



**SCOTT-MONCRIEFF**

EDINBURGH AND GLASGOW



## **Fife Council**

**Annual Report to Fife Council and the  
Controller of Audit  
2008/09**

**September 2009**



## Fife Council

# Annual Report to Fife Council and the Controller of Audit 2008/09

<b>Executive Summary</b> .....	<b>1</b>
<b>Introduction</b> .....	<b>4</b>
<b>Financial Statements</b> .....	<b>5</b>
<b>Use of Resources</b> .....	<b>14</b>
<b>Performance</b> .....	<b>28</b>
<b>Governance</b> .....	<b>40</b>
<b>Action Plan</b> .....	<b>51</b>

# Executive Summary

## Financial statements

We are pleased to report that our independent auditors' report expressed an unqualified opinion on the financial statements for the year ended 31 March 2009. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.

## Use of resources

The Council achieved a general fund surplus of £5.151 million in 2008/09. The general fund balance brought forward of £15.070 million at 1 April 2008 increased to a cumulative net surplus balance of £20.221 million at 31 March 2009. Of this balance, £15.964 million has been earmarked for specific purposes, which leaves an unallocated general fund balance of £4.257 million. The Council is committed to restoring balances to a minimum level of £9 million over a three year period commencing April 2007. The Council has made progress in achieving this target.

The Council reported a net under spend against its 2008/09 capital budget of £2.145 million. This was calculated after taking account of the approved programme to be re-phased to 2009/10 (£18.287 million).

Regular reports have been reported to the Council's Policy, Finance and Asset Management committee on actions being undertaken by the Council in response to the economic recession. Whilst it is evident that the recession has impacted on a number of service areas, the Council has also noted that there are service areas which could have been impacted but continue to exceed or meet targets.

A strategic programme of efficiency initiatives has been developed to assist in delivering financial savings for 2010/11 and beyond. An Efficiency Board has been created to review the initiatives presented by services. Areas to be considered include, options for alternative models of service delivery, implementation of best procurement practice and more efficient use of Council buildings.

## Performance

During 2008/09, Audit Scotland undertook a Best Value and Community Planning review of Fife Council. The findings of the review were published in March 2009. The report noted that the Council has a clear strategic direction and shows good self awareness, with many of the building blocks in place for achieving best value. It did however also identify areas with scope for improvement. Following the publication of the report, the Council has prepared a best value audit improvement plan. Progress against the best value improvement plan is reported on a six monthly basis to the Policy, Finance and Asset Management Committee. Regular progress updates are also reported to the Council's Corporate Management Team.

The Best Value report commented that the Council's performance management arrangements need further development. The Council has previously recognised weaknesses in the performance reporting arrangements and revised arrangements were approved in 2007. The Council is committed to

developing its performance management framework and has identified a number of actions to take this forward.

## **Governance**

We have reviewed the Council's corporate governance arrangements in relation to its systems of internal financial control and standards of conduct including the prevention and detection of fraud and corruption. Our review confirmed that the Council's governance arrangements are in general satisfactory.

During the year, the Chief Executive and Chief Constable have considered further the key governance responsibilities. A paper to the Policy, Finance and Asset Management Committee during the year proposed that the Council review its arrangements in relation to the discharge of its responsibilities as a unitary police and fire authority. Concerns still remain that there are insufficient opportunities for members to fulfil their responsibilities for effective scrutiny, holding to account and independent review of the performance of the Police service.

Work is ongoing to develop the Council's scrutiny arrangements. Improvements to the existing scrutiny arrangements were recently set out in a paper to the Policy, Finance and Asset Management Committee. The proposals include scrutiny reviews to be carried out by Scrutiny Panels. Scrutiny Panels would be cross-party.

## **Looking forward**

A report was submitted to the Policy, Finance and Asset Management Committee in September 2009 providing a high level update on the Council's financial position for 2009/10. The Council is currently predicting an overall projected deficit of £4.795 million against a planned budget surplus of £1.682 million. The Council is also projecting an estimated balance of £8.814 million in the uncommitted general fund balance. This projected financial position is marginally below the Council's approved policy to restore balances to a minimum level of £9m over a three year period commencing April 2007.

Uncertainty exists as to the impact any reduction in the Scottish Government budget will have on local authorities. Fife Council has however started to consider the possible range of outcomes on its future budgets. All services have been asked to identify budget savings on the basis of delivery of services at 97% of current resources.

From 2009/10 there is a significant change to the Statutory Performance Indicator Direction. The Council has already taken steps to ensuring compliance with this Direction in 2009/10.

## **Conclusion**

This report concludes our audit of Fife Council for 2008/09. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the Chief Executive and members of the Council's management team. We would like to thank all members of Fife Council's management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

**Scott-Moncrieff**  
**September 2009**

# Introduction

- 1 This report summarises the findings from our 2008/09 audit of Fife Council. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Standards and Audit Committee on 13 January 2009.
- 2 The main elements of our audit work in 2008/09 have been:
  - Audit of the financial statements, including a review of the Corporate Governance Statement
  - Review of corporate governance arrangements
  - Review of internal financial controls and financial systems
  - Audit of Information Security Management arrangements
  - Review of the Council's use of smartcards
  - Review of Common Good arrangements
  - Follow up review – IT Strategy, Governance and Services
- 3 The key issues arising from our work during the year is summarised in this annual report.
- 4 Our findings are drawn together within four sections:
  - **Financial Statements:** summarises the key outcomes from our 2008/09 audit of Fife Council's financial statements.
  - **Use of Resources:** covers how Fife Council is managing its finances, workforce and assets.
  - **Performance:** covers the Council's performance management arrangements and statutory performance indicators
  - **Governance:** covers a summary of Fife Council's corporate governance arrangements
- 5 This report is addressed to Fife Council and the Controller of Audit and will be published on Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# Financial Statements

## Introduction

6 Financial statements are an essential means by which an organisation accounts for its stewardship of the resources available to it. In this section we summarise the key outcomes from our 2008/09 audit of Fife Council's financial statements.

## Our Responsibilities

7 We audit the financial statements and give an opinion on:

- whether they give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP), of the financial position of the Council and its income and expenditure for the year then ended; and
- whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

8 We also review the Corporate Governance Statement by considering the adequacy of the process put in place by the Executive Director of Finance and Resources to obtain assurances on systems of internal control. We assess whether disclosures in the statement are consistent with our knowledge of Fife Council.

## Independence

9 International Standard on Auditing 260 – Communication of Audit Matters with those Charged with Governance – requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

10 We provided no additional services to Fife Council during the year and can confirm that we have complied with the Auditing Practices Board Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

## Legality

11 We have planned and performed our audit recognising that non-compliance with statute or regulations may materially effect the financial statements. Our audit procedures included the following:

- Reviewing minutes of relevant meetings;
- Enquiring of senior management and the organisation's solicitors the position in relation to litigation, claims and assessments; and
- Performing detailed testing of transactions and balances.

- 12 We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

## **Responsibility for the Statement of Accounts**

- 13 It is the responsibility of the Council and the Executive Director of Finance and Resources to prepare the financial statements in accordance with the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). This means:
- acting within the law and ensuring the regularity of transactions;
  - maintaining proper accounting records; and
  - preparing financial statements which present fairly the financial position of the council and its expenditure and income for the period ended 31 March 2009.

## **Overall conclusion**

- 14 Our audit report is included on pages 94 and 95 of the annual accounts and is addressed to members of Fife Council and the Accounts Commission for Scotland. The report was issued on 30 September 2009 and is unqualified. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
- 15 Fife Council is required under Regulation 4 of the Local Authority Accounts (Scotland) Regulation 1985 to submit a copy of an abstract of their accounts to the Controller of Audit by 30 June. We can confirm that Fife Council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June.
- 16 The quality of the financial statements prepared by the Council is of a high standard. This is a demonstration of the Council's finance officials' commitment to consistently improve the disclosure of Fife Council's financial and accounting information to stakeholders. Our thanks go to staff at Fife Council for their assistance with our work.

## **Format of the Accounts**

- 17 The financial statements should be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 (the SORP). The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which present fairly the financial position and transactions of a local authority and to prepare group financial statements where they have material interests in subsidiaries, associates or joint ventures.
- 18 In Scotland, the SORP constitutes proper accounting practice under section 12 of the Local Government in Scotland Act 2003, under the statutory framework established by the Local Authority Accounts (Scotland) Regulations 1985; and, for the audit of those accounts, by section



99 of the Local Government (Scotland) Act 1973 and section 12 of the Local Government in Scotland Act 2003.

- 19 As part of our 2008/09 audit we considered the arrangements Fife Council had in place to ensure compliance with the requirements of the SORP. Overall we concluded that the Council had complied with the requirements of the SORP.

