's and FES right to ensure maximum impact on fraudsters as currently, overpayments are on the increase and sanction action has dropped significantly. Failure to get this right will have a detrimental impact on the public purse and possible reputational damage for both organisations.

8 Equalities Impact Assessment (EIA)

- 8.1** There are no implications.

9 Consultation

- 9.1** The report has been subject to consultation with appropriate Strategic Leads.

10 Strategic Assessment

- 10.1** This report relates to "Strong financial governance and sustainable budget management".

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Date: 8 February 2017

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Appendix: Appendix 1: Accounts Commission Report: *A Review of Housing Benefit Fraud Investigation Liaison Arrangements in Scotland*

Background Papers: None

Wards Affected: N/A

A review of housing benefit fraud investigation liaison arrangements in Scotland



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
December 2016

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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Executive summary

1. The Department for Work and Pensions (DWP) recently estimated that overpayments of housing benefit (HB) due to fraud and error increased between 2014/15 and 2015/16 from 5.3% to 6% of HB expenditure. This amounts to a rise in monetary terms from £1.28 billion to £1.46 billion, the highest rate recorded.
2. The prevention, detection and investigation of fraudulent HB claims are important aspects of a secure and effective benefit service. Counter-fraud activities help to protect public funds by ensuring that fraudulent claims are identified and sanctions are applied where appropriate.
3. Since November 2007, Scottish local authority HB counter-fraud arrangements have been reviewed as part of Audit Scotland's HB risk assessment process. This report provides the findings from a review of the efficacy of the arrangements between local authorities and DWP since the responsibility for HB counter-fraud work transferred from local authorities to DWP's Fraud and Error Service (FES).
4. This process commenced in July 2014 and concluded in March 2016, and our report is intended to highlight areas of good practice, while identifying issues affecting performance, and recommending where improvements could be made. The key messages from our review are as follows:
 - There is generally good liaison between local authorities and FES, particularly where the local authority previously employed the investigator.
 - There is a risk that the current process does not provide sufficient assurance that public funds administered by local authorities are being protected as:
 - potentially fraudulent claims are not always being dealt with appropriately
 - fraudulent claimants are not always being subject to sanction or prosecution action
 - fraudulent overpayments are not consistently being created and recovered, where appropriate.
 - Performance against the performance indicators contained within the UK 'Local agreement' is not being routinely recorded, monitored, and reported by FES or local authorities.
 - There is no standard approach for local authorities, using internal IT systems, or via DWP's Fraud Referral and Incident Management System (FRAIMS), to record and monitor the progress of fraud referrals sent to FES, and consequently there is a lack of management information nationally and locally that could be used to:
 - measure the outcomes from local authority fraud referrals
 - determine the effectiveness of the fraud referral process against UK performance indicators

- help identify and resolve recurring issues
- highlight good practice.
- As part of the review of management information, the effectiveness of the new arrangements in respect of the number of local authority referrals that result in a referral to the Procurator Fiscal should be undertaken. Analysis of the questionnaire data suggests that numbers have declined significantly since responsibility transferred to DWP.
- The UK fraud referral form should be reviewed and updated to ensure that it captures a minimum level of information to allow DWP's Central Referral Services (CRS) staff to make a fully informed decision on appropriate further action.
- Local authority decision makers need to provide clear guidance to FES on what information is required to allow an HB overpayment decision and calculation to be made.
- In order to encourage high quality referrals, and ensure that local authorities are being suitably funded, DWP should consider reviewing the funding methodology to take account of the number of referrals made that meet a pre-defined and agreed quality standard, that are subsequently accepted for compliance or investigation action.
- DWP and local authorities in Scotland are committed to delivering process improvements and changes to procedures, and to implementing a structured and regular approach to local liaison. These activities included the establishment of the HB Fraud Issues Progression Group (HBFIPG) as a forum to discuss, prioritise and resolve issues.
- In addition, a FES seminar was held for Scottish local authorities in July 2016 with a view to understanding and addressing the issues that were affecting performance, and developing a strategy for improved liaison and joint working.

Background

5. The Local Government in Scotland Act 2003 introduced statutory duties relating to Best Value and Community Planning. The key objective of this review is to determine the extent to which benefit services are meeting their obligations to achieve continuous improvement in respect of HB counter fraud activities. Information for this review was gathered from officers in Scottish councils and the DWP.

Development and pilots

6. In 2010, the joint DWP/HM Revenues and Customs (HMRC) fraud and error strategy proposed a Single Fraud Investigation Service (SFIS) to address fraud across all benefits and tax credits, whether administered by DWP, HMRC, or local authorities. The main objective of

the policy was to ensure that all types of social security benefit and tax credit fraud are investigated according to a single set of guidance and priorities.

7. In preparation for this change, in early 2013 a number of local authority pilots in the UK, which included Glasgow City Council, tested a variety of partnership approaches and a single set of policies and procedures in order to identify the best delivery model. The pilots also tested the different attributes of the service, including how SFIS worked in a Universal Credit environment, and how it worked as part of counter-fraud processes to help combat crime.
8. As a result of the success of these pilots, in the 2013 Autumn Statement, the Chancellor of the Exchequer formally announced the formation of SFIS (now FES), under the auspices of the DWP, with responsibility for investigating HB fraud and tax credit fraud. Previously, local authorities and HMRC were responsible for these investigations. The Crown Prosecution Service in England and Wales and the Procurator Fiscal in Scotland conduct prosecutions arising from fraud investigations.

FES objectives

9. The main objectives of FES are to:
 - operate under a single policy and set of operational procedures for investigating all welfare benefit fraud
 - conduct single investigations covering all welfare benefit fraud
 - rationalise existing investigation and prosecution policies in order to create a more coherent investigation service that is joined up, efficient, and operates in a more consistent and fair manner, taking into account all offences that are committed
 - enhance closer working between DWP, HMRC and local authorities, and bringing together the combined expertise of all three services drawing on the best practices of each
 - support the fraud and error integrated strategy of preventing fraud and error getting into the benefit system by detecting and correcting fraud and punishing and deterring those who have committed fraud.
10. The transfer of counter-fraud work from local authorities commenced nationally in July 2014 and concluded in March 2016 (see *Appendix 1*). In total, over 70 local authority fraud investigation staff also transferred to DWP during this period, and since March 2016, FES has conducted single welfare benefit fraud investigations to one set of policies and procedures for all local authorities.

Current arrangements

11. While local authorities have not been conducting HB fraud investigations since March 2016, there remains an ongoing need for close working with FES in respect of the exchange of data.

Local authorities can refer cases to FES for investigation and, when a case is accepted, will be required to provide FES with evidence, such as copies of claim forms and other supporting documentation.

12. When a fraud or error has been established, local authorities may also be asked to provide FES with details of the amount of overpayment that has arisen as a result, attend court if required, and take appropriate action to recover the HB overpayment.
13. In addition, FES are required to provide the local authority with information to allow them to monitor the progress of an investigation, and to take appropriate action as required, for example, to suspend a claim.
14. The requirements of the exchange of data are set out in the UK local agreement, which was agreed and signed by FES and local authorities as part of the transfer of responsibility for HB fraud investigations to DWP. The local agreement contains ten key performance indicators, the name of a single point of contact (SPOC) for each organisation, and details of the escalation route to address any issues.

