

# East Renfrewshire Council

**Report to Members and the Controller of Audit  
on the 2008/09 Audit**

October 2009



 AUDIT SCOTLAND

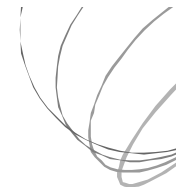


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# Key messages

Scotland's economy is in recession and the public sector is coming under the greatest financial pressure since devolution ten years ago. It will be very challenging to sustain current levels of public services and meet new demands when resources are tight.

In our 2008/09 Report to Members, we report on the key strategic and financial risks currently facing East Renfrewshire Council. We have audited the council's financial statements and comment on the council's use of resources, governance and accountability framework and performance management and improvement arrangements.

## Financial statements

We have given an unqualified opinion on the 2008/09 financial statements of East Renfrewshire Council. The council produced its annual accounts within statutory deadlines and the helpful co-operation received from council officers was appreciated and enabled the audit process to progress well.

We note that the council currently estimates that it will eventually recover around 80 percent of its £1 million deposit in a failed Icelandic bank. We also advise that care will be required to ensure that accounting developments associated with the impending adoption of International Financial Reporting Standards are implemented smoothly.

## Use of resources

The council's 2008/09 income and expenditure account recorded a surplus and after transfers to reserves of £1.65 million resulted in a contribution to the general fund of £0.549 million over the year compared to planned contribution of £0.5 million. General fund balances now stand at £8.2 million, £4.1 million of which has not been ear-marked for a specific purpose. This unallocated element equates to 2.1 percent of net annual operating expenditure, which is around half of the council's aim. As reserves can absorb the impact of unexpected costs or reductions in funding, their adequacy is a key issue for the council particularly when going forward into a period of funding constraints.

As in previous years, the council experienced slippage in its capital programme during 2008/09. 2008/09 slippage was primarily associated with the Barrhead Regeneration Programme. Furthermore, due to the recession in the property market, the council was unable to realise sufficient capital receipts to fund the capital programme as planned and some projects have been deferred. The council needs to carefully evaluate what impact on future service delivery standards this continuing trend in capital programme slippage will have and plan accordingly.

In the area of procurement the council is revising its working practices to allow the council to achieve "superior" performance, by 2011, as defined under the 2006 McClelland Report on public sector



procurement. Key to this will be the development of better management information covering such matters as identifying the degree of council expenditure made under contracts etc. On project management, the council is implementing a corporate approach to ensure that key projects are managed by clear timescales, milestones and deliverables. The council's first workforce plan and corporate asset management plan are due for publication later this year and it is clear that over time these tools can contribute to cost savings and increased efficiencies for the council.

## **Governance and accountability**

The council's governance arrangements are generally sound and good progress has been made during 2008/09. In particular, the council and its community planning partners produced their first annual report against its Single Outcome Agreement during 2009. The partners are currently assessing the council's Covalent performance management system which, if adopted by them, could achieve more uniform and timely information for corporate scorecard reporting.

## **Performance management and improvement**

The SOA report demonstrates success in moving towards the 2011 targets with only two of thirty three performance indicators carrying a warning that targets may not be met in this timescale. The council has clear plans and strategies with a focus on continuous improvement. In particular, the Public Service Excellence programme has a wide range of projects underway as part of its drive for efficient and effective services.

## **Outlook**

It is clear that levels of public sector expenditure will be under considerable pressure for the foreseeable future and that significant efficiencies will need to be made by all public sector organisations. East Renfrewshire Council has embedded this need for efficiencies into its planning processes for 2009/10 and beyond. A target of 1 percent efficiencies, the same as for 2008/09, was set for all departments to identify as part of the 2009/10 budget process.

The council's Public Sector Excellence Programme provides a valuable means of directing change and improvement in uncertain times. It is intended that projects under this programme will yield the most financial benefits for the council although care will be required to ensure that changes are compatible with the council's mission to deliver ongoing service improvements for its citizens.

2009/10 sees a significant change in the mechanisms in place for reporting on council performance nationally. The Accounts Commission has now aligned SPI arrangements with the responsibilities authorities have under Best Value for selecting and using performance information to drive continuous improvement in services, and for reporting on those aspects of performance that are of most importance to local communities, service users and citizens. This means that far fewer indicators will be required, with the current list of more than 50 indicators reduced to two statutory performance indicators and twenty five



specified performance indicators. There is an expectation that councils will take advantage of the reduced statutory burden to develop their own indicators to improve performance reporting on what they consider to be key issues.

Audit Scotland is currently refining its approach to the audit of best value and from 2010 a new approach will be rolled out to councils. A shared risk assessment involving all scrutiny bodies and inspectorates forms part of this approach and this assessment will inform the timing of the council's second best value review.

The co-operation and assistance given to us by East Renfrewshire Council members, officers and staff is gratefully acknowledged.



**October 2009**



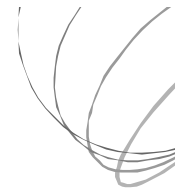
# Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of East Renfrewshire Council (the council) and other relevant work carried out by Audit Scotland. A number of detailed reports have already been issued in the course of the year in which we have made recommendations for improvements. We do not repeat all of the findings in this report. Instead we focus on the financial statements and any significant findings that have arisen from our review of the management of strategic risks.
2. The report uses the headings of the new corporate assessment framework, which is being developed for Best Value 2 (BV2) and for joint scrutiny work. The framework is founded on the characteristics of a best value council. Using evidence gathered in the course of the audit, supplemented by other work by Audit Scotland and other scrutiny bodies, we comment on the council's position this year.
3. It must be stressed that our comments are made on the basis of information made available in the course of the annual audit. We do not offer an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time and for that to form the basis of a proportionate best value audit. This report is the first step towards that goal.
4. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year which are of direct interest to the council are:
  - The impact of the race equality duty on council services
  - Improving energy efficiency
  - Asset management in councils
  - Overview of drug and alcohol services
  - Mental health overview
  - Civil contingencies planning
  - Strategic procurement.
5. We mention the key findings from these reports and the implications for East Renfrewshire Council in the performance and use of resources sections of this report. Full copies of the studies can be obtained from Audit Scotland's web page at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



6. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and have agreed to take the specific steps set out in the column headed *Planned Management Action*. We do not expect all risks to be eliminated or even minimised. What we are expecting to see is that the council understands its risks and has in place mechanisms to manage them. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to be duly assured that the proposed action has been implemented.
  
7. This report is addressed to members and the Controller of Audit. It will be published on our website after consideration by the council. The Controller of Audit may use the information in this report for her annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and it is also presented to the Local Government and Communities Committee of the Scottish Parliament.





# Financial statements

## Introduction

8. In this section we summarise key outcomes from our audit of the council's financial statements for 2008/09, comment on the significant accounting issues faced, and provide an outlook on future financial reporting issues.

## Audit Opinion

9. We have given an unqualified opinion that the financial statements of East Renfrewshire Council for 2008/09 give a true and fair view of the financial position and income and expenditure of the council and its group for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
10. As anticipated in last year's Report to Members, during 2008/09 the council's catering statutory trading operation broke even over its reporting three year horizon and no qualification of the audit opinion for this matter is required this year.
11. We were satisfied with disclosures made in the annual governance statement and the adequacy of the process put in place by the council to obtain assurances on systems of control.
12. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. The council provided a comprehensive working papers package which aided the delivery of the audit and minimised the burden on council officers during the audit process.
13. The accounts were certified by the target date of 30 September 2009 and are now available for presentation to members and publication. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## Accounting issues

14. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). No major changes were introduced by the 2008 SORP. We were satisfied that the council prepared the accounts in accordance with the 2008 SORP.



15. The council has adjusted the financial statements to reflect audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Director of Finance and the Audit Committee. Details of significant accounting issues arising in the course of our audit are summarised below.

## Capital accounting

16. The audit identified a number of errors relating to capital expenditure allocations and other matters affecting the council's capital accounting entries. These errors were associated with inconsistencies in the application of the requirements of recently introduced capital accounting rules as reflected in the 2008 SORP. The accounts were revised which resulted in an increase in asset values of £2.5 million.
17. The council is now confident that its year end capital accounting processes are SORP compliant. Steps have been taken by the council to introduce a fixed asset accounting module designed to automatically produce SORP compliant accounting entries.