### **Audit Adjustments**

- 20 We identified no major errors or weaknesses during our audit. The main adjustment made to the financial statements is explained below:
- 21 Proper accounting practice requires local authorities to make a charge to the income and expenditure account for pension costs based on FRS 17 'Retirement Benefits'. The Local Government Pension Fund Reserve (Scotland) Regulation 2003 provides the statutory basis for local authorities to remove the FRS 17 based costs from being a charge to the general fund so that only the actual pension payments are charged to that fund. However these regulations do not currently apply to the new pension scheme established with effect from 6 April 2006 by The Police Pensions (Scotland) Regulations 2007 and The Fire Fighters Pension Scheme (Scotland) Order 2007.
- 22 This issue was identified on a national level during the course of our audit. The Scottish Government intend amending the regulations to include these new schemes however this will not be in place at the date these financial statements were authorised for issue. The Council has therefore adjusted the financial statements to ensure compliance with statutory guidance. As a consequence, the level of uncommitted general fund balances has reduced to £4.257 million (see paragraph 62).
- 23 All adjustments have been agreed with the Executive Director of Finance and Resources and the financial statements have been amended to reflect these adjustments. All immaterial unadjusted errors have been reported to the Executive Director of Finance and Resources and are disclosed in the letter of representation.

### **Audit and Risk Management Services**

- 24 At Fife Council, the internal audit service is provided by an in-house team; Audit and Risk Management Services (ARMS). Effective co-ordination between internal audit and external audit is essential in order to minimise duplication of effort and maximise the benefits of audit. As required by the Code of Audit Practice, we have established appropriate working arrangements with Audit and Risk Management Services. In January 2009 we presented an Audit Joint Working Protocol to the Standards and Audit Committee. This document sets out the basis for effective co-ordinated working arrangements between Audit and Risk Management Services and Scott-Moncrieff.
- 25 We have reviewed the Council's internal audit arrangements to ensure that the work of Audit and Risk Management Services is of sufficient quality and volume and complies with best practice.

In carrying out our review we have assessed Audit and Risk Management Services against the standards within the Code of Practice for Internal Audit in Local Government in the United Kingdom (the 2006 Code). Our review concluded that the Council maintains an effective internal audit function and is fully compliant across many of the Code's requirements. We were able to place reliance on their work, in 2008/09, in the following areas:

- General Ledger
- Payroll
- Council Tax
- Non Domestic Rates
- Bank reconciliations
- Council house sales
- Governance arrangements – Theatre and Leisure Trusts
- Single Outcome Agreements
- Risk Management
- Members Expenses
- NFI
- Housing Benefits (HB COUNT)

## **Corporate Governance Statement**

26 Local authorities have the option to publish a wider-ranging statement on the adoption of a local code of corporate governance instead of a statement on the system of internal financial control, which is required by the SORP. The statement should report on how the Council has complied with such a code and monitored its effectiveness. Where the council is in a group relationship with other entities and undertakes significant activities through the group these activities should be encompassed within the statement.

27 Fife Council has published a wider-ranging corporate governance statement within the 2008/09 statement of accounts. The Corporate Governance Statement provides an overview of the key elements of the Council's governance arrangements and systems of internal financial control.

28 As part of our audit work we review the information disclosed in the corporate governance statement and assess whether the Council's opinion on the effectiveness of internal financial controls and governance arrangements is consistent with our understanding of the Council's internal financial control framework.

29 To inform our understanding of the system of internal financial control we have reviewed a number of specific areas during our 2008/09 audit. Our assessment of the Council's corporate governance arrangements included consideration of the authority's risk management system and its mechanism for the prevention and detection of fraud. We also carried out system reviews in the following areas:

- Housing Rents
- Pension Fund

- Payroll
- Cash Receipting
- Accounts Payable

- 30 As highlighted in paragraph 25, we have also relied on the work of Audit and Risk Management Services to support our work. Overall we found the systems of internal financial control reviewed to be of a good standard with controls operating at an adequate or effective level.
- 31 The Council's review of the effectiveness of the governance and internal financial control procedures is informed by the views of Audit and Risk Management Services and Heads of Service. The results of this work allow the Council to conclude that the system of internal financial control is largely effective.
- 32 Overall we concluded that the Council's corporate governance statement is consistent with our knowledge and understanding of the financial control framework operating at the Council.

### **Group Accounts**

- 33 In October 2007 Fife Council transferred the management of its arts and theatre services to a trust. This was followed in April 2008 by the transfer of sport and leisure services to a second trust. The Council subsequently re-examined its relationships with third parties and concluded that group accounts were required for 2008/09.
- 34 The Council's review concluded that two entities should be consolidated as associates. These are:
- Fife Sports and Leisure Trust Ltd
  - Arts and Theatres Trust Ltd
- 35 Overall we concluded that the Council's approach was consistent with the requirements of the SORP and that the appropriate disclosure has been made in the 2008/09 financial statements.
- 36 We noted the following in respect of those organisations incorporated into the Council's 2008/09 group accounts:
- All bodies within the group received an unqualified audit opinion from their external auditors; and
  - In accordance with recommended accounting practice, key accounting policies for group bodies, for example, pension costs and the valuation of fixed assets, are aligned in material respects with the Council's policies.

### **Investment Properties**

- 37 Non operational assets are those not used in the direct delivery of services. This includes investment properties. Investment properties are defined as those assets which do not support

the service or strategic objectives of the Council and the rental income is negotiated at arms length. Investment properties are included at current value (market value) on the balance sheet.

38 As at 31 March 2009, Fife Council investment properties were valued at approximately £17 million. During our audit we noted two areas where there is scope for improvement in the accounting treatment of investment properties:

- The SORP does not require depreciation to be provided on investment properties. We noted during our review however that there was accumulated depreciation on investment properties (~£275,000).
- SSAP 19, Accounting for Investment Properties, states that an investment property is an interest in land and/or building in respect of which construction work and development has been completed. Our audit testing identified instances where the Council has classified assets under construction as investment properties.

*Action Plan Point 1*

## **Leases**

39 Many property leases include tenant repairing clauses for dilapidations. They typically require the tenant to return the property to the landlord at the end of the tenancy in a specified condition. Provision should tend to be made for estimated costs of dilapidation repairs spread over the period of tenancy.

40 During the year, the Council carried out a review to ensure all lease dilapidations were provided for in the financial statements. The results of the review concluded that a provision should be made in relation to only one lease. This relates to a property that the Council has vacated and is in dispute with the landlord over the level of dilapidations to be repaid.

41 It is recognised that further leases with dilapidation clauses exist. The Council however has concluded that a provision for these leases is not required due to the ongoing repairs and maintenance programme in place which would satisfy the need for meeting future obligations of this nature. It is our view, however, that the Council's review should have also considered instances where the lease agreement requires the asset to be put back to its original condition. This may be above and beyond work undertaken as part of the repairs and maintenance programme and despite any enhancement work undertaken.

*Action Plan Point 2*

## **Financial Instruments**

42 A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

- 43 Local authorities sometimes make interest-free or low interest rate loans (soft loans). At Fife Council, soft loans have been given to a number of employees. These loans were issued to employees when terms and conditions were changed. They are interest free loans which can be repaid either on retirement or through small instalments. The SORP requires authorities to recognise soft loans at their fair value. Subsequent accounting requires the loans effective interest rate to be applied.
- 44 The Council has not updated its fair value calculation on these loans in 2008/09. The Council is unable to determine an accurate measure of future cash flows as the loan is repaid on retirement. We concluded however that the impact is immaterial to the financial statements. We recommend that the Council estimate the future cash flows based on average employee working life to determine the fair value of the loans.

*Action Plan Point 3*

### **Common Good**

- 45 Local authorities are required to administer common good funds under Section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide a benefit to the population of the area either through the financial disbursement of funds, securing assets for the ongoing use of the population or contributing to specific local projects/initiatives.
- 46 In 2007 the Local Authority Scotland Accounts Advisory Committee, responsible for issuing proper accounting guidance in Scotland, issued a report on accounting for the common good fund. The guidance recommended that by 31 March 2009 all Scottish local authorities who administer common good funds should have an asset register of common good assets in place. Fife Council has made some progress in implementing this guidance.
- 47 The Council has established a common good and trust fund working group which is responsible for leading a review to identify the full extent of what properties are common good assets. An exercise is under way to identify potential common good assets from a review of all title deeds within the boundaries of the former burghs (approx 4,000 title deeds). Any potential common good assets arising from this exercise will be presented to community councils for consultation to ensure a comprehensive record is documented and that land boundaries are represented appropriately in the title. Consultation with the Community Council has commenced in relation to four of the former burgh areas (25 in total).
- 48 The working group intend to develop a single working document which will provide a comprehensive record of all common good assets. It has yet to be determined how this document will reconcile with the asset register used in the preparation of the financial statements. At present, common good assets are recorded on both the common good asset register and council asset register. Early indications suggest that this exercise will not be fully completed until 2010. In addition, a review of moveable assets has been considered and a process for its implementation has been discussed.