Funding

15. Local authorities receive subsidy payments from DWP at the end of each financial year in order to reclaim most of the HB paid to claimants. For overpayments of HB due to fraud or claimant error, local authorities receive 40% of the value paid. For overpayments due to local authority error, subsidy is paid at a rate between 0% and 100%.
16. In line with DWP's new burdens doctrine, local authorities receive an agreed payment to help mitigate the financial impact of the administration involved with the transfer of counter-fraud work to FES. In 2014/15, all Scottish local authorities where counter-fraud work transferred to FES between 1 July 2014 and 31 March 2015 were paid an amount dependant on the proportionate average size of the local authority HB caseload (based on the previous 12 months), and the number of months between the 'go live' date and the end of the financial year.
17. As 2014/15 was the first year of transfer, all local authorities that did not transfer during the year received a one off payment of £562 towards costs relating to human resource or other miscellaneous activity arising from the transfer project.
18. In 2015/16, payments to local authorities were based on the same methodology as the previous year, but also took into account DWP's expectation that 77,000 referrals would be made to FES from across the UK during the year.
19. In 2016/17, payments to local authorities were based on the same methodology as the previous year but also took account of FES management information for 2015/16 when 40,538 referrals were received by FES, from across the UK.

20. However, following discussions with local authority representatives, it was agreed that the number of referrals was lower than expected as local authorities adopted and became familiar with new processes. Consequently, the number of referrals used to calculate the new burdens payment for 2016/17 was increased to 45,000.
21. When we analysed the funding data in respect of the 27 local authorities that recorded referral data, for the period 1 July 2014 to 31 May 2016, we found a disproportionate amount of funding was provided to local authorities per case referred as detailed in Exhibit 1 below.

Exhibit 1: New burdens payments 1 July 2014 to 31 May 2016			
	Number of cases referred	Amount of subsidy received	Subsidy per referral
All local authorities	4,427	£297,324	£67
Local authority A	479	£9,772	£20
Local authority B	24	£2,417	£101
Local authority C	2	£2,525	£1,263

Source: DWP subsidy circulars S9/2014, S8/2015 (revised), and S5/2016

22. As the current funding methodology does not take account of the number of cases referred, or the quality of referrals received by FES, we consider that this approach is financially detrimental to authorities that are referring more cases, and could act as a disincentive, as the amount of resource required to manage the referral process would be significantly greater than in local authorities that refer fewer cases.
23. In order to encourage high quality referrals, and ensure that local authorities are being appropriately funded, DWP should consider reviewing the funding methodology to take account of the actual number of referrals made per local authority that meet a pre-defined and agreed quality standard, that are subsequently accepted for compliance or investigation action.

Our work

24. In June 2016, Audit Scotland issued a questionnaire to each of the 32 Scottish local authorities in order to determine the effectiveness of the liaison arrangements. The questionnaire requested performance information, details of local good practice, local issues, and suggestions for improvement. To ensure a holistic approach, we also met with the FES Group Manager for Scotland and a FES Fraud team leader, and had discussions with senior officers from DWPs Housing Delivery Division.

25. Since we commenced our study, it is acknowledged that DWP had recognised that the current arrangements were not effective overall, had identified, and was working on a number of activities to address the issues in order to improve performance and procedures.
26. These activities included the establishment of the HB Fraud Issues Progression Group (HBFIPG) as a forum to discuss, prioritise and resolve issues, including changes and recommendations arising from previous reviews of the HB counter-fraud process, and commissioning its Performance Development Team (PDT) to produce reports on:
 - the issues associated with the rollout of FES
 - a review of the end-to-end fraud referral process.
27. In addition, a FES seminar was held for Scottish local authorities in July 2016 with a view to understanding and addressing the issues that were affecting performance, and developing a strategy for improved liaison and joint working.
28. As outcomes, the reports produced by the PDT provided a number of recommendations, which DWP are taking forward through the HBFIPG, and FES (Scotland) has established a programme of liaison meetings as the platform for raising issues and the sharing of good practice. As a minimum, a DWP and a local authority representative from each District (North, East, West and Central) will attend these meetings.
29. This report is therefore intended to complement and support the work of DWP and our findings and recommendations are set out below.

Findings

Good practices

30. A number of working practices, which have helped improve efficiency and effectiveness, have been introduced in some local authorities. These include:
 - Dundee City Council monitors and tracks the electronic local authority information exchange form (LAIEF) between the local authority and FES on their benefits workflow system. The council has also been working closely with FES officers, and has provided training to local FES staff in order to help improve FES and local authority processes.
 - A separate team in Glasgow City Council deal with all adjudications. This allows learning from previous adjudications that may be similar. This team also attend court, as required, and there is a dedicated administrator who works with the local authority's decision makers.
 - A senior HB officer at Inverclyde Council vets all referrals before submission to FES to ensure they would have reached the standard for investigation by the local authority.

- Aberdeen City Council fraud officers input the date the case was opened by FES on the LAIEF in order to monitor progress of an investigation.
- The Scottish Borders Council is considering providing access to the local authority benefits IT system for its ex-fraud officers that transferred to FES. This would allow these officers to gather evidence for investigations independently. The local authority is also setting up sessions for FES officers to provide local authority staff with fraud and compliance awareness training.

Key issues and areas for improvement

31. A number of recurring issues and suggested improvements to the fraud referral process and the measurement of outcomes were identified during this review.
32. As previously mentioned, the FES (Scotland) seminar in July 2016, which was well attended by Scottish local authorities, was held in recognition of the need to improve the relationship between DWP and local authorities, and to identify areas for improvement in order to deliver a more cohesive investigation process across Scotland.
33. The types of issues raised in response to our questionnaire included:
 - cases being closed or transferred to DWP's compliance team for non-criminal action without local authorities being informed, and investigation outcomes not being provided resulting in local authorities not knowing if customers had been sanctioned or prosecuted
 - the lack of sufficient information provided to local authorities to allow adjudication officers to make robust overpayment decisions
 - issues when sending supporting documentation by e-mail as size restrictions mean that documentation cannot always be sent in one e-mail. This provides additional work for FES who need to ensure that separate emails in respect of the same referral are identified and collated
 - local authorities being asked to provide FES with all 'relevant' information when it is not clear what FES considers to be relevant
 - a lack of regular liaison meetings between local authorities and FES to discuss policy and operational matters
 - the LAIEF document does not include the space or functionality to allow local authorities to update relevant sections
 - referrals being lost by FES resulting in additional workloads and cost for local authorities to re-refer the case, and the potential increase in any resultant overpayment.
34. The following section looks in detail at the fraud referral process and the local agreement, which contains the key performance measures that set the parameters for joint working.