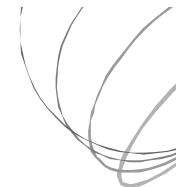
## Deposit with Icelandic bank

18. In December 2007, prior to any widespread concerns over the standing of financial institutions, the council deposited £1million with Heritable Bank, a UK registered bank under Icelandic ownership. In October 2008, as a consequence of the problems in global financial markets, Heritable Bank was placed in administration and no funds were able to be withdrawn by depositors. Following central negotiations with the Administrator, an agreement was reached on the level of impairment to deposits required to be made by UK public sector organisations to reflect the estimates of recoverable sums. It is currently estimated that the council will be able to recover 80 percent of its deposit, amounts being recovered up to July 2013. The council has taken advantage of statutory guidance issued by the Scottish Government which permits local authorities to defer the impact on the general fund of any impairment at the present time. The financial statements reflect the appropriate accounting entries to properly account for this agreement.

## Audit testing

19. As part of our work, we took assurance from a number of the council's main financial systems. We assessed the following central systems and found them to have no material weaknesses:

- Main accounting
- Payroll
- Debtors
- Council tax
- Cash income and banking
- Creditors
- Housing and council tax benefits
- Housing rents
- NDR (via Renfrewshire Council)



20. We relied on the work of internal audit in the following areas to support our work: creditors' payments, overtime payments, corporate debt recovery, council tax billing and collection, debtors, housing & council tax benefits, manual payroll, grants to voluntary bodies and year-end stock take.
21. Internal Audit's annual report to members identified a number of significant control issues which officers of the council are addressing. These include aspects of debt management, compliance with the European Working Time Directive, absence management policies and payroll matters.

## **Prevention and detection of fraud and irregularities**

22. At the corporate level, the council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include an anti-fraud and corruption strategy which incorporates a whistle blowing policy. Codes of conduct for staff exist and the council provide training on and access to the Councillors' Code of Conduct and Ethical Standards in Public Life in Scotland as issued by the Standards Commission.

## **NFI in Scotland**

23. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£40 million to 2008). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
24. The most recent data matching exercise was carried out in October 2008 and national findings will be published by Audit Scotland in May 2010. At the time of preparing this report, the NFI online application noted that a total of 1,105 matches had been fully investigated with two resulting in frauds with a combined value of £18,000. Both of these frauds related to housing benefit claimants and had been identified during a check against pension records. It is also noted that at this time a further 27 matches are in the process of being investigated.
25. Progress to date has been reasonable, with many of the match types listed on the NFI online application reported as being the subject of investigation. However, there are some matches which have not been updated on the system. We have been informed by officers that this is primarily due to connectivity issues with the application caused by the council's IT network.

## **Statutory trading operations**

26. During 2008/09, East Renfrewshire Council reviewed the nature and operations of activities currently classified as trading operations. Two services previously classified as significant trading operations, namely Building Maintenance and Highways Maintenance, were no longer considered to be operating



as trading entities due to their integration with client service departments as well as their basis of charging. This results in the council operating one remaining trading operation, catering, which reported a 2008/09 trading surplus of £0.063 million and a three year cumulative surplus of £0.051 million.

## Housing benefit

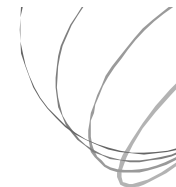
27. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team are carrying out a programme of risk assessments of benefits services in all councils over a two year period.
28. The risks to East Renfrewshire's benefits service were assessed in April 2009 and a detailed report was issued. The council has responded to the risks we identified with an action plan. We believe the actions will make a positive contribution to improving the benefits service and we will monitor progress in the next inspection cycle, which starts in 2010.

## Group accounts

29. The diversity of service delivery vehicles used by local authorities' means that consolidated group accounts are required to give a true and fair view of a council's income and expenditure.
30. The council has interests in a total of five associates. They have been included in group accounts in accordance with the SORP. An issue arose in the audit of the Strathclyde Police Board in respect of FRS17 adjustments. It was identified that there was no legislative basis for such adjustments for the newly introduced pension scheme. This has resulted in the Police accounts being qualified as this constitutes a material error within their single entity financial statements. However, the accounting requirements do not have any financial reporting impact within East Renfrewshire Council's group accounts.
31. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund. However, the Office of the Scottish Charities Regulator (OSCR) has deferred the date of full implementation until 2010/11. This means that reliance can be placed on the existing disclosures for trust funds in the council's financial statements, supplemented by appropriate working papers.

## Legality

32. Through our planned audit work we consider the legality of the council's financial transactions. In addition the Director of Finance confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the council's management team, the financial transactions of the



council were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

## Outlook

33. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. As local government has already adopted some aspects of the new standard, it is expected the transition will be fairly smooth. Next year, councils will be expected to account for PFI/PPP projects on an IFRS basis and as such a comparative balance sheet as at 1 April 2009 will be required. Whole of government accounts will also need to be prepared on an IFRS basis from 2009/10.
34. A particular issue that the council has in common with other local authorities is the need to address the valuation of council housing. At present, the council values its council houses in line with accepted methodology based on open market value discounted for a right to buy discount. In order to comply with the provisions of IFRS, the council needs to move away from this basis of valuation to a basis which more fairly reflects the value of social housing. This is likely to increase the overall value of the council's housing estate.
35. To ensure that the council is adequately prepared for the introduction of IFRS, it is vital that all staff involved in the process are appropriately trained. We have been advised that the council has set up a working group to identify the issues regarding IFRS and have commissioned the services of consultants to facilitate successful implementation of IFRS requirements.

### **Key issue/Risk 1**

36. From April 2010, a new and complex system for charging for carbon emissions will be introduced by the European Union. The council will be required to purchase and account for carbon credits to cover all of its non transport related energy usage. Incentives and penalties will be built into the system to encourage a reduction in carbon emissions. The council has recently prepared a strategy to implement a Carbon Management Programme. This programme sets out a carbon reduction policy of 25 percent by 2012/13 from council controlled buildings and activities (excluding social housing and employee commuting activity). We will continue to monitor the progress of this important initiative in future years.



# Use of resources

## Financial results

37. In 2008/09, East Renfrewshire Council spent £216.5 million on the provision of public services. Just over £200 million was on revenue services and the remainder was spent on capital. The council's net operating expenditure in 2008/09 was £205.102 million. This was met by central government and local taxation of £205.162 million, resulting in a surplus of £0.060 million. The budget set for 2008/09 was based on a Band D council tax level of £1,126 (frozen at 2007/08 level) with planned contributions of £0.5 million to reserves.
38. The corporate management team kept budgets under close review during the year to improve the financial position, with members receiving reports about income and expenditure compared to budgets. However an overspend of £0.6 million still occurred within Construction Services. The council has informed us that this was attributable to poor productivity and high levels of absenteeism early in the financial year. Members were informed on this overspend throughout the year and management are continuing to review performance.
39. Budgetary control reports to members show that at present, the councils spending is in line with approved totals. An area of concern however, is that income from building control and planning development fees is less than anticipated. This is likely to be due to the current economic circumstances and management have taken action to address this shortfall. In light of the increasing budgetary pressures faced by the council, the current budget setting process has started earlier to allow for fuller consideration of priorities. Given the current uncertainty of future levels of funding, the council has made assumptions on funding levels and demands on services to inform medium term plans. These assumptions will need to be continually reviewed.

**Key issue/Risk 2**



## Reserves and balances

40. Exhibit 1 shows the balance in the council's funds at 31 March 2009 compared to the previous year. At 31 March 2009, the council had total funds of £21.086 million, an increase of £1.795 million on the previous year. Funds include a capital fund which will be used to finance future capital expenditure, a repairs and renewals fund to finance expenditure incurred in repairing, maintaining, replacing and renewing fixed assets and an insurance fund which will fund the excess against future claims.