- 49 In June 2008 a paper (prepared by the Executive Director of Performance & Organisational Support, Executive Director of Finance and Resources and the Head of Asset and Facilities Management) sought to address the issues associated with the management of common good properties across Fife. The report also sought support for the application of a set of baseline principles to guide the future administration of common good property. It was proposed that the report be referred to area committees in the first instance, followed by a report to the Policy Finance and Asset Management Committee for final decision. This reporting process is scheduled for autumn 2009. A consultation process involving community councils and other stakeholders such as heritage groups and Historic Scotland will be commenced at the same time.
- 50 Our detailed work on common good was included in a report submitted to the Council in July 2009. The report included 8 recommendations covering areas where we believe there is scope for improvement in the Council's arrangements for common good. We will monitor progress in implementing these actions over the coming year.

### **Charitable Trusts**

- 51 Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. For each trust fund, the Regulations require a full set of financial statements to be prepared and submitted to the Office of the Scottish Charity Regulator (OSCR). OSCR has however deferred this requirement until 2010/11. In 2008/09, reliance can be placed on the existing disclosures for trust funds in the Council's financial statements, supplemented by appropriate working papers. As at 31 March 2009, the Council administered 187 trust funds or bequests, of which 78 are registered charities.
- 52 OSCR reviewed the quality of information provided by each local authority in 2007/08. They classified each local authority under five headings, ranging from 'poor' to 'fully compliant'. Fife Council was classified as 'poor'.
- 53 OSCR has indicated that local authorities should strive to comply with the middle category, 'above average'. This requires the following minimum filing requirements:
- Council's financial statements for 2008/09, including the audit certificate which covers the full financial statements and notes
  - Separate accounts for each registered charity in line with the format for receipts and payments account as set out in the Accounts Regulations 2006
  - A Trustees Annual Report covering each registered charity including all required elements under the requirements for receipts and payments accounts under the Regulations.

#### ***Action Plan Point 4***

- 54 In our 2007/08 Annual Report to Fife Council and the Controller of Audit we noted that a paper was to be presented to the Policy, Finance and Asset Management Committee on the administration of its trust funds. The paper was presented to this committee in October 2008. The Committee agreed to the following recommendations:

- The reorganisation of the existing trusts on the basis that they either be transferred into new trusts on a settlement by settlement basis with broad charitable purposes, or be disposed of in such a way that the funds can be properly utilised.
- Decision making in respect of the settlement trusts was to be delegated to Area Committees, and to the Executive Director, Performance and Organisational Support

55 It is important that these decisions are progressed as soon as possible to ensure the Council can comply with charity regulations.

*Action Plan Point 5*

## **Significant Trading Operations**

56 Section 10 of the Local Government in Scotland Act 2003 requires local authorities to maintain and disclose trading accounts for significant trading operations (STOs). Each STO is required to breakeven over a rolling three year period. Fife Council's financial statements include a STO covering its Building Services operations. The Building Services STO delivered a surplus (for statutory purposes) of £7.536 million in 2008/09 which has resulted in the STO achieving a three year cumulative surplus of £13.898 million as at 31 March 2009.

57 Under the terms of the Act the identification of significant trading operations is the responsibility of individual authorities. When considering the status of potential trading operations the Council applied a number of tests to determine the trading status of each activity and its level of significance. Following the last assessment in 2009, the Council concluded that Building Services was the only significant trading operation. We consider Fife Council's assessment of which activities should be classified as STO's to be reasonable.

## **Looking Forward**

58 In 2008 the CIPFA/LASAAC local authority SORP board confirmed that from 2010/11 all local authority accounts will be prepared in accordance with International Financial Reporting Standards (IFRS). This change will bring local government bodies into line with other UK public sector bodies. It is essential that the Council starts the transition period. A comparative balance sheet as at 1 April 2009 will be required.

59 The Scottish Public Pensions Agency are consulting on the possibility of introducing changes to the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 and the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008. The proposed amendment to the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 includes the requirement for each administering authority to prepare an annual pension fund report. The proposed content of this report includes the fund account and net asset statement with supporting notes and disclosure prepared in accordance with proper practices. The pension fund annual report would be published on or before the 1 December following the year end. The closing date for comments is 9 October 2009. We will continue to monitor developments in this area over the coming year.

# Use of Resources

## Introduction

60 In this section we summarise the key aspects of Fife Council's reported financial position and performance to 31 March 2009. We also consider and report on the Council's arrangements in place for workforce related issues, asset management and procurement.

## Summary Financial Position

61 Fife Council achieved a general fund surplus of £5.151 million in 2008/2009. The general fund balance brought forward of £15.070 million at 1 April 2008 increased to a cumulative net surplus balance of £20.221 million at 31 March 2009. An analysis of the Council's general fund reserve at 31 March 2009 is presented below:

<b>Exhibit 1: Analysis of General Reserves as at 31 March</b>			
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>
General Fund surplus at end of year	20.221	15.070	9.557
<b>Less Earmarked Reserves</b>			
• Tourist Development Fund	(0.433)	(0.640)	(0.757)
• Energy Management Fund	(0.745)	(0.701)	(0.707)
• Budget Carry Forward Scheme	(4.269)	(3.026)	(0.625)
• Devolved School Management	(1.118)	(1.325)	(0.875)
• Ring Fenced Projects	(4.916)	(3.656)	(3.342)
• Change Fund	0	0	(0.630)
• Single Status	0	0	(3.019)
• Landfill Aftercare Fund	(0.970)	(0.667)	(0.350)
• Earmarked Grants	(1.241)	(0.243)	0
• Police and Fire Pensions	(1.834)	0	0
• Other Commitments	(0.438)	(0.190)	(0.912)
Total Earmarked Reserves	(15.964)	(10.068)	(11.217)
<b>(Deficit)/Uncommitted Balance on General Fund</b>	<b>4.257</b>	<b>5.002</b>	<b>(1.660)</b>

62 The analysis above indicates that the Council has earmarked reserves of £15.964 million which leaves the Council with an uncommitted general fund balance of £4.257 million assuming maximum budget carry forward. As highlighted in paragraph 21, the general fund uncommitted balance has been reduced during the year by £3.2 million to take account of FRS 17 based costs in relation to the new police and fire pension schemes. The Scottish Government intend to amend the regulations which will remove the impact of these costs on the general fund.



- 63 The Council's approved policy is to maintain a minimum balance of 2% of General Fund expenditure, or where stability exists through, for example, long term pay agreements a balance of 1.25% of net service budgets is considered acceptable. To achieve this, the Council is committed to restoring balances to a minimum level of £9 million over a three year period commencing April 2007. The Council has made progress in achieving this target.
- 64 Exhibit 2 shows the balance in the Council's cash backed funds at 31 March 2009 compared to the previous year. Funds include the insurance fund. As at 31 March 2009, the Council had total cash-backed funds of £25.183 million, an increase of £3.296 million on the previous year.

<b>Exhibit 2: Fife Council cash-backed funds</b>		
	<b>2008/09</b>	<b>2007/08</b>
	<b>£ million</b>	<b>£ million</b>
General Fund Balances	20.221	15.070
HRA	2.568	2.833
Insurance Fund	1.784	3.020
Capital Receipts Reserve	0.610	0.964
<b>TOTAL</b>	<b>25.183</b>	<b>21.887</b>
<i>Source: Fife Council Statement of Accounts 2008/09</i>		

- 65 The Housing Revenue Account returned a deficit of £0.265 million in 2008/09 compared to a budgeted deficit of £0.500 million. The surplus brought forward of £2.833 million reduced to a balance of £2.568 million at 31 March 2009.

## **Financial Performance**

- 66 In February 2008, the Council approved its 2008-09 budget and draft budgets for 2009-10 and 2010-11. This period coincided with the approved Council Plan and was in line with the 3 year Local Government Finance Settlement which gave certainty in terms of government resources.
- 67 The Council reported a net under spend in service expenditure in the year (Exhibit 3)

<b>Exhibit 3: Financial Performance Summary 2008/09</b>			
	<b>Annual Estimate</b>	<b>Actual Net Expenditure</b>	<b>Over/(under) spend</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>
Education	273.811	273.732	(0.079)
Social Work	171.851	169.861	(1.990)
Local Community and Housing Services	79.084	77.615	(1.469)
Environment and Development Services	89.684	87.515	(2.169)
Finance and Resources	24.088	22.732	(1.356)

Performance and Organisational Support	16.707	16.142	(0.565)
Other Services	59.117	59.074	(0.043)
<b>TOTAL</b>	<b>714.342</b>	<b>706.671</b>	<b>(7.671)</b>
<i>Source: Budget monitoring reports to Policy, Finance and Asset Management Committee (PFAM)</i>			

68 In previous years we have commented on the financial performance of Social Work. In 2006/07, Social Work reported an over spend of £6.598 million. In response to the financial challenges facing Social Work, a Social Work Challenge Group was established to oversee the implementation of containment measures. Financial out-turn projection reports were also submitted to every Social Work and Health Committee during the year. In 2007/08, Social Work reported a minor overspend of £0.127 million. We are pleased to report that in 2008/09, Social Work has again operated within its budget.