The referral process

35. In order to ensure a consistent approach, FES and each local authority nominate a SPOC to manage the fraud referral and investigation process. In local authorities the SPOC is responsible for ensuring that a fraud referral and supporting evidence is submitted to FES in the prescribed manner, responding to FES enquiries, and ensuring that appropriate action is taken at the conclusion of investigation or compliance activity. In FES, the SPOC is the person that the local authority would contact if there was a query, or an issue to be resolved.
36. Generally, where there is an allegation that an HB claim is potentially fraudulent and the local authority has sufficient information to support an investigation, a standard fraud referral form is completed and e-mailed to a dedicated FES email account. When received by FES, the local authority receives an automated response from the FRAIMS system acknowledging receipt.
37. Once received, DWPs Central Referral Services (CRS) carries out checks on DWP systems to provide as much background information as possible to enhance the referral. These checks include:
 - establishing if the customer is in receipt of benefit
 - the value of any potential overpayment
 - whether there has been a previous fraud
 - details of the household composition.
38. As part of this process, CRS complete a 'routing minute', which contains the details of the allegation from the fraud referral form and background information from the referral enhancement checks of DWP systems. This process allows CRS officers to make a routing decision based on the potential value of the overpayment as follows:
 - Generally, where the potential overpayment is less than £2,000, the case is routed to the FES Compliance (non-criminal) team.
 - Where the potential overpayment is £2,000 or above, or less than £2,000 and where there is fraudulent intent and/or it is a repeat offence, the case is routed to FES Local Service Investigation (LSI) to conduct a criminal investigation.
 - Where there is insufficient information to support either criminal or non-criminal action, the case is closed on the FRAIMS system and removed after 14 weeks as part of a data cleansing routine.
39. Once the routing process is complete, the electronic LAIEF is used by FES to keep the local authority informed on the progress of a referral, to request further information, as appropriate, and to advise the local authority on the outcome at the conclusion of investigation or compliance activity. The LAIEF is also used by the local authority to provide FES with HB information throughout the course of an investigation.

FES Local Service Compliance

40. FES Local Service Compliance teams carry out face-to-face interviews with customers where the level of potential fraud is less than £2,000, or there is insufficient evidence or extenuating circumstances that would not support a prosecution or administrative penalty.
41. The compliance interview is not a criminal investigation and therefore not carried out under caution. The purpose of the interview is to:
 - ensure that the customer is receiving the correct benefit entitlement
 - obtain the necessary information to enable a potential overpayment/underpayment to be calculated
 - establish the causes of the potential overpayment/underpayment
 - advise the customer how to stop any future overpayment/underpayment from recurring
 - explain the possible consequences of not complying in future, where appropriate.
42. Where it has been established following a compliance interview that there has been a failure to report a change of circumstances, where there is an HB implication, the information is referred to local authority decision makers, to create an overpayment and initiate recovery action, as appropriate.

FES Local Service Investigations

43. Where the potential fraud is £2,000 or more, and/or where there is fraudulent intent, and/or it is a repeat offence, a fraud referral will be dealt with by FES local service investigation officers. These staff are highly trained in fraud investigation techniques and carry out interviews under caution. Where fraud is established a customer could be sanctioned or prosecuted.

Recommendations for improvement

- | | |
|---|--|
| 1 | The fraud referral form should be reviewed and updated to ensure it captures all relevant information at the point of completion. This should include the name of the local authority sending the referral, the amount of the potential fraud, and the full contact details of the SPOC. |
| 2 | Local authorities and FES should work together to define and agree a minimum quality standard for local authority fraud referrals, and to ensure that the SPOC is fully trained to deliver this standard. In addition, local authorities and FES should develop a programme of management checks to ensure that only high quality referrals are sent to FES. |
| 3 | Local authorities and FES should establish a more robust method for recording and monitoring referrals, the outcomes, and the exchange of information between both |

Recommendations for improvement

- | | |
|---|--|
| 4 | <p>organisations that provides for a complete audit trail of actions taken that is open to scrutiny.</p> <p>In HB only cases, where an overpayment is estimated to be less than £2,000, and the local authority has the required level of evidence to support this, in consultation with FES, consideration should be given as to whether the action to create and recover the overpayment is best placed with the local authority, therefore reducing the number of cases referred for compliance action.</p> |
|---|--|

Local agreement

44. The local agreement has six key performance indicators for local authority activity that FES should be monitoring, and four key performance indicators for FES activity that local authorities should be monitoring.
45. The aim of these performance indicators, which cover the end-to-end investigation process, is to provide for an efficient and effective relationship between each organisation to ensure that investigation and compliance activity is conducted in a professional and timeous manner. Exhibit 2 sets out the performance indicators in detail.

Exhibit 2: Local agreement performance indicators

Local authority performance indicators	Timescale
Local authority - CRS referral routing	Within five working days
Local authority - during case build, respond to requests for claim forms etc. prior to Interview Under Caution (IUC)	Within 10 working days
Local authority - during an investigation, where identified, inform FES of changes to entitlement to HB or council tax reduction	Within two working days
Local authority - following IUC, respond to requests for further information, for cases appropriate for prosecution action	Within 10 working days
Local authority - during an investigation, inform FES of the amount of any overpayment which will include any underlying entitlement	Within 10 working days
Local authority - consider offering an Administrative Penalty as an alternative to prosecution and advise FES of the decision	Within 10 working days
FES performance indicators	
DWP - FES investigator to inform local authority of decision to investigate	Within two working days

Exhibit 2: Local agreement performance indicators

DWP - FES to contact local authority for consideration of claim suspension	Within two working days of establishing factual evidence
DWP - FES to advise the local authority of the outcome of an Administrative Penalty offer	Within five working days
DWP - FES to notify the local authority of the outcome at the conclusion of the investigation	Within five working days

46. In order to monitor these performance indicators, local authorities and FES should have procedures and systems in place to ensure that the recording of referrals to FES is consistent and robust, and that regular monitoring is carried out to ensure compliance. However, from our analysis of the returned questionnaires from the 32 Scottish local authorities, and our discussions with FES (Scotland) senior management, it is clear that neither organisation is routinely recording or monitoring performance.
47. We were told by FES that the FRAIMS system is limited in respect of the management information that is available, and that it is not possible to determine FES or local authority performance against any of the performance indicators. In addition, although 27 of the 32 Scottish local authorities recorded the number of cases referred to FES, none had sufficient management information to determine local authority or FES performance against all of the indicators.
48. Consequently, our analysis is limited to the information provided by local authorities on our questionnaire in respect of the four performance indicators in the local agreement that FES should be meeting to keep them informed on the progress of a referral from receipt to outcome.

Recommendation for improvement

5	The UK local agreement should be reviewed and updated to ensure that performance indicators are relevant and achievable, and are recorded and routinely monitored to allow FES and local authorities to report on performance in a consistent and robust manner.
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FES performance indicators

49. It is acknowledged that our analysis provides an indication of performance from a local authority perspective and is not based on a complete dataset, as some local authorities did not capture the necessary performance information. However, as FES are currently unable to

provide any national MIS to challenge these figures, or provide performance from a FES perspective, we consider that our analysis is representative of the issues being experienced.

50. It also provides an opportunity for both organisations to learn and improve current processes and procedures to ensure that future performance management is robust, consistent and open to scrutiny. The recent recognition and significant work already carried out by DWP into the current arrangements supports these findings.