### Exhibit 1

#### Reserves

Description	31 March 2009 £ 000	31 March 2008 £ 000
General Fund	8,216	7,667
HRA Fund	474	320
Repair and Renewal Fund	2,429	2,674
Capital Fund	9,173	7,874
Insurance Fund	794	756
	<b>21,086</b>	<b>19,291</b>

41. After transfers to reserves of £1.65 million, the general fund increased by £0.549 million as planned during the year to a balance of £8.216 million. Of this balance, £4.094 million has been earmarked for specific purposes: various unspent grants, equalisation funds held to reduce future PFI/PPP costs, funding for the Public Service Excellence Programme, Whitelee Windfarm and commuted sums from developers in respect of affordable housing. This leaves an unallocated balance of £4.122 million. This is half of the level the council requires to adhere to its aim to maintain unallocated reserves of 4 percent of net expenditure (£7.956 million in 2008/9). As reserves can absorb the impact of unexpected costs or reductions in funding then their adequacy is a key issue going forward into a period of funding constraints.

**Key issue/risk 2**

## Group balances and going concern

42. The overall effect of inclusion of all of the council's associates on the group balance sheet is to reduce net assets by £82.5 million, mainly because of pension liabilities. Some of the associates (Strathclyde



Police, Strathclyde Fire and Rescue and Renfrewshire Valuation Board) had an excess of liabilities over assets at 31 March 2009 due to the accrual of pension liabilities. However, all group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

## Capital performance 2008/09

43. Capital expenditure in 2008/09 totalled £16.474 million, a drop of £0.384 million from 2007/08 and £8.598 million less than budget. Exhibit 2 details capital expenditure and capital slippage over the past 3 years:

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### Exhibit 2

#### Capital Expenditure and capital slippage

	Capital Expenditure £m	Capital Slippage £m
2006/07	17.8	3.3
2007/08	16.9	6.6
2008/09	16.5	8.6

44. We have been informed that slippage in the capital programme during 2008/09 is primarily associated with the Barrhead Regeneration Programme. The reason for the shortfall is the slow down in the property market due to the recession. The council was unable to realise sufficient capital receipts to fund the capital programme as planned and projects have been deferred to accommodate the drop in capital receipts. The Glasgow Southern Orbital road compensation deals have spent below plan. The continued trend in slippage in capital programme is concerning and could impact future service delivery by council departments.

**Key issue/Risk 3**





45. The trend in capital investment and sources of funds is reflected in exhibit 3.

### Exhibit 3

#### Sources of finance for capital expenditure 2007/08 and 2008/09

	2008/09 £000	2007/08 £000
<b>Capital Income</b>	5,235	5,322
<b>Capital from current revenue / capital reserve</b>	665	643
<b>Borrowing</b>	10,574	10,893
<b>Total</b>	<b>16,474</b>	<b>16,858</b>

46. The world's financial markets are experiencing unprecedented turbulence and uncertainty. There is limited scope to achieve savings through debt restructuring and it is increasingly difficult to forecast interest rate movements as the balance between preventing recession and managing inflation is sought. It is also likely that capital receipts will be less than forecast for the medium to long term. This means that the council should consider what alternative steps can be taken to deliver the agreed capital programme. These steps will include exploring the scope for alternative affordable funding and the overall size of the programme.

## Treasury management

47. In recent years, some councils have held significant amounts of cash and temporary investments to take advantage of favourable interest rates for planned capital programmes. In these circumstances, the early borrowing must be justified in its own right as representing the best time for borrowing the amount required. This should be assessed without regard to temporary investment possibilities, otherwise the action may be judged to be unlawful or to have subjected public money to unnecessary speculation risk.

48. As at 31 March 2009, East Renfrewshire Council held cash and temporary investments totalling £5.801 million compared to £9.299 million in 2007/08. The 2008/09 balance includes the impaired amount likely to be recoverable on the investment in Heritable Bank as mentioned in the financial statements section of this report.

49. The current economic climate means that interest rates on investments are low – the council received £0.643 million in investment income this year compared to £0.656 million last year. Borrowing rates are also low, but the council has a significant proportion of its debt at fixed rates and its average cost of borrowing over the year was 5.72 percent. The council has however taken advantage of the drop in



interest rates to reschedule £2.248 million of debt. This has resulted in a net saving of £0.359 million for each of the next 3 years.

50. The council adheres to the CIPFA Code of Conduct for Treasury Management and has established clear procedures for all treasury management activity. The council has a policy in place which limits how much can be placed with institutions and for how long, which is based on the risk assessed approved counter-party list. In April 2008, prior to the collapse of the Icelandic Banks, paragraph 18 refers, the council revised its investment policy. Based on falling credit ratings of some international investment companies, the Director of Finance took the decision to limit investments to UK and Irish based institutions only. The council has also restricted the maximum period of investment to three months, compared to the one year permissible under the Code.
51. Subsequently the council further restricted investments to UK based institutions. Options for investments have been constrained by bank mergers which are likely to result in councils having to increase their maximum investment levels thereby increasing the exposure to risk in the event that an institution fails. The council will need to continue its pro-active approach in treasury management and ensure that all current information on financial markets continues to steer treasury management activities.

## Financial planning

52. As was raised in our 2007/08 Report to Members, the council continues to face significant budget pressures, which are likely to increase in the coming years.
53. The council has been proactive in preparing for the financial pressures it will face in 2009/10 and beyond. Specific budget pressures for the council include pay and superannuation costs, increased entitlement to free school meals and increased investment in roads maintenance. Care costs for the elderly are likely to create pressures due to changes in demographics in the East Renfrewshire area.
54. The council is party to the concordat with Scottish Government which means, amongst other things, that council tax will not be increased in the current year. Additional Scottish Government grant was provided to assist in freezing the Council Tax level. In addition, the council has had to look at other sources of income and reductions in expenditure to balance its budget. In setting the 2009/10 budgets, departments were required to identify efficiency savings equating to a target of 1 percent and a 98 percent council tax collection rate was assumed. The council also raised council house rents by 4.55 percent in 2009/10.
55. The Scottish Government has made it clear that public expenditure will be constrained for the medium term. This means that councils need to plan now for a future where there is no real growth in funding. Assuming that the council remains party to the concordat, there will be no increase in council tax income for at least another year. The council has forecast funding levels for the medium term to



enable them to develop financial plans. These will be reviewed and updated as details of funding allocations evolve.

## Budgetary control

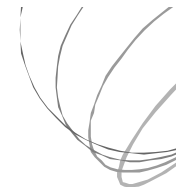
56. This year, because of the heightened importance of good budgetary control, we paid particular attention to how the council set and managed its budgets. We found that the process for budget setting had been brought forward in 2008/09 and going forward into 2009/10.
57. Budgetary control reports are generally provided to members of the cabinet quarterly. The last budget report for the year to members for 2008/09 was on 26 March 2009 for period ended January 2009. Members did not receive any further reports until 13 August 2009, when they received an annual outturn report. With the increasing tensions of funding and greater demand for services, up to date budgetary control data will be vital to ensure service delivery and consideration should be given to providing members with more frequent formal budgetary outturn information at the year-end.

## Asset management

58. Effective management of council assets helps the council achieve its objectives and get best value from its investment in property. Effective management benefits service delivery by making council buildings work better for staff and service users now and in the future. It also reduces the opportunity cost of money locked up in surplus property and reduces the council's carbon footprint.
59. In 2009, Audit Scotland published "Asset Management in Councils". Our study found that strategic asset management was not well developed in most local authorities. Council progress in this area has been slower than intended with the original date for implementing a corporate asset management plan (December 2008) not being met. The first draft of the Corporate Asset Management Plan together with a Property Asset Management Plan (the AMPs) whilst prepared in draft, still requires consideration by the CMT and therefore has not been made available to audit at this time. However, we understand this provides a toolkit which can be applied against all asset types to enable informed decision making. Property and technical services will assist other departments, including housing and roads, in producing the remaining asset management plans which will feed into future versions of the corporate plan. A Strategic Review of Office Accommodation, considering options for improved working practices as part of the appraisal of overall accommodation requirements, was taken forward in 2009 and has informed the content of the AMPs.