### **Responding to the Economic Recession**

69 Regular reports have been reported to the Council's Policy, Finance and Asset Management Committee (PFAM) on the actions being undertaken by the Council in response to the economic recession. The most recent paper presented to PFAM in June 2009 noted that the recession is impacting on the following council scorecard measures:

- The number of investment enquiries and number of jobs created through supported inward investment
- Planning applications
- Property vacancy rates
- In year council tax collection rates

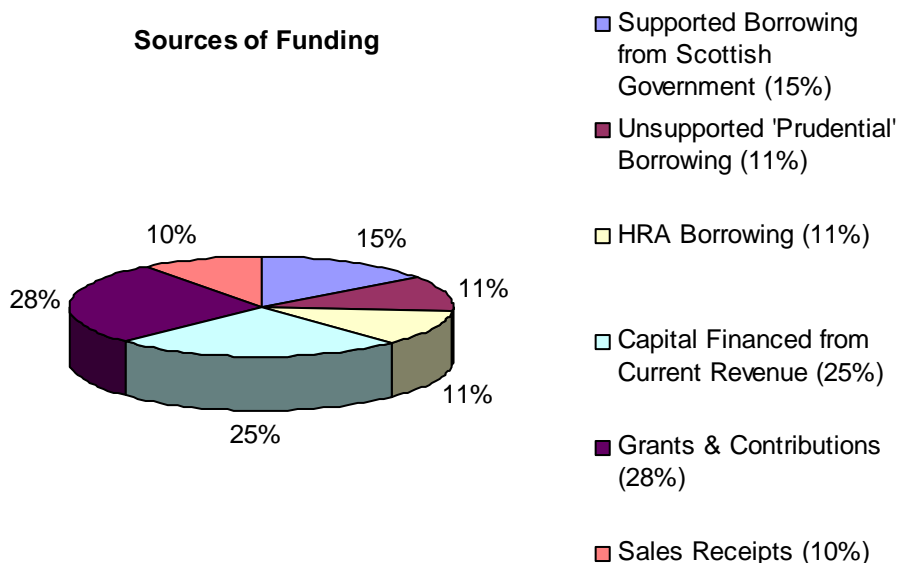
70 The report also notes however that some performance measures which could have been impacted by the recession continue to exceed or meet targets. These include:

- Number of people placed into jobs through Fife Council employability initiatives
- Crimes of an anti social nature
- Number of households assessed as homeless
- Attendance at theatres
- Council house sales

### **Capital Performance**

71 During the year the Council spent £119.284 million on capital expenditure. This was financed by borrowing, capital grants and capital receipts and capital funded from current revenue (CFCR). In light of the current economic climate, the level of capital receipts budgeted to finance the capital programme was reduced by £6million.

### Sources of Funding



- 72 The Council reported a net under spend against its 2008/09 budget of £2.145 million. This was calculated after taking account of the approved programme to be re-phased to 2009/10 (£18.287 million).
- 73 In June 2008, the Policy, Finance and Asset Management Committee (PFAM) approved a three year capital investment plan (2008-11). The decisions taken in relation to the 2008-11 capital plan included significant future financial commitments which extended beyond 2011. The estimated future year commitments at that time were approximately £210 million, primarily relating to the new schools and residential care facilities investment programmes and depot accommodation.
- 74 At the time the committee also agreed to the development of a 10 year capital investment plan. This was presented to the Council in February 2009 as part of the budget setting process. The estimated capital resource for the general fund over the next 10 years is £695 million.
- 75 The Housing Capital Investment Plan centres on the standard delivery plan (SDP) and in particular a programme to support the achievement of the Scottish Housing Quality Standard, linked to funding strategy based on future rent increases.

### 2009/10 Financial Position

- 76 In February 2009, the Council agreed its revenue budget for the financial year 2009/10. The Council also agreed to freeze council tax at 2007/08 levels (i.e. Band D Council Tax levels were set at £1,118).
- 77 The 2009/10 budget was prepared based on the previously approved level of service. It was amended for nationally agreed pay settlements and other changed circumstances including the potential increases in energy costs.

78 A number of potential risks were considered in preparation of the 2009-10 budget, including, for example:

- **Energy costs** – the Council's 3 year agreement is due to be re-negotiated in October 2009.
- **Equal pay/single status**
- **Economic Climate** – there is a risk of reduction in planning fees and building warrant income, rental income for industrial and commercial units, income waste recycling and challenging conditions for Fife Sport and Leisure Trust
- **Social Work** – payments to providers for care services. If external providers cannot continue or need additional funding, there is a risk that the service provision is not delivered
- **Police and Fire Pensions** – there is a change in accounting and funding arrangements. The details of which have yet to be finalised.

79 At the time the 2009/10 budget was approved there was uncertainty surrounding the impact of the Chancellor of the Exchequer's pre-budget report on Scotland and therefore 2010/11 funding for local government bodies (the pre-budget report indicated that an additional £5 billion in efficiency savings would be required in the public sector in 2010/11). In addition it was unclear as to the potential outcome of employment tribunals in relation to equal pay, energy prices, current economic climate and police and fire pensions. The Council therefore made no additional decisions in relation to 2010/11. (paragraph 126)

80 A report was submitted to the Policy, Finance and Asset Management Committee in September 2009 providing a high level update on the Council's financial position for 2009/10. The Council is currently predicting an overall projected deficit of £4.795 million against a planned budget surplus of £1.682 million. Potential overspends are currently projected in Education, Social Work, Development Services and Police. Consistent with prior year, all services have been instructed to contain expenditure within the approved budget provision.

81 The Council is also projecting an estimated balance of £8.814 million in the uncommitted general fund balance. This projected financial position is marginally below the Council's approved policy to restore balances to a minimum level of £9m over a three year period commencing April 2007.

## **Treasury Management**

82 The Council has a net borrowing position with substantial long term loans outstanding. These consist of £327 million in market loans and £248 million Public Works Loan Board borrowing.

83 Exhibit 4 shows the Council's Treasury Management external debt indicators as reported to the Policy, Finance and Asset Management Committee in March 2008. We are pleased to report that the Council complied with these indicators during 2008/09.

<b>Exhibit 4</b>					
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Authorised limit for the Authority's total external debt	652.974	667.319	691.961	734.952	781.854
External Debt - Operational boundary*	598.560	611.709	634.297	673.706	716.700
Estimated external debt	570.616	582.570	603.105	638.931	678.016

Source:

\* The operational boundary is the indicator in which the Authority manage its day-to-day treasury management activity. The authority ensures that the total external debt does not exceed this limit.

- 84 The Council's Treasury Management Strategy allows a maximum of 15% of long term debt to mature in any year. This ensures that future cash flows will not be significantly impacted upon by current borrowing levels. The Council has forecast that current long term loans will remain within this limit.
- 85 The Council invests surplus cash flows in short term deposits to generate interest on balances. During the year the Council invested a total of £22.3 m in Icelandic banks. The Council's Treasury Management function is actively involved in evaluating the suitability of potential investors and ceased investing in Icelandic banks in April 2008. This action prevented the Council from being exposed to losses experienced by institutions who had invested within the Icelandic banking sector.
- 86 The Council has established limits to the amounts that can be invested in any one institution. The limits imposed are based on the credit rating of the organisations. During 2008/09 the Council reported that it breached these limits on one occasion during the year. The Council had £13.7m in short term deposits with the Royal Bank of Scotland where the Council's imposed credit rating was a maximum of £10 m. We note however that this was due to the funds being in place on a public holiday for the Council and that the breach was only for one day. We therefore do not consider this to be a significant weakness and find that the investments made by the Council were done so prudently.