FES investigator to inform the local authority of decision to investigate

51. The purpose of this performance indicator is to notify the local authority that an investigation has commenced which could lead to a sanction and/or overpayment. In notifying the local authority, it enables them to deal with any subsequent enquiries from the customer, and helps to ensure that a FES investigation is not compromised. In such cases, FES should send a LAIEF to the local authority within two working days of receiving the case.
52. In respect of the 32 local authorities that completed our questionnaire, a total of 4,427 referrals to FES were made between 1 July 2014 and 31 May 2016. Of these, we found that 16 local authorities were not fully capturing information in respect of this performance indicator and were unable to report on how many cases FES had advised of a decision to investigate within the required timeframe.
53. Details of performance against this indicator in respect of the 16 local authorities that recorded this information is provided at Exhibit 3 below.

Exhibit 3: FES investigator to inform local authority of decision to investigate (within two working days from receipt of referral)

	Number of cases	Number advised	Number advised within timescale
2014/15	1,599	191 (12%)	32 (17%)
2015/16 (31 May 16)	688	145 (21%)	17 (12%)
Totals	2,287	336 (15%)	49 (15%)

Source: Scottish local authorities

FES to contact local authority for consideration of claim suspension

54. The purpose of this performance indicator is to request the local authority to suspend a claim under investigation within two working days of establishing factual evidence, to ensure that the local authority does not continue to pay HB where there is no entitlement. It is also important that FES provide the local authority with sufficient information in order to support a suspension request.

55. Details of performance against this indicator in respect of the five local authorities that recorded this information is provided at Exhibit 4 below.

Exhibit 4: FES to contact local authority for consideration of claim suspension (within two working days of establishing factual evidence)

	Number of cases	Number advised	Number advised within timescale
2014/15	Data not available	6	4 (67%)
2015/16 (31 May 2016)	Data not available	8	1 (13%)
Totals		14	5 (36%)

Source: Scottish local authorities

56. In the period 1 July 2014 to 31 May 2016, analysis of the questionnaire returns from the 32 Scottish local authorities showed that 4,427 cases had been referred to FES. It is therefore unlikely that in only 14 cases (0.3%) FES had contacted the local authority to suspend a claim.
57. However, as there is no record of the date that FES had established factual evidence on the LAIEF, and FES and local authorities are not routinely recording this information, this performance indicator cannot be accurately measured.

FES to advise local authority of the outcome of an administrative penalty offer

58. The purpose of this performance indicator is to provide the local authority with sufficient information to determine the impact on a customer's HB claim in the event that fraud has been established by FES. This is particularly important as the local authority is required to pursue any subsequent HB overpayment, and early intervention would help the local authority to initiate recovery action in respect of the fraudulent overpayment and the administrative penalty in a timely manner.
59. Full details of performance against this indicator in respect of the eight local authorities that recorded this information is provided at Exhibit 5 below.

Exhibit 5: FES to advise the local authority of the outcome of an administrative penalty offer (within five working days)

	Number of cases	Number advised	Number advised within timescale
2014/15	Data not available	98	41 (42%)
2015/16 (31 May 2016)	Data not available	8	4 (50%)

Exhibit 5: FES to advise the local authority of the outcome of an administrative penalty offer (within five working days)

Totals		106	45 (42%)
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Source: Scottish local authorities

FES to notify the local authority of the outcome at the conclusion of the case

60. This performance indicator provides the local authority with details of the outcome of an investigation in order for appropriate action to be taken. For example, to calculate and initiate the recovery of a fraudulent overpayment.
61. Full details of performance against this indicator in respect of the eight local authorities that recorded this information is provided at Exhibit 6 below.

Exhibit 6: FES to notify local authority of the outcome at the conclusion of the investigation (within five working days)

	Number of cases	Number advised	Number advised within timescale
2014/15	Data not available	203	199 (98%)
2015/16 (31 May 2016)	Data not available	74	26 (35%)
Totals		277	225 (81%)

Source: Scottish local authorities

Investigation outcomes

62. In order to compare the effect of the transfer of responsibility for HB counter-fraud work to FES in respect of fraud investigation outcomes, we asked each local authority to provide information on the number of cases referred to the Procurator Fiscal, and the number of administrative penalties offered in the last full financial year before responsibility transferred to FES. We also sought similar information from FES.
63. However, although the majority of local authorities provided this information, we were unable to establish the same details from FES and therefore a comparison was not possible. However, analysis of the questionnaire data suggests that numbers have declined significantly since responsibility transferred to FES.

Recommendation for improvement

6	FES should seek to develop management information to determine the effectiveness of fraud investigations that it conducts on behalf of local authorities and consider
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Recommendation for improvement

- reporting performance on a regular basis. Such information could include:
- the number and percentage of local authority referrals dealt with by Compliance that resulted in an overpayment
 - the number and percentage of local authority referrals dealt with by Compliance that resulted in no further action
 - the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in an administrative penalty
 - the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in a prosecution.

Endnotes

[Housing Benefit Good Practice Guide: Initiatives which deliver best value](#), Audit Scotland April 2016

[Benefit performance audit: Annual update 2015/16](#), Audit Scotland June 2016

[Review of housing benefit subsidy certification issues 2014/15](#), Audit Scotland January 2016

[Review of activity to reduce fraud and error in housing benefit](#), Audit Scotland September 2015

[Benefits performance audit: Annual Update 2014/15](#), Audit Scotland June 2015

[Review of auditors' housing benefit subsidy claim reported errors 2013/14](#), Audit Scotland, February 2015

Appendix 1: Timetable of FES rollout in Scotland

64. The table below details the order that HB counter-fraud work was transferred from local authorities to FES.

Local authority	Date transferred
East Ayrshire	July 2014
Dumfries and Galloway	October 2014
South Ayrshire	October 2014
East Dunbartonshire	October 2014
North Lanarkshire	October 2014
Falkirk	October 2014
Glasgow	November 2014
South Lanarkshire	November 2014
Edinburgh	November 2014
East Lothian	November 2014
Fife	December 2014
North Ayrshire	February 2015
West Lothian	February 2015
Stirling	February 2015
Scottish Borders	March 2015
West Dunbartonshire	March 2015
Aberdeen City	April 2015
Aberdeenshire	May 2015
Angus	May 2015
Dundee	June 2015
Perth and Kinross	July 2015
Western Isles	July 2015

Local authority	Date transferred
Highland	August 2015
Moray	August 2015
Orkney	August 2015
Shetland	September 2015
Midlothian	October 2015
Argyll and Bute	October 2015
Clackmannanshire	October 2015
East Renfrewshire	December 2015
Inverclyde	February 2016
Renfrewshire	March 2016

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead – Communications, Culture & Communities****Audit & Performance Review Committee: 8 March 2017**

Subject: Local Government Benchmarking Framework 2015/16**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 2015/16.

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

3. Background

- 3.1** All Scottish local authorities participate in comprehensive 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 over a period of time allows comparison of performance, identification of best practice, learning from each other, and facilitation of continuous improvement.
- 3.3** To support this comparative work the Improvement Service produce an annual overview report. This report contains highlights of performance information for each Council against each indicator in the framework. The publication of the 2015/16 overview report in February represents the sixth year of comparative benchmarking data.
- 3.4** It is worth noting that the indicator suite is amended annually to reflect development of comparative indicators in underrepresented service areas and to remove any indicators assessed to be of less comparative value. This means that the number of indicators varies in each annual suite of data.