### **Key issue/Risk 4**

60. The Corporate Asset Management Group will lead the implementation of the AMPs and promote collaboration across departments on its key objectives. Among those objectives are the rationalisation of the property portfolio and the promotion of fit for purpose multiuse buildings. This offers the only real long term solution to the funding limitations on maintenance spend (the council's



ratio of maintenance spend to total floor area is approximately half of the industry recommended amount). In the short term this focus on planning can add to the annual efficiency savings achieved from asset management (£0.221 million for 2008/09).

61. The council's environment and sustainability agenda will also be served by the successful implementation of the AMPs. The council's CO2 emissions relating to property use increased by 4 percent in 2008/09 after a reduction of 15 percent in the previous 2 years and a strategic focus on asset management is necessary to meet CO2 targets over the long term. The reasons for this increase are currently being investigated by the council.
62. The council's record on disability access is good with 80 percent of council buildings being suitable for and accessible to disabled people. This ratio is 25 percent higher than the Scottish average.

## Procurement

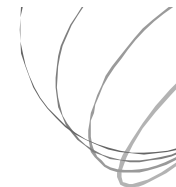
63. It is recognised that in a climate of diminishing resources and challenging economic circumstances, it is essential that all organisations maximise the benefit they get from external spending. This was reflected in Audit Scotland's national report "Improving public sector purchasing" which was published in July 2009. The report found that while the Scottish public sector has made significant savings since 2006 from better purchasing, there is still a lot of potential to deliver more, particularly from increasing the use of collaborative contracts. Other high level recommendations highlighted the good purchasing practice that public bodies should adopt to demonstrate Best Value.

### **Extract from Audit Scotland report *Improving public sector purchasing***

*To demonstrate Best Value when purchasing goods and services public bodies should:*

- Have high-quality purchasing strategies and plans in place, including a plan to meet future workforce needs.
- Have up-to-date information on their purchasing activities such as supplier details, volume of transactions, value and type of spend.
- Ensure all purchasing practices, including control of spending, comply with good practice as set out in national and centre of expertise guidance.
- Work with the Scottish Government and centres of expertise to identify and develop opportunities for collaboration and for improved purchasing practice.
- Use procurement Best Practice Indicators to assess their performance and to continually improve how they buy goods and services.
- Report savings and other benefits on a regular and consistent basis.

64. Since the creation of the council's central procurement function in 2003, the council has claimed a degree of efficiency gains from its procurement processes (e.g. £0.042 million in 07/08; £0.447million in 2008/09). The Scottish Government believe that scope exists for greater benefits through improved purchasing and contracting arrangements within the council and for greater collaboration with Scotland Excel, the centre of procurement expertise for local authorities in Scotland, which the council joined in April 2008.



65. Scotland Excel reported estimated savings to councils for the first quarter of 2009/10. This indicates overall savings of 7.3 percent. These savings however are based on certain general assumptions (i.e. expenditure levels) and is based on spend levels reported by suppliers due to information management difficulties within the councils. They also do not estimate savings accruing from legacy Authorities Buying Consortium contracts. Discussions between the East Renfrewshire Council and Scotland Excel have taken place to try and refine benefit tracking methodology which should be adopted by the council for all its procurement.
66. In the area of procurement, the council is revising its working practices to allow the council to achieve “superior” performance by 2011 as defined under the 2006 McClelland Report on public sector procurement. Key to this will be the development of better management information covering such matters as identifying the degree of council expenditure made under contracts etc.
67. During 2009, Audit Scotland carried out a survey on procurement activity in all Scottish local authorities. The council has submitted relevant best practice indicator information to the Scottish Government but has concerns over the consistency of information supplied by local authorities across Scotland. Also, due to the configuration and coverage of current information management systems within the council, improvements could be made on data available in relation to purchasing made under contract and otherwise. Proper management of this expenditure outside contract is essential to maximise potential savings as it is anticipated that this level of expenditure will be substantial.
68. In recognition of this issue, the council is reviewing all purchasing to ensure the introduction of contracts where required. A significant area under review is purchasing undertaken by the Community Health Care Partnership. The issue could also be addressed by extending the current corporate purchasing system operating within corporate services.
69. Within a tight fiscal environment, Audit Scotland considers that the procurement function within the council would benefit from a greater degree of member involvement in such matters as the approval of the council’s overall strategy and monitoring progress against agreed actions. There would also, in our opinion, be a role for members to lead on a development of a refreshed policy on sustainable procurement. This would be possible once, as anticipated by officers, revised guidance has been published by the Scottish Government.

**Key issue/Risk 5**

## **Managing people**

70. Last year’s Report to Members noted a key risk of the absence of a meaningful workforce plan and that there was much development work to do in this area. The council has made progress in 2009 and now aims to produce its first workforce plan by November. A number of functionality milestones have also been passed in the implementation of the new centralised HR system with main elements, such as absence management and performance appraisal, being scheduled to be in place in 2010. It



is important that the council ensures that there no delays to implementation and that both managers and employees are fully trained to make best use of the system.

#### **Key Issue/Risk 6**

71. In 2008/09, efficiency savings of £0.616 million were generated in the area of workforce planning with most of that figure arising from restructuring and vacancy management. It should be noted that the budget savings from the 2008 departmental restructure (the number of departments and Directors reduced from seven to five) will begin to be realised from 2010/11. Any delay in improving the key components of workforce planning will put the timely progress of the Change and Improvement Plan at risk and efficiencies such as cost reductions in respect of agency costs, overtime, absence, redeployment and redundancy may not be realised to the desired extent. Care will be required to ensure that the impact of staffing changes on the delivery of council services is clearly monitored.
72. To help and meet anticipated cost pressures, the council has decided that the workforce will need to become smaller than its current level. An interim assessment set an intention to reduce the workforce by 100-200 staff over the next two years. Wherever possible, the reduction in staffing is to be achieved through measures such as natural wastage and non filling of vacancies. The council invited staff to express interest in voluntary redundancy / early retirement and reduced working hours as a means of streamlining staff numbers. The results of this invitation are currently being considered and the corporate management team are now assessing whether further initiatives are required to achieve the efficiencies the programme envisaged.
73. Recruitment has been restricted to all but a small range of crucial posts. Through a vacancy monitoring process all clerical posts have been approved on a temporary basis only. This is to facilitate possible workforce planning movements at a later date. The council will rely on performance monitoring at service level to identify any adverse impact on service provision as a result of reliance on temporary staffing.
74. The council had 480 equal pay cases outstanding at the end of March 2009 and has made a suitable provision in the annual accounts. It is anticipated that a revised offer will be made to around 70 percent of claimants in the next few months with the remainder being resisted at this time. The council introduced the pay element of single status some time ago but have yet to implement the terms and conditions element. We raised this in our 2007/08 Report to Members, at which time we were advised that discussions would be taking place with unions and that a target date for implementation in April 2009 had been set. We are now advised that the planned implementation date has been revised to 2010, with discussions with unions scheduled to take place from October 2009. The council should progress this issue as a matter of priority.

#### **Key Issue/Risk 7**



## ICT

75. The council makes good use of Information Communication Technology (ICT) to support and deliver services. It also recognises the need for continuing capital investment in its ICT infrastructure to ensure its continued effective operation. Investments plans are in place for 2009-2014 for corporate ICT infrastructure, education infrastructure, corporate information security, mobile working and customer management investment.

### **Data handling and security**

76. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions and other government departments. Information security is now a service delivery issue where a significant failure of controls could lead to loss of stakeholder confidence and opt out from services, higher compliance costs due to enforcement action, withdrawal of third party services such as payment card processing and legal fees relating to civil and criminal litigation.
77. During our 2008/09 planning we reported that the council was reviewing both its Information Management Strategy and the Information Security Strategy and we concluded that until these documents were fully updated, there was a risk that the council's data handling and security processes did not meet legislative requirements or reflect best practice. We have been advised that the Information Security Policy was approved by the CMT in April 2009 and that draft Data Handling Guidelines have been issued to members of the Information Security Forum for comment. The Information Management Strategy is currently in draft format. The council should progress the development and roll-out of these policies as a priority to ensure that its practices comply with legislation.
78. We carried out a review of information management and we found that the council is making good progress in establishing a sound information management environment by initiating a pilot for developing information asset registers in each service, and by identifying gaps in policies, guidance and standards needed to improve information governance. Improved online training and the innovative use of automated awareness messages are also being provided to augment general awareness. The council should continue to progress these projects in accordance with planned timescales to ensure that it is holding data in accordance with legislative requirements and best practice.