## **The Local Government Pension scheme**

- 87 Fife Council Pension Fund provides pensions and other benefits to local government members and their beneficiaries. The Fund is part of the Local Government Pension Scheme and is a multi-employer scheme.
- 88 On an annual basis the fund's actuary Hymans Robertson carries out a valuation of the scheme under Financial Reporting Standard 17 (FRS 17). This valuation is incorporated into the financial statements of the Council. The following table summarises the actuary's FRS 17 valuation:

	31 March 2009 £million	31 March 2008 £million
Fair value of employer assets	793.2	1030.5
Present value of funded liabilities	(1055.2)	(1104.9)
Present value of unfunded liabilities	(26.3)	(27.6)
<b>Net liability</b>	<b>(288.3)</b>	<b>(102.0)</b>

- 89 Whilst funded and unfunded liabilities have stayed relatively constant from the previous year, the fair value of employer assets has fallen significantly due to the fall in equity values.
- 90 The FRS 17 valuation is based on methods and assumptions specified within the financial reporting standard. Its results reflect a snap-shot of the position at 31 March 2009. To assess the extent to which the Council's funding objectives are being met and to identify the contributions payable by the Council in future to meet the funding objectives, a full actuarial valuation is carried out every three years. The most recent full actuarial valuation was carried out at 31 March 2008 and was reported to the Council in March 2009.
- 91 In assessing whether the funding objectives are being met the actuary assesses whether the fund has sufficient assets to meet the assessed cost of members' past and future service benefits. This is referred to as the funding level. A funding level of 100% would correspond to the assets being exactly sufficient to meet the cost of members past and future service benefits. At 31 March 2008 the funding level for the Fife Council Pension Fund was 81% with the shortfall of assets to the assessed cost of members' benefits amounting to £254 million. This compares to a funding level of 86% at 31 March 2005. The funding level of 81% represents the second lowest funding level of the 11 superannuation funds in Scotland.
- 92 Since the previous valuation the council has introduced additional rules to help stabilise contributions for the major employers in the fund. These rules limit contribution increases and decreases to 15% of employees' contributions each year. This stabilisation mechanism will be reviewed as part of the 2011 valuation.
- 93 The actuary has confirmed that based on the funding position and working within the constraints of the stabilisation policy, employer contribution rates will need to increase from 17.6% of pensionable pay with effect from 1 April 2009 to 19.1% with effect from 1 April 2011. This equates to the employer contribution rate changing from 290% to 315% of the employee rate. On this basis the funding deficit will be recovered over a 20 year basis. The 20 years being used is the maximum length of time over which such a deficit could be spread. Extending the funding period any further is unlikely to be an option to the council in future.
- 94 The increase in the employer contribution rates is due to the maturing of the employee membership, changes to the funding assumptions and falls in real gilt yields. This has been partially offset by greater than expected investment returns. We note however that since 31 March 2008 there have been further falls in equity markets and yields available on government bonds.

- 95 Given the uncertainty in the future financial outlook we would recommend that the financial position of the fund is monitored through interim funding reviews.

**Action Plan Point 6**

## **Asset Management**

- 96 Asset management can be defined as the activity that ensures that the asset portfolio is making the maximum possible contribution to achieving the Council's objectives. This will involve strategic considerations, including for example, what number, type and location of assets are required to meet Council objectives. It also involves the day to day maintenance and running of the assets. The annual running costs associated with managing and financing assets tend to constitute the second highest element of revenue budgets after employee costs.
- 97 The appropriate use of assets in the right location can make the difference between good and poor service delivery. Good asset management helps to ensure that services are delivered in the most efficient and effective way. It can also reduce the opportunity cost of money associated with surplus property and reduce the council's carbon footprint.
- 98 In May 2009 Audit Scotland published 'Asset management in local government'. The overall aim of this study was to evaluate the extent to which councils manage their assets to ensure effective service provision and value for money. The national report found that councils could make significant improvements in their asset management arrangements and made a number of recommendations to councils.
- 99 This report was presented to the Council's Policy, Finance and Asset Management Committee (PFAM) in June 2009. A paper was presented alongside the report which summarised the progress made by the Council in response to the recommendations made in the report.
- 100 The Council's updated asset management strategy and asset management plan for 2009-12 was presented to PFAM in September. This document sets out how the Council will comply with the recommendations made in the Audit Scotland report, along with recommendations made in a number of other publications.
- 101 The updated asset management strategy and plan includes the following strategic objectives for the asset base:

### **Exhibit 5: Fife Council Strategic Objectives for its Asset Base**

- ensure the provision of a sustainable property portfolio that is suitable and sufficient for its purpose, is in appropriate condition and supports the needs of the Council, the community it serves and the stakeholders
- ensure that we have the right assets, in the right place at the right time that allow the delivery of efficient and effective services to the public
- minimise resource costs and maximise value
- ensure that property is managed and maintained over time
- ensure that the property objectives are consistent with and contribute to the Council's "Big 8"

priorities

**Source:** *Fife Council Asset Management Plan 2009-12*

102 The plan includes detailed actions to be implemented over the next three years. We will consider progress in implementing the Plan over the course of our appointment.

## **Procurement**

103 The Council's procurement strategy covers the period 2007-10. In developing this strategy, the Council consulted with local partners and external stakeholders, such as NHS Fife, Communities Scotland and Scottish Enterprise Fife. The strategy aligns the work of the procurement function with the Council's Big 8.

104 In 2009, Audit Scotland asked local authorities to complete a Local Government Procurement Information return. The aim of this return was to capture the information which is being used in local government to shape and improve procurement practices following the McClelland review. At a local level, Fife Council reported the following in its return:

- The Council has a contract register which records all existing contracts for the procurement of goods and services. Not all services however inform Procurement and Supplies of contracts placed. Actions are being taken to rectify this.
- To date the Council has reported against 5 Best Practice Indicators (BPIs). Scottish Government guidance suggests that baseline information should have been uploaded by July 2008, followed by certain indicators being reported quarterly. The remaining indicators should be reported annually.

105 As noted above action is being taken with regard to these points. We will review progress in this area over the coming year.

## **Managing People**

106 The Council's best value report noted the following in terms of managing people:

The Council has not had a clear strategic approach to people management. It is beginning to develop its approach and should focus on developing a corporate workforce strategy.

**Source:** *The Audit of Best Value and Community Planning Fife Council – March 2009*

107 The Council has committed to develop and implement a corporate approach to workforce planning by April 2010. The Council intend to present an annual workforce profile report to the Policy, Finance and Asset Management Committee in October 2009. This will incorporate a proposed approach to workforce planning. We will review progress against this key improvement area as part of our 2009/10 audit.



- 108 In its 2005/06 financial statements, Fife Council recognised a provision relating to equal pay compensation following acceptance of liability for claims. The value of the provision was just under £30 million and represented claims from approximately 4,000 employees. During 2006, £27.5 million of the provision was utilised by payments being made to those affected.

	31 March 2006 £m	31 March 2007 £m	31 March 2008 £m	31 March 2009 £m
Equal Pay Provision	29.566	2.052	2.533	8.300

**Source:** Fife Council Annual Accounts 2006/07, 2007/08 and 2008/09

- 109 Some members of staff did not accept the payments that were offered by the Council and instead, chose to take their case to an employment tribunal in the hope of obtaining a higher compensatory payment. There are currently 872 members of staff who have lodged claims with an employment tribunal. The Council's cases were due to be heard by the tribunal in March 2009, but this has now been delayed until late 2009.
- 110 With a tribunal date being set, the Council reviewed the basis of the provision that was in the financial statements. Based on recent case law, each claim was categorised as to the likelihood of settlement being required at tribunal. We have reviewed the workings and assumptions used by the Council and have found them to be in accordance with the SORP and FRS 12 – *Provisions and Contingent Liabilities*. It should be noted that the provision is not an indicator of what the actual settlement level will be when the cases are heard at tribunal and could be much greater than the level of provision made.
- 111 Single Status agreements were agreed and implemented on 1 April 2007 for the majority of staff. There are a number of staff who are still going through the appeal process.
- 112 The additional cost of implementing single status pay agreements was determined as part of the budget setting process. These costs formed part of the Council's budgetary requirement and as such are funded from available resources in the Council's overall agreed budget. The budgeted increase in pay due to Single Status in 2008/09 was £4.082m. Added to the budget provision of £10.019 million in 2007/08 this gives a cumulative budget increase of £14.101m since the implementation of Single Status. The additional cost of Single Status in 2008/09 represented 0.72% of total pay costs.

## Efficiency

- 113 In June 2004, the Scottish Executive launched the Efficient Government Initiative. The initiative aspired to achieve £1.5 billion of efficiency savings by 2007/08 and reported efficiency savings of £1.7 billion. In November 2007 the Scottish Government announced the Efficient Government Programme 2008/09 – 2010/11, setting set out its target to deliver cash-releasing efficiency savings amounting to £1.6 billion in 2010/11.
- 114 As part of Audit Scotland's performance audit programme a national study on the delivery of efficiencies within the Scottish public sector has been undertaken. The study will provide an

overview of the Scottish Government's Efficient Government Initiative 2005/06 – 2007/08 and consider the extent to which public bodies are set up to deliver year on year efficiency savings. Audit Scotland undertook fieldwork across central government, the NHS and councils, with five bodies being selected from each. Audit Scotland's national report will be published in late 2009.