4. Main Issues

- 4.1** The annual overview benchmarking report was published by the Improvement Service in February 2017, slightly later than in previous years. The data used to compile the report relates to the period 2015/16. It is recognised that the late publication of the report, with data almost one-year-old, means that the indicators in LGBF add depth and trend information to a wider performance discussion, but do not reflect current performance. The timetable for collating and reporting the indicators within the framework is prescribed by the Improvement Service and designed to allow verification and validation of data before comparison and publication.
- 4.2** Of the 77 LGBF indicators in the 2015/16 suite, the Council performed better than the Scotland figure for 25 PIs and worse for 52. Compared to other councils, 18 PIs were ranked in the top quartile (1st to 8th), 8 in the second quartile (9th to 16th), 24 in the third quartile (17th to 24th), and 27 in the fourth quartile (25th to 32nd). Compared to the previous year, our ranking improved for 21 PIs and fell for 37. A further 5 showed no change in ranking.
- 4.3** 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.
- 4.4** As the suite of PIs can vary year to year, and ranking is relative to performance in other Local Authorities, it can be helpful to review PI performance against previous year data where this is available. For the 61 PIs where previous year data is available performance was better for 19 of these and worse for 42. The main service areas seeing deterioration in performance against previous years were housing, economic development, children's services and adult social care. In both children's services and housing areas performance locally is also worse than the Scotland figure.
- 4.5** As in previous years, each service area review the indicators which fall within their remit, scrutinising performance and trend information on each indicator. This is considered alongside the performance information already available and, in turn, informs actions incorporated in each of the delivery plans to sustain or improve performance (narrative summary attached as appendix 2). However, as previously mentioned, these PIs must be considered in context with mind to the time lag in reporting.
- 4.6** Work is already underway in each strategic area to undertake continuous improvement with those teams identified by performance and other factors as requiring review. This Strategic Planning and Performance Framework was introduced in 2016/17 and 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 directly associated with this report.

6. Financial and Procurement 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 forms a core element of the Council's public performance reporting (PPR). 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 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.

Malcolm Bennie

Strategic Lead- Communications, Culture and Communities

6 February 2017

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Appendices: Appendix 1: LGBF 2015/16 – Analysis for WDC
Appendix 2: LGBF narrative 2015/16

Background Papers: None

Wards Affected: All wards

Summary of LGBF 2015/16		Performance Against Previous Year		Performance Against Scotland Figure*		Rank				Change in Rank		
Area	No. of PIs	Better	Worse	Better	Worse	1-8	9-16	17-24	25-32	Better	Worse	No Change
Children's Services**	26	4	9	8	18	6	2	6	12	4	8	2
Corporate Services**	10	3	6	4	6	3	0	4	3	4	5	0
Adult Social Care	7	1	6	4	3	2	2	1	2	2	3	2
Culture & Leisure Services	8	3	5	3	5	1	2	2	3	2	4	1
Environmental Services	14	7	7	8	6	4	1	7	2	7	7	0
Housing Services	5	0	5	0	5	0	0	3	2	0	5	0
Corporate Asset	2	2	0	1	1	1	0	0	1	2	0	0
Economic Development	5	0	5	3	2	1	1	1	2	0	5	0
TOTALS**	77	19	42	25	52	18	8	24	27	21	37	5

* The Scotland figure is calculated by dividing the sum of the numerators of all Local Authorities by the sum of the denominators of all Local Authorities and is the national figure. The exceptions to this are indicators CORP5b2 – “Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site” and ENV 3c "Street Cleanliness Score" where the Scotland figure is the average of all 32 Local Authorities.

** Not all PI's can be measured for better or worse performing as these are new indicators or the data has not been made available due to change in PI's

Please note this information is based on data supplied from the Improvement Service; the ranking position is therefore subject to change as any further amendments are made.

	Improved compared to previous year's performance	Under Scotland heading- this is where WDC 2015/16 has performed better than compared to Scotland
	Worsened compared to previous year's performance	Under Scotland heading- this is where WDC 2015/16 has performed worse than compared to Scotland

Children services										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15- 2015/16	Directional change in rank
CHN1	Cost Per Primary School Pupil	1= lowest cost	5377.23	27	5536.75	27	4737.06	2.96%	0	No change
CHN2	Cost per Secondary School Pupil	1= lowest cost	6662.61	16	7815.63	27	6736.84	17.3%	11	↓
CHN3	Cost per Pre-School Education Registration	1= lowest cost	4306.04	28	4663.79	25	3853.71	8.3%	-3	↑
CHN 4	% of Pupils Gaining 5+ awards at Level 5	1=highest %	54%	22	54%	28	59%	-	6	↓
CHN5	% of Pupils Gaining 5+ Awards at Level 6	1=highest %	26%	27	29%	25	33%	3%p	-2	↑
CHN 6	% of Pupils from Deprived Areas Gaining 5+ Awards at Level 5	1=highest %	44%	3	42%	5	39%	2%p	2	↓
CHN7	% Pupils from Deprived Areas Gaining 5+awards at Level 6	1=Highest %	15%	5	19%	4	15%	4%p	-1	↑
CHN 10	% of Adults Satisfied with Local Schools	1=highest value	87.7%	8	85.3%	8	78%	-2.4%p	0	No change
CHN 12A	Overall Average total Tariff	1=Highest score	807.25	25	805.36	27	875.23	-0.23%	2	↓
CHN 12B	Average Total Tariff SIMD Quintile 1	1=Highest score	647	3	633	7	600	-2.16%	4	↓
CHN 12C	Average Total Tariff SIMD Quintile 2	1=Highest score	779	7	813	9	739	4.36%	2	↓
CHN 12D	Average Total Tariff SIMD Quintile 3	1=Highest score	923	6	951	4	862	3.03%	-2	↑
CHN 12E	Average Total Tariff SIMD Quintile 4	1=Highest score	1198	2	1111	5	997	-7.26%	3	↓
CHN 12F	Average total Tariff SIMD Quintile 5	1=Highest score	1211	9	1041	27	1195	-14.03%	18	↓

LGBF Code	Description	Ranking where 1 = best	2012/15	Rank	2013/16	Rank	Scotland	% Change 2012/15-2013/16	Change in rank 2012/15-2013/16	Directional change in rank
CHN 13A	Percentage of pupils achieving expected levels in Reading P1	1=Highest %	These are new indicators introducing in 2015/16 therefore no previous data is available		79.4%	19	80.8%			
CHN 13B	Percentage of pupils achieving expected levels in Reading P4	1=Highest %			71.3%	22	75.2%			
CHN 13C	Percentage of pupils achieving expected levels in Reading P7	1=Highest %			64.2%	26	72.3%			
CHN 14A	Percentage of pupils achieving expected levels in Writing P1	1=Highest %			72.3%	25	78.2%			
CHN 14B	Percentage of pupils achieving expected levels in Writing P4	1=Highest %			60.6%	27	69.3%			
CHN 14C	Percentage of pupils achieving expected levels in Writing P7	1=Highest %			57.2%	24	65.1%			
CHN 15A	Percentage of pupils achieving expected levels in Listening and Responding P1	1=Highest %			85.1%	14	85%			
CHN 15B	Percentage of pupils achieving expected levels in Listening and Responding P4	1=Highest %			78.5%	18	80.9%			
CHN 15C	Percentage of pupils achieving expected levels in Listening and Responding P7	1=Highest %			69.6%	25	77.4%			
CHN 16A	Percentage of pupils achieving expected levels in Numeracy P1	1=Highest %			81.9%	21	83.9%			
CHN 16B	Percentage of pupils achieving expected levels in Numeracy P4	1=Highest %			61.1%	28	73.1%			
CHN 16C	Percentage of pupils achieving expected levels in Numeracy P7	1=Highest %			60.5%	23	67.8%			