### **Business continuity**

79. As part of our 2008/09 planning we reported that the council were developing a co-ordinated approach to business continuity planning, however a testing process had yet to be fully developed which

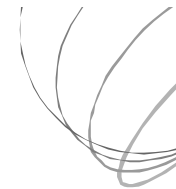


exposed the council to the risk that business continuity planning arrangements were not fit for purpose. We have been advised that the e-Government section within the council plan to review the current documentation and make any amendments as appropriate. Internal audit has recently undertaken a review of business continuity arrangements, the outcome of which has not yet been reported. We will continue to monitor progress in this area. Plans are contained within the Civil Contingencies work plan to provide assistance to departments in refining their business continuity planning this will be developed through the delivery of appropriate and targeted training together with practical support from the Civil Contingency Service.

## Housing services

80. In last year's Members Report we reviewed issues with regard to the impairment of council houses and sums from developers. This gave rise to our intention to carry out a wider review of the council's housing services as part of our 2008/09 audit. During this review, we noted several initiatives on housing matters that had recently commenced. An action plan has been agreed with the council.
81. The main issues noted in this review, completed in June 2009, were:
- The council has recognised that in the absence of appropriate up to date asset management information, the last full stock condition survey carried out in 2000/2001 should be updated. In April 2009, the council commissioned a new full stock condition survey which is planned to be completed by February 2010. This survey should result in a more robust measure of the council's progress towards meeting the SHQS. It will also assist in more reliable information for the reporting of the housing quality Statutory Performance Indicator (SPI) which was reported as unreliable this year.
  - The council has recognised that the management of empty properties needs to be improved and has formed a working group to consider appropriate measures. Changes have already been made to management process and new arrangements are expected to be in place by March 2010.
  - The council is now reinstating a small number of the long term empty properties which have been vacant for an extended period. The council is establishing a multi agency tasking group to consider the wider regeneration needs of low demand housing areas.
  - The council's 2004 Local Housing Strategy set an objective of 600 new affordable homes by 2009, however by that date only 66 had been constructed. The council's Strategic Housing Improvement Plan (SHIP) 2009-2014 recognised this shortfall and plans for the construction of 453 new affordable houses over the period (433 by Registered Social Landlords).
  - Given the economic downturn, the SHIP targets are challenging and the council needs to be proactive in promoting relationships between private developers and the RSLs and in ensuring that the Local Plan is consistent with, and facilitates the aims of, the SHIP. The Local Housing



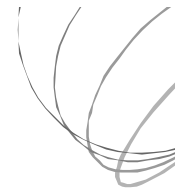


Strategy Working Group continues to monitor the SHIP's progress and will take action as appropriate.

- In order to address rental inequalities across the council area, the council requires to introduce a member approved rent setting policy for all council properties.
- The council has recognised there may be scope to offer greater priority in its housing allocation policy to transferring tenants and intends to complete the current review of policy by April 2010.

## Outlook

82. Clearly we are in a period of reduced economic growth with big implications for the council's resources and the demand for services. The council needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services. At the same time as the council tries to support its local economy and provide best value services, it is likely to face a reduction in resources. The council's intentions to carefully monitor additional pressures on revenue budgets as well as managing the size and delivery of its capital programme will be key for sound financial management in the current economic climate. Opportunities for efficiencies should be constantly sought and initiatives such as planned improvements in the arrangements for procurement and asset management should create important efficiencies for the council.



# Governance and accountability

## Introduction

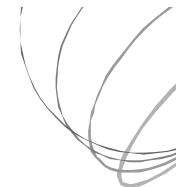
83. We believe that an effective council is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers. An effective council is committed to public performance reporting as a key element of public accountability. It clearly sets out service standards which reflect the needs of local people and other stakeholders, and is balanced in its presentation of the council's strengths, weaknesses and challenges for the future.

## Structure and policies

84. Corporate governance is about direction and control of organisations. Councils are large complex organisations and as such good governance is critically important. The council revised its Local Code of Corporate Governance in summer 2008 to reflect the CIPFA/SOLACE guidance: *Delivering Good Governance in Local Government*. The revised code was approved by the council's audit committee in October 2008.

85. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The Audit Committee's remit includes the control environment, to review both internal and external audit outputs and plans and to promote an anti-fraud culture. The committee is well attended and in overall terms its remit and working practices are in accordance with the good practice principles. For example, the committee:

- is a formally constituted committee with clear terms of reference which reports directly to council and usually meets in public. The draft financial statements should also be made more formally available to all members of the council at the date of issue
- membership is in line with the political balance of the council and there is regular attendance by appropriate senior officers of the council
- considers internal and external audit plans and respective annual reports
- reviews the audit certificate and considers matters arising from the audit of the annual accounts.



86. There is scope for further learning and development opportunities so that members are appropriately supported and equipped to challenge officers and increase the effectiveness of the committee's work. In particular, we would highlight the following matters as areas of work where the committee need to focus more attention:

- the committee does not currently meet to receive and discuss the draft financial statements submitted for audit. This is generally accepted as good practice and allows members to be more proactive in the monitoring of audit recommendations and findings
- the committee currently receives a selection of internal audit reports and is advised of significant issues by the external auditor. The area for improvement is in relation to the implementation of action plans. A more formal process needs to be put in place which will provide the committee with assurance that recommendations are being implemented and making a difference
- over the last year, council services such as social work and child protection services were inspected by relevant inspection agencies. Clearly the detail of these reports will be addressed by the relevant services and executive committees but good practice suggests audit committees have a role in monitoring implementation to ensure that key risks faced by the council are being addressed. It is not clear whether the committee has discussed its role with regard to inspection reports
- the Accounts Commission issue a range of national study reports and an overview of local government each year. Recommendations are generally directed at all councils so it would be appropriate for the committee to consider findings and ensure that significant matters are being addressed by the council.

## Roles and relationships

87. The Accounts Commission recommends that councils give priority to the continuous professional development of its members. East Renfrewshire Council introduced a system of Personal Development Plans (PDPs) in 2007 in order to identify future training and other development needs. In last year's Report to Members, we noted that 50 percent of members had still to agree a PDP, and at the current date there remain two members who have not participated in PDPs. While the council continues to promote the adoption of PDPs and ongoing training, it has also introduced a broader interpretation of personal development to encompass the more informal ways by which members increase their knowledge and understanding of council business and local government issues. Information is now collected twice a year regarding all development activity undertaken by or presented to members within the authority not classified as a course or conference. This information is published with the members' expenses information and posted on the council's website.



88. The council has six multi-member wards with representatives from various political parties. No formal protocol has been agreed with members on how such matters as correspondence from the public, etc, should be handled, with matters being left to members to handle as they desire, subject to any expressed condition.

## Support available to elected members

89. A number of members commented in their responses to the 2008 questionnaire on the quality of support services that they would welcome the introduction of firmer guidance on the content and format of committee reports. New corporate report format guidelines were introduced from September 2009 including standard references to option appraisal, finance and efficiency, and partnership working. In particular, reports should explain how the project or policy will contribute to one or more of the eleven SOA outcomes and outline the indicators and targets that will be monitored to demonstrate progress.