- 115 Efficiency savings at Fife Council are identified by all services as part of the budget setting process. All savings are categorised as efficiency savings or service changes (effectively a cut in the service being offered). The savings identified by services are reviewed by elected members who decide on the savings according to the council policies. Budgets and the associated efficiencies are monitored throughout the year by accounting teams, the Council Management Team and elected members.
- 116 When setting the budget for 2009/2012, the Council instructed the Chief Executive to set out a strategic programme of efficiency initiatives to deliver financial savings for 2010/11 and beyond. The areas they required to be examined include :-
- Options for alternative models of service delivery
  - Completion of reviews of Directorate structures
  - Operation of scheme for Devolved School Management
  - Adoption of more flexible workstyles in Council services
  - Implementation of best procurement practice, in accordance with approved policy and strategy
  - More efficient use of Council buildings, including rationalisation of training facilities.
- 117 An Efficiency Board led by the Executive Director of Finance and Resources has been set up and is tasked with a review of efficiency initiatives that are presented by services. The Efficiency Board has representation from all services. Work has begun on the areas outlined above and progress was reported in September 2009 to the Policy, Finance and Asset Management Committee (exhibit 6)

<b>Exhibit 6: Fife Council's strategic programme of efficiency initiatives – progress update</b>	
Alternative models of service delivery	<ul style="list-style-type: none"> <li>• Environment and Development directorate have identified a range of services that may be suitable for alternative delivery models. This is being considered in line with the competitiveness review required in the Best Value action plan</li> </ul>
Directorate structure reviews	<ul style="list-style-type: none"> <li>• Performance and Organisational Support, Finance and Resources, Housing and Communities, Local and Community Services, Education and Social Work restructure completed.</li> <li>• Environment and Development Directorate restructure in progress but is expected to be influenced by the alternative models of service delivery.</li> </ul>
Devolved School Management	<ul style="list-style-type: none"> <li>• A detailed scoping exercise is in progress and scheduled to complete soon. It is hoped that the results of this review will give clarity to the financial basis for management structures in schools.</li> </ul>

Flexible Workstyles	<ul style="list-style-type: none"> <li>• Potential for this is being examined within Social Work in line with the recommendations of the 21<sup>st</sup> Century Review of Social Work.</li> <li>• In other directorates, reviews on working from home are being undertaken.</li> <li>• Corporately, a review of office accommodation has been undertaken to consider whether there is a more efficient available space.</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>• The Council are engaged with Procurement Scotland and Scotland Excel in the development and delivery of national contracts.</li> <li>• Agreement in principle to join South East Strategic Procurement (SESP) with City of Edinburgh Council (see above)</li> <li>• Scheme of tender procedures have been updated</li> </ul>
Efficient use of Council buildings	<ul style="list-style-type: none"> <li>• Work is being progressed as part of the Modernising Accommodation agenda</li> <li>• Rationalisation of the depot portfolio is progressing. It is expected to release a number of properties and support flexible and efficient working practices.</li> </ul>
<p><b>Source: Paper to Policy, Finance and Asset Management Committee 'Progress on Strategic Efficiency Initiatives' September 2009</b></p>	

- 118 Services are responsible for categorising efficiency savings under the five streams as identified by the Scottish Government. Information from all services is reviewed by the accounting control team to ensure that they have been categorised correctly and are efficiency savings.
- 119 Over the last three years Fife Council has recorded approximately £57 million in efficiency savings. This equates to savings of £47 million on the general fund with savings from the Housing Revenue Account, Fife Fire and Rescue Service and Fife Constabulary totalling £10 million. In 2008/09, Fife Council reported efficiency savings in the following areas:

<b>Efficiencies included in Fife Council's 2008/09 Efficiency Statement (£ million)</b>				
	<b>General Fund</b>	<b>HRA</b>	<b>Fife Fire and Rescue Service</b>	<b>Fife Constabulary</b>
Procurement	2.827	0.223	0.030	0.049
Asset Management	1.127	0	0	0.150
Workforce Planning	5.262	0.342	0.010	1.403
Shared Services	1.366	0	0	0.067
Streamlining Bureaucracy	2.442	0	0	0.440
Other	1.248	0.012	0.039	0.301
<b>Total efficiencies</b>	<b>14.272</b>	<b>0.577</b>	<b>0.079</b>	<b>2.410</b>

- 120 Fife Council has recorded non-cash savings of over £1million through improved absence management performance. A reduction of 12,847 days lost to absence compared with 2007/08

levels has been recorded. In addition to this Fife Constabulary have recognised savings of £598,000 for the same reason.

- 121 Within Social Work, large efficiencies have been attained through focussed projects on awareness with staff and customers. By ensuring that all service users who are entitled to claim for housing benefit are doing so, there has been an increase in the level of housing rents received. Social Work has also re-focussed the provision of their home carer service during 2008/09 which has generated a saving of more than £1million. This has been managed through application of revised eligibility criteria and a shift from non-personal to personal care activities.
- 122 A team of consultants have been working with the Efficiency Board to consider the focus of the Board as well as the capturing, monitoring and reporting of efficiency savings across Fife Council. It is hoped that their work along with the national report issued by Audit Scotland, will give a clear future direction for the efficiency monitoring process. Indicators are expected to be developed in early 2010 for inclusion in Council and service balanced scorecards.

## Shared Services

- 123 Audit Scotland in their overview report on local authority audits (2007/08) noted the following:

“We are disappointed at the slow progress in securing efficiencies from shared service initiatives and, in light of the continuing financial pressures, all councils should consider this as a high priority”

**Source:** *Audit Scotland Overview of Local Authority Audits 2007/08*

- 124 Whilst a number of savings have been identified as being shared service efficiency gains during the 2008/09 year at the Council, they have predominantly been attained through internal staff reorganisations and have not involved other organisations. Early discussions have taken place with the City of Edinburgh Council with regard to joining a regional shared procurement service covering Fife, Edinburgh and the Scottish Borders.
- 125 Fife Council's participation in this initiative will be subject to the development of a robust business case that will require elected member approval. The financial efficiencies to be gained between Edinburgh, Fife and Scottish Borders in taking part in the shared procurement service have been estimated at £17million over the three years to April 2011. Fife Council has agreed in principle to join South East Strategic Procurement (SESP), subject to a number of issues being resolved by City of Edinburgh Council. We will continue to monitor and report on progress in this area over the coming year.

## Looking Forward

- 126 It is anticipated that real term reductions in the Scottish Government's budget will occur and these reductions will take place over a number of years. Initial projections, based on Treasury forecasts could mean a real term cut of at least 8.5% in the Scottish Budget between 2009/10 and 2013/14. Fife Council has begun to consider the impact this may have on the Council's future budgets. All Services have been asked to identify budget savings on the basis of delivery

of services at 97% of current resources. The anticipated level of savings to be identified in 2010/11 is £19 million. The Council has also considered the impact on its capital plan should there be a reduction in capital grant received.

- 127 Local authority investment activity is regulated by statute. Provisions exist in the Local Government in Scotland Act 2003 for Scottish Ministers to introduce a new regulatory framework. Scottish Ministers are currently drafting regulations (The Local Government Investments (Scotland) Regulations) which will provide greater autonomy for local authorities in their investment activities. This will place greater responsibility on local authorities to act prudently with regard to their investment and treasury management activities.

# Performance

## Introduction

128 An effective council is one which 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 should be promoted by elected members and senior officers of the council and supported by staff and partners. The vision should be supported by clear plans and strategies to secure improvement, with resources aligned to support their delivery. An effective council is one which has a performance management culture embedded throughout the organisation. The council's performance management framework should be integrated with service planning and delivery.

129 In this section we summarise how Fife Council manages its performance.

## Vision and Strategic Direction

130 Fife's Community Plan 'A Stronger Future for Fife' is the overarching strategic plan for Fife. It aims to provide a framework for every other strategy and plan that the partners of the Fife Partnership are to put in place. Fife Council's council plan represents their contribution to the challenges in Fife's Community Plan. The Council's eight key priorities clearly link with the five outcome themes in the community plan and this is indicated throughout the Council's plan.

131 The Fife Partnership intends to undertake a major review of the Community Plan in 2010 in close consultation with Fife's communities and other stakeholders. This will look ahead to where Fife wants to be by 2020. The Community Plan was last refreshed in 2007.

### Exhibit 7: Fife Community Plan outcome themes and Fife Council's priorities

#### Community Plan outcome themes <sup>1</sup>

1. Building stronger, more flexible and diverse economy
2. Improving health and wellbeing in Fife
3. Creating a well educated and skilled Fife
4. Sustaining and improving our environment
5. Making Fife's communities safer

#### Fife Council's Big 8 <sup>2</sup>:

1. To improve educational attainment and achievement for all
2. To be the leading green council in Scotland
3. Improving local conditions for economic development
4. Improving community safety
5. Targeting support to vulnerable people
6. Increasing access to housing
7. To improve sport, leisure and cultural opportunities
8. To be a top performing council

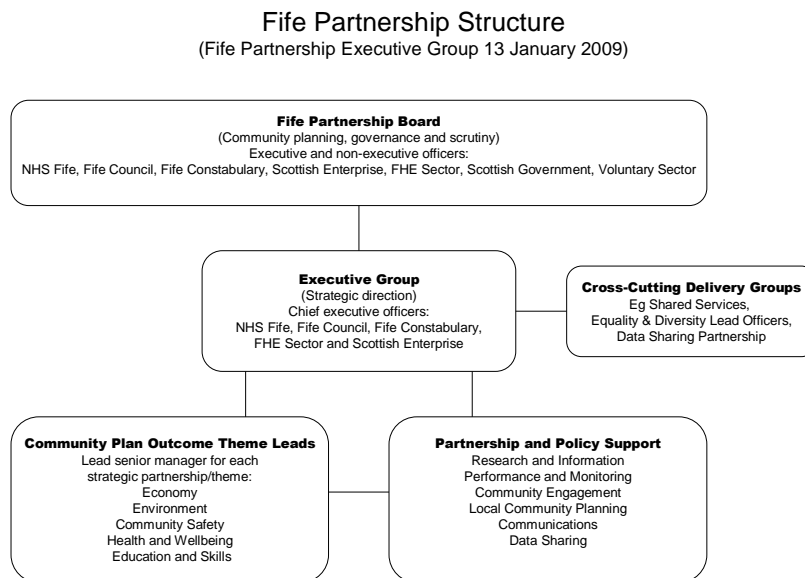
**Source:**

<sup>1</sup> Fife's Community Plan: A Stronger Future for Fife

<sup>2</sup> Fife Council Plan 2007 to 2011

- 132 During the last year new management arrangements have been introduced to strengthen the delivery of the Community Plan (exhibit 8).