Corporate services										
LGBF Indicat or Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15- 2015/16	Directional change in rank
CORP 1	Support services as a % of Total Gross expenditure	1= lowest value	3.7%	3	4%	7	5.4%	-0.3%p	4	↓
CORP 2	Cost of Democratic Core per 1,000 population	1= lowest value	38437.53	21	41310.41	25	29980.64	7.47%	4	↓
CORP 3b	The percentage of the highest paid 5% of employees who are women	1=highest value	56.36%	5	56%	4	51.89%	-0.36%p	-1	↑
CORP 3C	The gender pay gap	1= lowest value	New indicator		7.8%	23	0.95%	New indicator		
CORP 4	The cost per dwelling of collecting Council Tax	1= lowest value	11.79	23	10.26	18	10.34	-12.97%	-5	↑
CORP 5b2	(Domestic Noise) Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site	1= lowest value	0.40	1	0.46	2	70.30***	15.00%	-1	↓
CORP 6a	Sickness Absence Days per Teacher	1= lowest value	6.11	13	6.78	22	6.12	-10.96%	9	↓
CORP 6b	Sickness Absence Days per Employee (non teacher)	1= lowest value	14.46	32	13.06	29	10.63	-9.68%	-3	↑
CORP 7	Percentage of income due from Council Tax received by the end of the year	1=highest value	95.00%	20	94.45%	28	96.24%	-0.55%p	8	↓
CORP 8	Percentage of invoices sampled that were paid within 30 days	1=highest value	90.28%	23	90.81%	21	92.77%	0.53%p	-2	↑

Adult Social care										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change in rank
SW1	Older Persons (Over65) Home Care Costs per Hour	1= lowest value	20.91	16	22.03	20	21.58	5.35%	4	↓
SW2	SDS spend on adults 18+ as a % of total social work spend on adults 18+	1=highest value	1.77%	28	2.04%	29	6.65%	0.27%p	1	↓
SW3	% of people 65+ with intensive needs receiving care at home	1=highest value	39.32%	15	35.83%	15	34.78%	-3.49%p	0	No change
SW4a	Percentage of adults receiving any care or support who rate it as excellent or good.	1= Highest value	88.23%	6	88.12%	1	84%	-0.1%	-5	↑
SW5	Average weekly cost per resident	1= lowest value	460.43	29	466.13	29	368.85	1.24%	0	No change
SW4	% of Adults satisfied with social care or social work services	1=highest value	69.67%	6	66.33%	5	50.67%	-3.34%p	-1	↑
SW4b	Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life	1=highest value	87.97%	5	85.87%	13	81%	-2.11%	8	↓

Culture and leisure										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change in rank
C&L1	Cost per attendance at Sports facilities	1= lowest value	5.88	30	7.06	32	2.99	20.06%	2	↓
C&L2	Cost Per Library Visit	1= lowest value	2.42	10	3.71	20	2.44	53.30%	10	↓
C&L3	Cost of Museums per Visit	1= lowest value	1.22	5	1.09	3	3.07	-10.65%	2	↑
C&L4	Cost of Parks& Open Spaces per 1,000 Population	1= lowest value	37234	30	40942	32	22232	9.95%	2	↓
C&L5a	% of adults satisfied with libraries	1=highest value	84.33%	11	82.33%	11	77.33%	-2%p	0	No change
C&L5b	% of adults satisfied with parks and open spaces	1=highest value	86.33%	16	88.67%	14	85.67%	2.34%p	-2	↑
C&L5c	% of adults satisfied with museums and galleries	1=highest value	76.67%	13	70.33%	17	74.00%	-6.34%p	4	↓
C&L5d	% of adults satisfied with leisure facilities	1=highest value	69.33%	29	71.33%	28	75.67	2%p	-1	↑

Environment										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15- 2015/16	Directional change
ENV1a	Net cost per Waste collection per premises	1= lowest value	40.66	3	39.45	2	65.84	-2.97%	-1	↑
ENV2a	Net cost per Waste disposal per premises	1= lowest value	112.28	27	112.77	24	95.07	0.43%	-3	↑
ENV3a	Net cost of street cleaning per 1,000 population	1= lowest value	19514	28	20605	29	15480	5.59%	1	↓
ENV3c*	Cleanliness Score (% Acceptable)	1=highest value	94%	20	92%	23	93%	-2%p	3	↓
ENV4a	Cost of maintenance per kilometre of roads	1= lowest value	21411	28	29091	30	10791	35.86%	2	↓
ENV4b	Percentage of A class roads that should be considered for maintenance treatment	1= lowest value	25.5%	15	26.5%	17	29.00%	1%p	2	↓
ENV 4C	Percentage of B class roads that should be considered for maintenance treatment	1= lowest value	27.6%	10	23.0%	6	34.8%	-4.6%p	-4	↑
ENV 4D	Percentage of C class roads that should be considered for maintenance treatment	1= lowest value	42.5%	23	30.4%	11	34.7%	-12.1%p	-12	↑
ENV4e	Percentage of unclassified roads that should be considered for maintenance	1= lowest value	36.0%	14	38.3%	19	40.1%	2.3%p	5	↓
ENV5a	Cost of trading standards per 1,000 population	1= lowest value	3622.0	4	3560.7	6	5873.3	-1.69%	2	↓
ENV5b	Cost of environmental health per 1,000 population	1= lowest value	16238	18	16989	19	16849	4.62%	1	↓
ENV6	The % of total waste arising that is recycled	1=highest value	44.3%	19	46.4%	18	44.3%	2.1%p	-1	↑
ENV7a	% of adults satisfied with refuse collection	1=highest value	81.67%	23	82.67%	22	83.00%	1%p	-1	↑
ENV7b	% of adults satisfied with street cleaning	1=highest value	76.00%	18	79.67%	8	73.67%	3.67%p	-10	↑

Housing										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change
HSN 1B***	Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year	1= lowest value	9.55%	24	10.89%	26	6.25	1.34%p	2	↓
HSN 2	Percentage of rent due in the year that was lost due to voids	1= lowest value	1.02%	14	1.47%	21	1.05%	0.45%p	7	↓
HSN 3	Percentage of dwellings meeting SHQS	1=highest value	87.88%	18	85.91%	23	92.5%	-1.97%p	5	↓
HSN 4B	Average time taken to complete non-emergency repairs	1= lowest value	9.55	15	10.58	19	9.38	10.78%	4	↓
HSN 5	Percentage of council dwellings that are energy efficient	1=highest value	100%	1	93.94%	20	96.16%	-6.06%p	19	↓

Corporate Asset										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change in rank
Corp asset 1	Proportion of operational buildings that are suitable for their current use	1= highest value	88.6%	10	89.9%	8	79.4%	1.3%p	-2	↑
Corp asset 2	Proportion of internal floor area of operational buildings in satisfactory condition	1= highest value	61.7%	30	64%	29	81.5%	2.3%p	-1	↑