## Partnership working

90. The 2009 SOA update was approved by Scottish Government in July 2009. It sets out the overarching context for partnership working in East Renfrewshire and it is the cornerstone of the new relationship between the Scottish Government and East Renfrewshire Community Planning Partnership (CPP). In order to assess progress against SOA indicators, performance information is gathered twice yearly through the appropriate council contact or relevant partner organisations. The council has recognised the need to capture information in a more systematic manner and is preparing to extend access to its covalent performance management system to key partner organisations by March 2010.
91. We noted in last year's Report to Members that a clear mechanism needed to be established to agree action by community planning partners where performance towards SOA outcomes required improvement. The council has since implemented performance and accountability reviews as part of its revised community planning arrangements. The first of those review meetings took place in June 2009 with the council's CMT and key senior partner representatives jointly agreeing several improvement actions which will contribute to the delivery of the SOA.
92. While the East Renfrewshire CPP is committed to the delivery of the eleven strategic local outcomes, it must be recognised that the delivery of these outcomes is based on the assumption that partners receive similar levels of funding in future. The council will continue to monitor the potential risk of tighter financial constraints having an adverse affect on partners' ability to deliver their commitments.
93. The 2008 review of Community Planning Arrangements recognised that elected members who did not sit on policy partnerships may not be fully cognisant of the community planning process and some



of the issues. The council has sought to address this by introducing four Information and Consultation Sessions in 2009, covering the impact of the economic downturn and corporate parenting, and to follow, the role of the council's partner Voluntary Action (the third sector single interface) and a session on community safety issues.

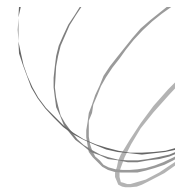
94. Audit Scotland's national study on civil contingencies planning noted examples of good practice in relation to East Renfrewshire, Renfrewshire and Inverclyde's establishment of a joint service model with a single civil contingencies service, based in Renfrewshire Council. It was also noted that East Renfrewshire was one of five councils in Scotland that had produced a guidance document about civil contingencies planning for elected members. Within the overall structure of the Strathclyde Strategic Co-ordinating Group however, the report gave a low effectiveness rating to the Strathclyde group, reflecting the difficulties Strathclyde faces in engaging with a large number of organisations over an extensive geographical area.

## Community engagement

95. Community engagement is a key element of community planning arrangements and as such is subject to the council's ongoing review. In addition to three local Area Forums and ten community councils, the council operates a Citizens' Panel of approximately 1200 local people to provide their views on local issues. In December 2008, a group of Citizens' Panel members were involved in discussion groups feeding into the new SOA, service standards and other community engagement issues.
96. The council is responsible for disbursing the Fairer Scotland Fund (FSF) through the partnership in order to tackle social exclusion and regenerate communities. Funding is currently ring fenced until it is rolled up into the main grant in 2010/11 and as reported last year, care will be required to ensure that projects all have appropriate exit strategies that are consistent with best value.

## Public performance reporting

97. The Audit Committee's 2008 investigation into service standards prompted the council to make improvements in the reporting of service performance to the public. In May 2009, the Cabinet approved a reduction in the overall number of standards from 214 to 70 in order to reduce bureaucracy and provide a sharper focus on performance. In addition to reporting on service standards performance in the ER magazine, other developments have included a council wide campaign to promote plain English in communications to customers and an overhaul of the website to give it a clearer content focus.



## Governance and internal control

98. As part of planning work on the audit, we reviewed the main financial systems of the council to identify any control weaknesses which may impact on our audit opinion. While our review found no issues which were likely to have a material impact on the financial statements, a number of minor issues were identified.

## Outlook

99. We recognise the challenges posed by the SOAs. The Accounts Commission acknowledges that SOAs are still at an early stage of development. At this stage in the evolution of this new approach to planning, we are interested in the processes rather than the outcomes.

100. The council has made good progress in developing clear accountable mechanisms for its SOA. The council's monitoring of outcomes will however need to be sensitive to financial constraints.

101. As the SOA demonstrates, partnership working is critical to the council's success. We are developing our approach to the audit of partnerships through the new approach to best value. In future, we shall increasingly be looking at the contribution of partners as well as the council's own contribution to the delivery of outcomes.



# Performance management and improvement

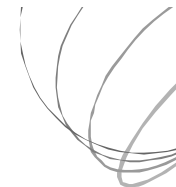
## Introduction

102. We believe that an effective council has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high quality services and effective outcomes for local people. The vision is effectively promoted by the member and officer leadership of the council and supported by staff and partners. It is backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery. An effective council has a performance management culture which is embedded throughout the organisation. The council's performance management framework is comprehensive and integrated with service planning and delivery. Staff have a customer first culture. The council is able to demonstrate significantly improved outcomes for citizens and more effective and efficient services because of its performance management arrangements.

## Vision and strategic direction

103. The SOA is the core strategic document for the East Renfrewshire community planning partners and sets out how the council's community planning partnership will deliver the outcomes most important to the Scottish Government. Following the SOA is the council's Corporate Statement, Working for You 2007-2011, which sets out the council's contribution to the SOA outcomes and its commitment to driving change, efficiency and innovation. In 2008/09, the Corporate Statement was translated into a series of more detailed objectives and actions for council departments through the Policy and Financial Plan (now replaced by the Outcome Delivery plan for future years) and onwards through departmental plans and strategies. Strategies for older people, sustainability and inclusion in ethnic minority groups are being developed and a new strategy, *Recognising Achievement and Raising Attainment*, has been prepared and is being led by Education. The council has therefore set out a clear vision of how it will work with partners to achieve common outcomes for the future of the area.

104. The council benefits from clear leadership from both members and senior staff who ensure that staff work in a culture of openness which fosters a commitment to continual improvement. Guidance is being developed to help staff to focus strategies on a key council initiative programme "Public Service Excellence" (PSE), launched in February 2009. PSE promotes the principle of "One Council", that all departments should operate as one organisation to bring service benefits and to reduce duplication with common systems and processes across the council. That key principle drives the Change and Improvement Action Plan which currently has 31 improvement objectives across all aspects of the council's activities.



105. In its *Overview of the local authority audits 2008* the Accounts Commission commented on the lack of progress in developing shared services. They recommended that councils should give this high priority in the light of financial pressures and the drive for efficiency. East Renfrewshire is one of the eight councils participating in the Clyde Valley Community Planning Partnership's review of shared services and the Leader of the Council, Chief and Deputy Chief Executives are all involved in high level groups overseeing this review. Sir John Arbuthnott will report his findings in the first instance to the leaders of the councils by November 2009.

## **Performance management**

106. New performance management arrangements were introduced in 2008/09 to align with the SOA requirements and ensure that progress towards the outcomes of the SOA is effectively monitored. A new approach to updating information by using the scorecards function within covalent has been rolled out in 2009. There are now five main corporate scorecards; the Outcome Delivery Plan, Service Standards, SOA, SPIs and the Outcome Performance Report. As referred to under our Governance and Accountability section covalent is the system used to capture and report information on service performance.

## **Overview of performance in 2008/09**

107. The council's 2008/09 Annual Performance Report was produced in September 2009 and described the council's progress towards the delivery of the twelve outcomes established in the SOA 2008-2011. Of the set of 33 indicators used to measure progress 22 indicate that the target for 2011 has already been met, 6 indicate that the work is on track to ensure the target is met by 2011, and 2 indicate a warning that the target may not be met by 2011. These relate to number of affordable houses and a health issue. The remaining 3 indicators have no measurable target set.

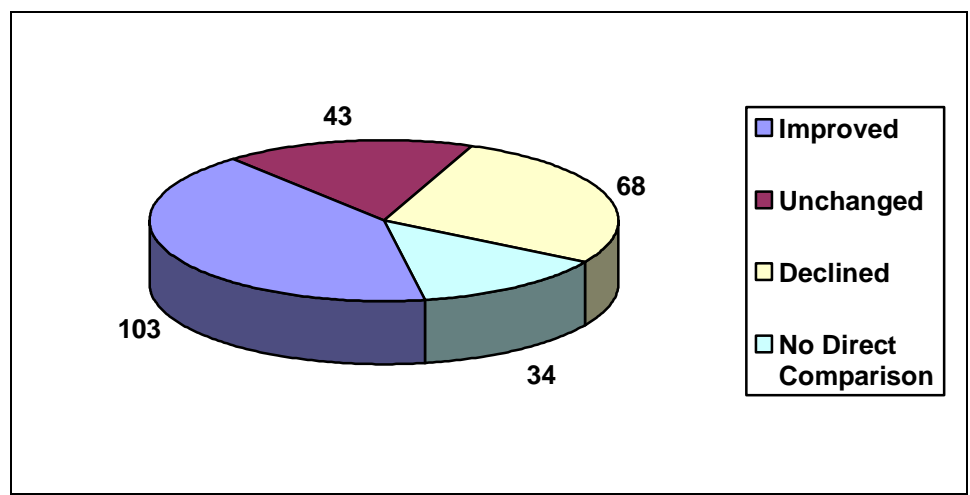
## **Statutory performance indicators**

108. One of the ways of measuring council performance is through the statutory performance indicators (SPIs). With regard to 2008/09, a total of 58 SPIs were required, most of which were further broken down to provide a total of 248 indicators. The council's SPI's were submitted by the required timescales and free of any qualifications apart from two benefits administration indicators which were not reported for all councils due to our concerns over the DWP's method of data collection and one housing quality indicator which we concluded was unreliable due to the absence of meaningful monitoring information on council progress against SHQS.