### Exhibit 8: Fife Partnership revised structure



**Source:** *A Stronger Future for Fife: Single Outcome Agreement between Fife Partnership and Scottish Government 2009-12*

- 133 The Fife Partnership has also reviewed its performance reporting arrangements. A paper to the Fife Partnership Board (June 2009) outlined proposals for outcome theme reporting. Outcome theme leads will submit written progress reports to the Fife Partnership Executive Group every six months and updates will be provided to the Fife Partnership Board by way of minute of the Fife Partnership Executive Group. An annual meeting will also be held to review overall progress in the delivery of the Community Plan and Single Outcome Agreement. The Partnership reports annually on the progress in delivering the community plan outcomes through the State of Fife Report.

### Single Outcome Agreement

- 134 The Concordat between COSLA and the Scottish Government led to the successful development and signing of single outcome agreements (SOAs) between each local authority and the Scottish Government. For 2009/10 SOAs were required to be established jointly with community planning partners. Fife Council took the decision to develop its 2008 SOA with its community planning partners. Fife Council's single outcome agreement 2008-11 was agreed by Fife Council, members of the Fife Partnership and the Scottish Government in June 2008.

- 135 In developing the 2009-12 SOA the Fife Partnership took the decision to reduce the number of local outcomes and indicators. The local outcomes within the SOA are those which are incorporated in Fife's Community Plan. Delivery of the Community Plan is monitored through milestones and annual reporting through the 'State of Fife Report'. This report was also submitted to the Scottish Government as an interim report on the delivery of Fife's SOA. It is the intention that this report will be used in subsequent years to report on the progress against the SOA.
- 136 During the year, Audit and Risk Management Services carried out a review to assess the effectiveness of Fife Council's Community Planning Partnership Single Outcome Agreement as a performance management tool in relation to:
- the achievement of the community plan; and
  - Fife's contribution to the Scottish Government's National Outcomes.
- 137 Overall, Audit and Risk Management Services concluded that the Single Outcome Agreement *"has the potential to be used as a sound method of performance management in respect of the achievements of the Community Plan"*. The report however does identify areas for scope for improvement as shown in exhibit 9:

<b>Exhibit 9: Areas for Improvement – Single Outcome Agreements</b>
• The single outcome agreement does not show end targets and timescales
• The SOA includes over 160 indicators, making no distinction between long-term and intermediate outcomes
• A joint reporting line has still to be established for the local outcome "to achieve Excellence and Best Value for Fife"
• Approximately 50% of the targets for progress for progress to 2011-12 have either still to be set or indicate only direction of travel.
• There is no requirement to produce detailed action plans to tackle areas where performance trends are found to be deteriorating.
<b>Source:</b> <i>Audit and Risk Management Services Position Statement on Single Outcome Agreements (draft)</i>

## **The Audit of Best Value and Community Planning**

- 138 During 2007/08, Audit Scotland, on behalf of the Accounts Commission, undertook a Best Value and Community Planning review of Fife Council. The review was carried out to assess the extent to which the Council was meeting its duties under the Local Government (Scotland) Act 2003.
- 139 The findings from the review were published in March 2009. In general the Accounts Commission noted that the Council has a clear strategic direction and shows good self awareness, with many of the building blocks in place for achieving best value. The Commission welcomed the recent increase in the pace of change and the evidence of recent significant improvements in statutory performance indicators, in particular the good performance of the



education service and improvements in social work. The Commission did however make the following comments in relation to Fife Council:

- It is essential that effective performance information is in place to underpin improvements in service delivery
- Elected members should take more of a leadership role in driving forward the best value agenda at a strategic level and should participate fully in training and development
- There is room for improvement in respect of workforce planning and a need for improved monitoring of the outcomes of partnership working
- The Council should consider developing the work of its area committees and make progress with shared services
- The Best Value audit also extended to police and fire. The Commission noted that there was a lack of clarity around the roles of elected members in relation to these services and that the Council should review how it discharges its best value responsibilities with regard to police and fire and rescue services

140 Following the publication of the report in March 2009 the Council authorised the preparation of an improvement plan in response to the Accounts Commission findings. The plan is based on the improvement agenda which was included within the Best Value report (exhibit 10)

**Exhibit 10: Fife Council improvement agenda**

- Ensure elected members are actively involved in improvement and implementing the best value agenda at a strategic level, and support this through effective training and development for elected members
- Support elected members with their responsibilities in relation to police and fire services
- Continue to develop the performance management framework, ensuring it encompasses regular monitoring and reporting updates to elected members to support effective scrutiny
- Develop scrutiny arrangements in line with good practice
- Continue to develop and implement cohesive strategies for the effective management of resources including finance and workforce planning
- Ensure progress of corporate improvement programme by setting clear priorities, establishing milestones and routinely reporting performance
- Undertake systematic review of competitiveness across services
- Demonstrate the impact of efficiency savings on service delivery
- Continue to implement the planned improvements for customer service
- Develop action plans for tackling areas of poorer performance including housing services and planning, ensuring these are regularly monitored and reported
- Continue to develop the role of area committees and local community planning arrangements

**Source:** *Fife Council: The Audit of Best Value and Community Planning (March 2009)*

141 Fife Council's Best Value Improvement Plan contains specific actions and targets which will enable the Council to demonstrate progress in implementing those priority areas in the improvement agenda. Lead officers have been identified as responsible for each action point

and timescales have also been assigned to each action. All actions should be implemented by April 2010.

- 142 Progress against the Council's Best Value Improvement Plan will be reported on a six monthly basis to the Policy, Finance and Asset Management Committee. Regular progress updates are also reported to the Council's Corporate Management Team (CMT).
- 143 The most recent update was reported to PFAM on 10 September 2009. Based on the agreed timescales in the Improvement Plan, sixteen of the twenty eight actions should now have been implemented. We noted from a review of the progress statement that whilst some work had been done to implement these actions, further work is required and revised timescales have been set. For example:
- The Council agreed to improve planning, recording and evaluation of elected members training and development by September 2009. The progress statement notes the work that has been done in this area (paragraph 208). A report on the effectiveness of improved arrangements is now expected in April 2010.
- 144 It is essential that elected members challenge the progress made in implementing the best value improvement plan. There is a risk that the agreed timescales continue to be extended and the improvement agenda is not achieved.

**Action Plan Point 7**

- 145 We will continue to monitor the progress of the Council in addressing the Best Value review findings. Where appropriate, the outcome of this monitoring will be reported in future annual audit reports.

## **Performance Management Arrangements**

- 146 The Best Value report commented that the Council's performance management arrangements need further development. In particular performance reporting to elected members needed to be significantly improved (exhibit 11).