Economic development										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Position change in rank
Econ 1	% Unemployed People Assisted into work from Council operated / funded Employability Programmes	1= highest value	19.2%	5	16%	11	13.91%	-3.2%p	6	↓
Econ 2	Cost Per Planning Application	1 = lowest value	6666.7	28	9899.04	31	4832	48.48%	3	↓
Econ 3	Average Time (Weeks) Per Planning Application	1 = lowest value	9.1	11	10.2	18	11.2	12.08%	7	↓
Econ 4	% of procurement spent on local small/medium enterprises	1 = highest value	7%	31	5.8%	32	19.7	-1.2%p	1	↓
Econ 5	No of business gateway start-ups per 10,000 population	1= highest value	24.1	5	20.2	9	16.91	-16.18%	4	↓

Local Government Benchmarking Framework 2015-16
West Dunbartonshire Analysis

Summary of LGBF 2015/16		Performance Against Previous Year		Performance Against Scotland Figure*		Rank				Change in Rank		
Area	No. of PIs	Better	Worse	Better	Worse	1-8	9-16	17-24	25-32	Better	Worse	No Change
Children's Services**	26	4	9	8	18	6	2	6	12	4	8	2
Corporate Services**	10	3	6	4	6	3	0	4	3	4	5	0
Adult Social Care	7	1	6	4	3	2	2	1	2	2	3	2
Culture & Leisure Services	8	3	5	3	5	1	2	2	3	2	4	1
Environmental Services	14	7	7	8	6	4	1	7	2	7	7	0
Housing Services	5	0	5	0	5	0	0	3	2	0	5	0
Corporate Asset	2	2	0	1	1	1	0	0	1	2	0	0
Economic Development	5	0	5	3	2	1	1	1	2	0	5	0
TOTALS**	77	19	42	25	52	18	8	24	27	21	37	5

* The Scotland figure is calculated by dividing the sum of the numerators of all Local Authorities by the sum of the denominators of all Local Authorities and is the national figure. The exceptions to this are indicators CORP5b2 – “Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site” and ENV 3c "Street Cleanliness Score" where the Scotland figure is the average of all 32 Local Authorities.

** Not all PI's can be measured for better or worse performing as these are new indicators or the data has not been made available due to change in PI's

Please note this information is based on data supplied from the Improvement Service; the ranking position is therefore subject to change as any further amendments are made.

	Improved compared to previous year's performance	Under Scotland heading- this is where WDC 2015/16 has performed better than compared to Scotland
	Worsened compared to previous year's performance	Under Scotland heading- this is where WDC 2015/16 has performed worse than compared to Scotland

Children services										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15- 2015/16	Directional change in rank
CHN1	Cost Per Primary School Pupil	1= lowest cost	5377.23	27	5536.75	27	4737.06	2.96%	0	No change
CHN2	Cost per Secondary School Pupil	1= lowest cost	6662.61	16	7815.63	27	6736.84	17.3%	11	↓
CHN3	Cost per Pre-School Education Registration	1= lowest cost	4306.04	28	4663.79	25	3853.71	8.3%	-3	↑
CHN 4	% of Pupils Gaining 5+ awards at Level 5	1=highest %	54%	22	54%	28	59%	-	6	↓
CHN5	% of Pupils Gaining 5+ Awards at Level 6	1=highest %	26%	27	29%	25	33%	3%p	-2	↑
CHN 6	% of Pupils from Deprived Areas Gaining 5+ Awards at Level 5	1=highest %	44%	3	42%	5	39%	2%p	2	↓
CHN7	% Pupils from Deprived Areas Gaining 5+awards at Level 6	1=Highest %	15%	5	19%	4	15%	4%p	-1	↑
CHN 10	% of Adults Satisfied with Local Schools	1=highest value	87.7%	8	85.3%	8	78%	-2.4%p	0	No change
CHN 12A	Overall Average total Tariff	1=Highest score	807.25	25	805.36	27	875.23	-0.23%	2	↓
CHN 12B	Average Total Tariff SIMD Quintile 1	1=Highest score	647	3	633	7	600	-2.16%	4	↓
CHN 12C	Average Total Tariff SIMD Quintile 2	1=Highest score	779	7	813	9	739	4.36%	2	↓
CHN 12D	Average Total Tariff SIMD Quintile 3	1=Highest score	923	6	951	4	862	3.03%	-2	↑
CHN 12E	Average Total Tariff SIMD Quintile 4	1=Highest score	1198	2	1111	5	997	-7.26%	3	↓
CHN 12F	Average total Tariff SIMD Quintile 5	1=Highest score	1211	9	1041	27	1195	-14.03%	18	↓

LGBF Code	Description	Ranking where 1 = best	2012/15	Rank	2013/16	Rank	Scotland	% Change 2012/15-2013/16	Change in rank 2012/15-2013/16	Directional change in rank
CHN 13A	Percentage of pupils achieving expected levels in Reading P1	1=Highest %	These are new indicators introducing in 2015/16 therefore no previous data is available		79.4%	19	80.8%			
CHN 13B	Percentage of pupils achieving expected levels in Reading P4	1=Highest %			71.3%	22	75.2%			
CHN 13C	Percentage of pupils achieving expected levels in Reading P7	1=Highest %			64.2%	26	72.3%			
CHN 14A	Percentage of pupils achieving expected levels in Writing P1	1=Highest %			72.3%	25	78.2%			
CHN 14B	Percentage of pupils achieving expected levels in Writing P4	1=Highest %			60.6%	27	69.3%			
CHN 14C	Percentage of pupils achieving expected levels in Writing P7	1=Highest %			57.2%	24	65.1%			
CHN 15A	Percentage of pupils achieving expected levels in Listening and Responding P1	1=Highest %			85.1%	14	85%			
CHN 15B	Percentage of pupils achieving expected levels in Listening and Responding P4	1=Highest %			78.5%	18	80.9%			
CHN 15C	Percentage of pupils achieving expected levels in Listening and Responding P7	1=Highest %			69.6%	25	77.4%			
CHN 16A	Percentage of pupils achieving expected levels in Numeracy P1	1=Highest %			81.9%	21	83.9%			
CHN 16B	Percentage of pupils achieving expected levels in Numeracy P4	1=Highest %			61.1%	28	73.1%			
CHN 16C	Percentage of pupils achieving expected levels in Numeracy P7	1=Highest %			60.5%	23	67.8%			