**Exhibit 4:**  
**Improvements demonstrated by SPIs (Total 248 indicators)**



109. Overall, it can be seen that more indicators improved than declined over the year, representing an overall net improvement in the council's performance. Amongst those indicators exhibiting improvement are:

- Planning applications, processing time - % of applications dealt within 2 months
- Proportion of Children's Hearing System reports submitted within target time
- Benefits –gross administration cost per case
- Trading standards – business advice requests and consumer complaints dealt within 14 days.

110. Among those indicators exhibiting decline are:

- Number of complaints per 1,000 households regarding the household collection service
- Net cost of refuse collection per premise
- Proportion of tenants giving up their tenancies who were in rent arrears
- Absence of rent due to vacant properties.

111. As noted in our 2007/08 Report to Members, there was particular concern for the following SPIs; carriageway conditions, litigation claims, average time taken to process new benefit claims and sickness absence for craft employees. There has been an improvement in carriageway conditions and also in litigation claims in 2008/09. Due to changes in methodology, the benefits claims and sickness absence SPIs are not directly comparable with last year. It should be noted however that the number of sickness absence days per year for employees excluding teachers, at 13.7 days, is one of



the highest in Scotland. The Corporate HR Manager has since prepared an action plan to address the absence levels.

## Efficiency

112. In June 2009, the council produced its 2008/09 Efficiency Statement in which it disclosed total efficiencies of £4.035 million for the year compared to the £4.653 million reported in 2007/08. £1.1 million of this relates to restricted assumptions on inflation within departmental budgets. To ensure that the reported savings are true efficiencies, the council has continued to apply its threefold approach to verification, being financial confirmation; productivity confirmation and quality confirmation.

113. As part of the PSE programme, the council are planning for further efficiencies. Examples include the departmental restructures which were implemented in May 2008 and November 2008, the relocation of Education support staff and the introduction of on-line payments for all council services where an invoice has been issued.

## Improving energy efficiency

114. Tackling climate change and making the best use of resources require the efficient use of energy. In 2008, Audit Scotland published a report on this subject: "*Improving Energy Efficiency*". Our report concluded that the public sector in Scotland has made progress in using energy more efficiently, recording a 5 percent decrease in energy consumption in councils for the three years to March 2007. However, the amount spent on energy, over the same period, increased by 47 percent due to price increases. Public bodies are recommended to develop and implement robust energy strategies and to encourage the necessary changes to culture and behaviour.

115. In the response to this report, the council highlighted that the Carbon Trust had published a similar report and the council had updated their energy strategy and policy to reflect the recommendations made by the Carbon Trust. The council has assured us that the revised strategy and policy also reflects the recommendations made in Audit Scotland's report.

## Risk management

116. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance.

117. The council's policy is to promote an inclusive approach to risk management through the Corporate Risk Management Group (CRMG). The CRMG, with representatives from all service departments,



meets every quarter, and acts as a focal point for promoting and raising awareness of managers and employees to take ownership of risks and to share best practice.

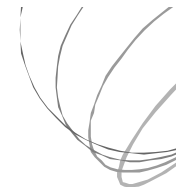
118. The latest update of the strategic risk register, for approval by the audit committee, links all risks to the Outcome Delivery Plan (ODP) and all services have been encouraged to ensure their operational risk registers are either linked to the ODP intermediate outcomes or the activities. The high risk category remains the same as the April 2009 register and includes reduced government funding reduced capital investment, loss of council income and service disruption caused by pandemic flu. Additional control measures have been introduced, including a change in the financial planning timetable to allow earlier discussion and a new governance arrangement for the PSE programme.
119. Having established a robust approach to risk management on both a corporate and operational level the council is now working to embed good practices in the application of project management and in partnership working. In August, the Corporate Policy and Transformation Unit required that all project initiation documents as part of the PSE projects incorporate risk management. A new training course in project risk management has been delivered three times since January with the latter event extended to community planning partners. CRMG will monitor the take up of project risk registers at departmental level and the quality of those registers in identifying project risks.

## Other national studies

120. As mentioned in the front section of this report Audit Scotland has published a number of national studies in the last year of direct interest to the council. Some of those studies have already been referred to in the paragraphs above and the remaining reports are summarised below.

## Equality and diversity

121. The challenge for councils is to plan and deliver services which meet the needs of their increasingly diverse communities. Our national report, "*The impact of the race equality duty on council services*", published in November 2008, included the following findings; councils have limited evidence of the impact of the race equality duty on service delivery, councils lack full and robust information about minority ethnic communities and their needs and they do not consistently prioritise and report on race equality, or provide sufficient training for councillors and staff.
122. East Renfrewshire has four percent of residents from ethnic minorities, one of the highest ratios in Scotland, and has been proactive in developing a single equality strategy to address its statutory duties.
123. East Renfrewshire's Equality Officers Working Group held a workshop on the Audit Scotland Report and reaffirmed targets for completing the assessment of the council's functions and policies in relation



to equalities. The council's progress on Equality Impact Assessments has been slow but should improve as departments begin to use the on-line tool kit, introduced in September 2009. This provides a mechanism for recording and monitoring the actual equalities impact of the council's services.

124. The Chief Executive is leading on the development of a Race Inclusion Strategy in conjunction with community representatives and the Minority Ethnic Community Development and Engagement Strategy is due to be in place in November 2009. The council has targeted a significant improvement in community engagement in equality and diversity by the end of 2010 and will monitor progress via the half yearly reports to the Chief Executive and Annual Equality Updates.

## Drug and alcohol services in Scotland

125. The impact of drug and alcohol misuse in Scotland is widespread. In 2007/08, the public sector spent £173 million on drug and alcohol services in Scotland, £84 million specifically on drug services and £30 million on alcohol services. Our national report on drug and alcohol services in Scotland, published in March 2009, highlighted that public sector bodies should:

- Ensure all drug and alcohol services are based on an assessment of local need and are regularly evaluated.
- Ensure service specifications are in place for services and set out requirements relating to service activity and quality.
- Set clear criteria of effectiveness and expected outcomes for the different services provided.

126. The council considered the Audit Scotland report at the East Renfrewshire Addiction Planning and Implementation Group. This group has agreed that governance, commissioning, performance and other matters will be considered as part of wider strategic planning and service re-design.

## Overview of mental health services

127. It is estimated that there are up to 850,000 people with mental health problems at any one time in Scotland. People with mental health problems may require different services depending on their condition. Services are provided by the NHS, in hospital and community settings, councils, education, housing and employment services and voluntary and private organisations. Our national report, published in May 2009 highlighted the following:

- Better information is needed about socially excluded people to identify unmet need and ensure resources are targeted on those most in need of support.
- There have been significant developments in the way that mental health services are delivered, with a focus on shifting resources from hospitals to the community.



- NHS boards and Councils use different information systems and this limits their ability to plan and deliver joined-up, responsive services.
- Services out of hours and at times of crisis are not well developed in all areas.

128. The council considered the report at the Mental Health Planning Group in July 2009. The council is confident that their Mental Health Strategy includes all of the issues raised in the report and this is underpinned by an action plan which addresses the recommendations made.

## Other inspectorate reports

129. During the year the council was also subject to inspection by a number of other inspectorate agencies including Her Majesty's Inspectorate of Education (HMIE), Social Work Inspection Agency (SWIA) and the Scottish Commission for Regulation of Care (SCRC).

130. The council further enhanced its reputation for delivering an excellent education service when Hazeldene nursery school in Newton Mearns achieved excellent ratings in all five quality indicators and all other inspected schools achieved a combination of excellent and very good ratings across the assessed indicators.

131. The SWIA report in June 2008 was a follow up to their 2006 inspection report. They concluded that the council had made good or satisfactory progress in eight out of its twelve recommendations, but that further work was need to address particular issues such as the strategy for services for older people, commissioning strategies for community care services and team and unit plans.

132. SCRC inspected a number of care facilities during the year from nursery classes to housing support units. In general, the council's facilities obtained good and very good assessments however some areas were identified where improvement action was required.

## Outlook

133. Going forward, the format of SPIs will alter significantly in 2009/10, with authorities now required to identify and report a range of their own indicators in addition to twenty five national ones. All indicators should have an emphasis on:

- A range of corporate issues covering key Best Value concerns such as equalities, resource and asset management affecting overall service delivery.
- Revenue and service cost management.
- Front line services and issues directly relating to service user experience.



134. The council has been preparing for the new direction of the SPIs by gathering responses from all departments on the performance measures they intend to use for 2009/10. The council has however still to conclude this exercise and identify which indicators serve the best value criteria.

135. We have already mentioned the importance of developing the governance aspects of the SOA; the performance management aspects are also important. The long term and complex nature of many of the outcome targets, pose many challenges for performance management. For example, how can the council tell if its resources are making a difference? We recognise the challenges and whilst we have no plans to audit the outcome progress reports in 2010/11, we will pay attention to the systems East Renfrewshire has in place to monitor progress and take remedial action.

136. We are currently developing our approach to BV2 by working with five pathfinder councils. From April 2010, we shall be rolling out the new approach to all Scottish councils. The timing of East Renfrewshire's best value audit will be determined by a risk assessment. We will report the risk assessment in March 2010.

137. The risk assessment will be carried out in conjunction with other scrutiny bodies. That means that not only will it determine the timing and scope of the BV2 audit of East Renfrewshire, but it will also identify the timing and scope of other scrutiny work. Along with the other bodies, we intend to publish a scrutiny plan for each council covering all scrutiny activity over a three year period.



# Appendix A

## External audit reports and audit opinions issued for 2008/09

<b>Title of report or opinion</b>	<b>Date of issue</b>
Annual Audit Plan	28/1/09
Annual Overview of Internal Audit	29/1/09
Strategic Audit Risk Analysis	31/3/09
Annual Overview of Internal Financial Control	25/6/09
Review of Housing Services	26/6/09
Education Maintenance Allowance	21/7/09
Statutory performance indicators	27/8/09
Report on financial statements to those charged with governance (ISA 260)	23/9/09
Audit opinion on the 2008/09 financial statements	29/9/09
Information Management	30/09/09

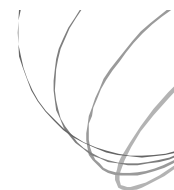


# Appendix B: Action Plan

## Key risk areas and planned management action

Action Point	Refer Para No	Key issue/Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	35	<p><b>IFRS Adoption</b></p> <p>IFRS will be introduced from 2010/11 with WGA reported on an IFRS basis for 2009/10. A comparative balance sheet as 1 April 2009 is required.</p> <p><b>Key issue/Risk:</b> If the council does not prepare properly it may be unable to meet IFRS compliance requirements.</p> <p><i>(Refer to 2008/09 SARA risk 16)</i></p>	<p>A working group has been established to identify and progress the issues regarding IFRS and services of consultants have been commissioned to facilitate successful implementation of IFRS requirements.</p>	Head of Accountancy	February 2010
2	39 41	<p><b>Financial Pressures</b></p> <p>In common with all other Scottish local authorities, the council is facing reductions in future funding levels. Financial planning and robust budget setting and monitoring arrangements are essential to ensure these pressures are actively managed. Adequate reserve levels are necessary to reduce the impact of unexpected costs or funding reductions. The council's unallocated general fund balance represents two percent of the net operating expenditure of the council which is half of the Council's aim.</p> <p><b>Key issue/Risk:</b> A failure to set and manage realistic budgets will endanger the council's financial position. A failure to manage the balance of unallocated reserves will limit the council's capacity to absorb unexpected events.</p> <p><i>(Refer to 2008/09 SARA risks 13 &amp; 14)</i></p>	<p>Early planning is being undertaken to ensure that future financial pressures are being addressed in a prudent manner and with a long-term financial strategy. The CMT is undertaking scenario planning in preparation for putting proposals for consideration to the Council.</p>	CMT	Ongoing





Action Point	Refer Para No	Key issue/Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	44	<p><b>Capital Slippage</b></p> <p>The council's capital programme has experienced significant slippage in 2008/09, primarily associated with the Barrhead Regeneration Programme, due to a substantial drop in capital receipts as a result of market conditions.</p> <p><b>Key issue/Risk:</b> Slippage in the planned capital programme may impact on the council's ability to deliver services or planned improvements to services.</p> <p><i>(Refer to 2008/09 SARA risk 15)</i></p>	<p>Progress on the capital programme is actively monitored throughout the year and reported to the Council. Future capital plans are being prepared on a strategic and corporate basis and in line with the principles of sound asset management. These plans will reflect on the difficulties being experienced as a result of the current economic downturn.</p>	Director of Finance	Ongoing
4	59	<p><b>Asset Management</b></p> <p>The council's progress on asset management planning had been delayed going into 2009 but we understand that the first draft Corporate Asset Management Plan (CAMP) is due for publication shortly.</p> <p><b>Key issue/Risk:</b> Delays in developing and implementing the CAMP may inhibit efficiencies on maintenance spending and progress towards the longer term goals of property portfolio rationalisation and multi purpose buildings.</p> <p><i>(Refer 2008/09 SARA risk 23)</i></p>	<p>The final draft of the Corporate Asset Management Plan will be considered by the CMT in late October 2009.</p>	Head of Property and Technical Services	October 2009
5	69	<p><b>Procurement</b></p> <p>The council is in the process of developing improved procurement procedures and practises with a target completion date of 2011. This review should insure that more comprehensive management information is available on contract coverage and performance.</p>	<p>The Corporate Procurement Section has developed a Change and Improvement Plan (approved by the CMT in April 2009) which will be subject to further review following the completion of the Procurement Capability Assessment being carried out by Scotland Excel.</p>	Corporate Procurement Manager	2011



Action Point	Refer Para No	Key issue/Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p><b>Key issue/ Risk:</b> Without improved procedures and practises the council will not achieve “superior performance” as defined by the McClelland report and will not realise potential efficiencies.</p>	<p>A number of actions have already been implemented including the introduction of enhanced Commodity/Tender strategies and regular training for officers involved in the supply chain process.</p>		
6	70	<p><b>Managing People</b></p> <p>There has been gradual progress towards the completion of the first Workforce Plan, due in November 2009. The ongoing refinement of the plan should be a priority going forward into a period of financial constraint.</p> <p><b>Key issue/Risk:</b> Any delay in refining key components of workforce planning may restrict the council’s ability to implement the change agenda and tackle such issues as deteriorating staff absence.</p> <p><i>(Refer to 2008/09 SARA risk 21)</i></p>	<p>CMT will consider its first high level workforce plan for East Renfrewshire Council.</p>	Deputy Chief Executive	November 2009
7	74	<p><b>Equal pay and single status</b></p> <p>The council remains committed to fully settle all equal pay claims however they have yet to implement the terms and conditions element of single status.</p> <p><b>Key issue/Risk:</b> The outcome of future litigation claims is uncertain. There is a risk that the current level of provision is not adequate to meet future costs. Delay in implementing single status terms and conditions may lead to industrial unrest.</p> <p><i>(Refer 2008/09 SARA risk 20)</i></p>	<p>Revised terms and conditions will be implemented subject to consultation with Trade Unions.</p>	Deputy Chief Executive	April 2010