Corporate services										
LGBF Indicat or Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15- 2015/16	Directional change in rank
CORP 1	Support services as a % of Total Gross expenditure	1= lowest value	3.7%	3	4%	7	5.4%	-0.3%p	4	↓
CORP 2	Cost of Democratic Core per 1,000 population	1= lowest value	38437.53	21	41310.41	25	29980.64	7.47%	4	↓
CORP 3b	The percentage of the highest paid 5% of employees who are women	1=highest value	56.36%	5	56%	4	51.89%	-0.36%p	-1	↑
CORP 3C	The gender pay gap	1= lowest value	New indicator		7.8%	23	0.95%	New indicator		
CORP 4	The cost per dwelling of collecting Council Tax	1= lowest value	11.79	23	10.26	18	10.34	-12.97%	-5	↑
CORP 5b2	(Domestic Noise) Average time (hours) between time of complaint and attendance on site, for those requiring attendance on site	1= lowest value	0.40	1	0.46	2	70.30***	15.00%	-1	↓
CORP 6a	Sickness Absence Days per Teacher	1= lowest value	6.11	13	6.78	22	6.12	-10.96%	9	↓
CORP 6b	Sickness Absence Days per Employee (non teacher)	1= lowest value	14.46	32	13.06	29	10.63	-9.68%	-3	↑
CORP 7	Percentage of income due from Council Tax received by the end of the year	1=highest value	95.00%	20	94.45%	28	96.24%	-0.55%p	8	↓
CORP 8	Percentage of invoices sampled that were paid within 30 days	1=highest value	90.28%	23	90.81%	21	92.77%	0.53%p	-2	↑

Adult Social care										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change in rank
SW1	Older Persons (Over65) Home Care Costs per Hour	1= lowest value	20.91	16	22.03	20	21.58	5.35%	4	↓
SW2	SDS spend on adults 18+ as a % of total social work spend on adults 18+	1=highest value	1.77%	28	2.04%	29	6.65%	0.27%p	1	↓
SW3	% of people 65+ with intensive needs receiving care at home	1=highest value	39.32%	15	35.83%	15	34.78%	-3.49%p	0	No change
SW4a	Percentage of adults receiving any care or support who rate it as excellent or good.	1= Highest value	88.23%	6	88.12%	1	84%	-0.1%	-5	↑
SW5	Average weekly cost per resident	1= lowest value	460.43	29	466.13	29	368.85	1.24%	0	No change
SW4	% of Adults satisfied with social care or social work services	1=highest value	69.67%	6	66.33%	5	50.67%	-3.34%p	-1	↑
SW4b	Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life	1=highest value	87.97%	5	85.87%	13	81%	-2.11%	8	↓

Culture and leisure										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change in rank
C&L1	Cost per attendance at Sports facilities	1= lowest value	5.88	30	7.06	32	2.99	20.06%	2	↓
C&L2	Cost Per Library Visit	1= lowest value	2.42	10	3.71	20	2.44	53.30%	10	↓
C&L3	Cost of Museums per Visit	1= lowest value	1.22	5	1.09	3	3.07	-10.65%	2	↑
C&L4	Cost of Parks& Open Spaces per 1,000 Population	1= lowest value	37234	30	40942	32	22232	9.95%	2	↓
C&L5a	% of adults satisfied with libraries	1=highest value	84.33%	11	82.33%	11	77.33%	-2%p	0	No change
C&L5b	% of adults satisfied with parks and open spaces	1=highest value	86.33%	16	88.67%	14	85.67%	2.34%p	-2	↑
C&L5c	% of adults satisfied with museums and galleries	1=highest value	76.67%	13	70.33%	17	74.00%	-6.34%p	4	↓
C&L5d	% of adults satisfied with leisure facilities	1=highest value	69.33%	29	71.33%	28	75.67	2%p	-1	↑

Environment										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change
ENV1a	Net cost per Waste collection per premises	1= lowest value	40.66	3	39.45	2	65.84	-2.97%	-1	↑
ENV2a	Net cost per Waste disposal per premises	1= lowest value	112.28	27	112.77	24	95.07	0.43%	-3	↑
ENV3a	Net cost of street cleaning per 1,000 population	1= lowest value	19514	28	20605	29	15480	5.59%	1	↓
ENV3c*	Cleanliness Score (% Acceptable)	1=highest value	94%	20	92%	23	93%	-2%p	3	↓
ENV4a	Cost of maintenance per kilometre of roads	1= lowest value	21411	28	29091	30	10791	35.86%	2	↓
ENV4b	Percentage of A class roads that should be considered for maintenance treatment	1= lowest value	25.5%	15	26.5%	17	29.00%	1%p	2	↓
ENV 4C	Percentage of B class roads that should be considered for maintenance treatment	1= lowest value	27.6%	10	23.0%	6	34.8%	-4.6%p	-4	↑
ENV 4D	Percentage of C class roads that should be considered for maintenance treatment	1= lowest value	42.5%	23	30.4%	11	34.7%	-12.1%p	-12	↑
ENV4e	Percentage of unclassified roads that should be considered for maintenance	1= lowest value	36.0%	14	38.3%	19	40.1%	2.3%p	5	↓
ENV5a	Cost of trading standards per 1,000 population	1= lowest value	3622.0	4	3560.7	6	5873.3	-1.69%	2	↓
ENV5b	Cost of environmental health per 1,000 population	1= lowest value	16238	18	16989	19	16849	4.62%	1	↓
ENV6	The % of total waste arising that is recycled	1=highest value	44.3%	19	46.4%	18	44.3%	2.1%p	-1	↑
ENV7a	% of adults satisfied with refuse collection	1=highest value	81.67%	23	82.67%	22	83.00%	1%p	-1	↑
ENV7b	% of adults satisfied with street cleaning	1=highest value	76.00%	18	79.67%	8	73.67%	3.67%p	-10	↑

Housing										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change
HSN 1B***	Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year	1= lowest value	9.55%	24	10.89%	26	6.25	1.34%p	2	↓
HSN 2	Percentage of rent due in the year that was lost due to voids	1= lowest value	1.02%	14	1.47%	21	1.05%	0.45%p	7	↓
HSN 3	Percentage of dwellings meeting SHQS	1=highest value	87.88%	18	85.91%	23	92.5%	-1.97%p	5	↓
HSN 4B	Average time taken to complete non-emergency repairs	1= lowest value	9.55	15	10.58	19	9.38	10.78%	4	↓
HSN 5	Percentage of council dwellings that are energy efficient	1=highest value	100%	1	93.94%	20	96.16%	-6.06%p	19	↓

Corporate Asset										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Directional change in rank
Corp asset 1	Proportion of operational buildings that are suitable for their current use	1= highest value	88.6%	10	89.9%	8	79.4%	1.3%p	-2	↑
Corp asset 2	Proportion of internal floor area of operational buildings in satisfactory condition	1= highest value	61.7%	30	64%	29	81.5%	2.3%p	-1	↑

Economic development										
LGBF Code	Description	Ranking where 1 = best	2014/15	RANK	2015/16	RANK	SCOTLAND	% Change 2014/15 - 2015/16	Change in rank 2014/15-2015/16	Position change in rank
Econ 1	% Unemployed People Assisted into work from Council operated / funded Employability Programmes	1= highest value	19.2%	5	16%	11	13.91%	-3.2%p	6	↓
Econ 2	Cost Per Planning Application	1 = lowest value	6666.7	28	9899.04	31	4832	48.48%	3	↓
Econ 3	Average Time (Weeks) Per Planning Application	1 = lowest value	9.1	11	10.2	18	11.2	12.08%	7	↓
Econ 4	% of procurement spent on local small/medium enterprises	1 = highest value	7%	31	5.8%	32	19.7	-1.2%p	1	↓
Econ 5	No of business gateway start-ups per 10,000 population	1= highest value	24.1	5	20.2	9	16.91	-16.18%	4	↓