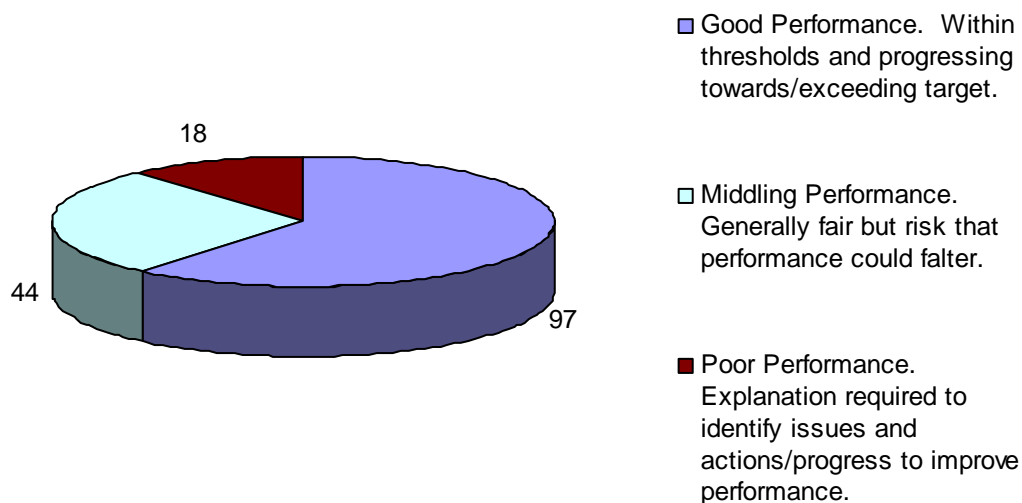
### **Exhibit 11: Extract from Best Value Report on Managing Performance**

- The reports to elected members on performance indicators are difficult to understand and indicators which are demonstrating a decline in service performance are not immediately evident
- Reports do not make clear why underperformance has occurred or what is being done to rectify the position
- The council seeks to compare performance with the previous two years but in many instances the information is not comparable and therefore not useful
- The council has not set targets for all areas in which it is monitoring performance

**Source:** Fife Council: *The Audit of Best Value and Community Planning (March 2009)*

- 147 The Council had previously recognised weaknesses in the performance reporting arrangements and revised corporate performance reporting arrangements were approved in 2007. These revised arrangements have been in place now for a full reporting cycle. The arrangements comprise a number of performance reports which are reported to elected members including:
- **Annual Performance Overview Report** – this is presented to the Policy, Finance and Asset Management Committee. It summarises the progress made against the priorities identified in the Council Plan and the associated indicators as defined within the corporate performance scorecard.
  - **Annual comparative statutory performance indicator report** – this is reported to the Policy, Finance and Asset Management Committee. This provides an analysis of Fife Council's performance against other Scottish local authorities.
  - **Service Plans** – Presented to Strategic Committees. The Service Plans outline performance targets and key projects for the operational year. They also provide an update on performance against indicators in the service scorecards.
  - **Service Annual Review Reports** – Presented to Strategic Committees. These reports outline performance and achievements against service plans. They also include a position statement on the indicators within the service scorecards.
- 148 Annual reports are presented to committee from August each year. At the time of our audit, these reports had yet to be presented to committee for 2008/09. We have therefore been unable to assess the extent to which comments made in exhibit 11 have been addressed.
- 149 In response to the Best Value report, the Council has committed to develop its performance management framework. This includes:
- Introduction of in year performance reporting to committees (November 2009)
  - Cross Party Leaders to review progress on performance reporting and to identify further improvements (October 2009)
  - Procure and implement a corporate performance management software solution (from April 2010)
- 150 The progress statement presented to PFAM in September noted that the development of current performance reporting arrangements is under review. This was also discussed at the Corporate Management Team meeting in September. It is the intention that future performance reporting arrangements will be enhanced through the introduction of a performance management software system.
- 151 A quarterly performance overview is also presented to the Council's Corporate Management Team (CMT). Exhibit 12 summarises progress in 2008/09 against 159 targets measured through the Council's corporate balanced scorecard. This information is based on the 4<sup>th</sup> quarter performance information reported to the Corporate Management Team.

## Exhibit 12: Achievement of Fife Council's targets 2008/09



152 Based on the individual indicators, poor performance is particularly predominant under three of the Council's big 8 priorities:

- To be the leading green council in Scotland (7 indicators)
- Improving local conditions for economic development (4 indicators); and
- Increasing access to housing (4 indicators)

153 The report presented to the CMT includes comments on the performance in these areas, including an overall assessment. The three areas noted above have been assessed, overall, as 'middling performance'. The report also highlights that certain priorities have been impacted by the recession. In particular, the Council's priority 'improving local conditions for economic development' has been most affected by the recession. The comments within the report suggest what action needs to be done to improve performance but is not explicit in terms of the expected timescales for improving performance. It was however noted that the CMT agreed that Executive Directors would discuss the report with their management teams and provide evidence of the actions being taken to address the performance issues raised in the report. We support this recommendation and would stress the importance of setting demanding timeframes for delivering improved performance.

### Statutory Performance Indicators

154 The Local Government Act 1992 sets out the requirement for councils to prepare and publish performance indicators. As external auditors, we have a statutory duty to ensure that the Council has made such arrangements for collecting, recording and publishing statutory performance indicators (SPIs) by reviewing and examining evidence that is relevant to these arrangements.

- 155 In 2008/09, 58 SPIs were required to be published. A further 9 indicators were published for Fife Constabulary and 4 for Fife Fire and Rescue Service.
- 156 Of the 71 indicators, we reported 2 as unable to report<sup>1</sup> and a further 2 as unreliable. Those marked as unreliable have been considered in the following paragraphs:
- 157 We have marked the indicator on call response time at Fife Fire and Rescue Service as unreliable. This indicator measures the speed with which fire appliances are mobilised in response to an emergency call. It was noted during the year that the call management system was adding time to the value for some calls. This has now been investigated by the software supplier and has been corrected for future reporting.
- 158 The SPI on police complaints has also been marked unreliable. This indicator measures the number of complaints about police officers and police staff and the number of service complaints. When complaints are made to Fife Constabulary they may contain a number of allegations within the one complaint. We found that the recording process in place at Fife Constabulary was not sufficient to ensure that an accurate number of complaints and allegations were being recorded. Specifically, we were unable to agree the information in the indicator to source records as at 31 March 2009 as this information had not been retained by Fife Constabulary. It is a requirement (under the SPI Direction) that police forces report in accordance with the requirements of the Scottish Policing Performance Framework (SPPF). This indicator forms part of the SPPF. It is therefore essential that arrangements are put in place to reliably report this indicator.

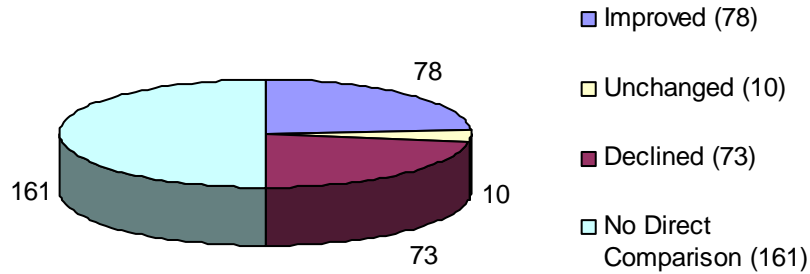
***Action Plan Point 8***

- 159 The SPIs provide a consistent form of measurement for councils to review their performance over time and to make comparisons with other councils. At Fife Council, a report is presented to the Standards and Audit Committee which provides an overview of the SPIs for the year. Furthermore, a comparative SPI performance report is presented to the Policy, Finance and Asset Management Committee in Spring. Exhibit 13 summarises the Council's SPI performance results in 2008/09:

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<sup>1</sup> All 32 local authorities were unable to report two indicators on benefits administration.

**Exhibit 13: Changes demonstrated by SPIs in 2008/09**



**(Note:** The Council has a duty to report performance against 71 SPIs (including police and fire indicators), however a large number of the indicators have multiple parts. The analysis provides detail on 322 performance areas.)

- 160 Performance improvements were noted in a number of indicators. For example, attendance at pools has increased by 9% and attendance at indoor leisure facilities has increased by 10%. Given that the refurbishment of Carnegie Leisure Centre began during the year and required closure of the centre, these improvements are significant. We also noted improvement in the percentage value of waste that has been composted or recycled in the year which has risen from 39% to 43%.
- 161 The current economic climate has had an effect on a number of SPIs during the year. For example, council tax collection rates have fallen in comparison to 2007/08 from 94.3% to 93.5%. The level of housing rent arrears, as a percentage of the amount of rent due, has risen from 7.1% to 9.2%. In addition, the proportion of tenants that are leaving their tenancy when in arrears has risen to 18.7% (16.9% in 2007/08). In response, the housing team has more frequent contact with tenants going into arrears and provides support or referral to assist tenants in managing debt.
- 162 A significant decrease in performance was also reported in the average time to re-let low demand stock. A review of housing stock was carried out during the year which resulted in re-classification of a number of properties as low demand. This has impacted on the number of days taken to re-let low demand stock. The housing service is currently working on strategies to reduce the number of days that it takes to re-let properties.
- 163 On an annual basis Audit Scotland provides a data compendium of all statutory performance indicators. Councils are ranked in order of performance for each indicator. Based on the most recent national published information for 2007/08, Fife Council was in the top quartile for 9 indicators (6 in 2006/07) and in the lower quartile for 18 (18 in 2006/07) of the indicators. This information is presented to elected members in an annual comparative statutory information

report. The report asks elected members to remit responsibility to the strategic committees for ensuring appropriate action and monitoring of areas of concern. We understand these indicators may also feature in the service scorecards. Six of the indicators in the lower quartile feature in the Council corporate scorecard.

## **Equality and Diversity**

- 164 In 2008, Audit Scotland published a study examining how councils responded to their race equality duty, "*The impact of the race equality duty on council services*". This study found that all councils have developed policies and processes on race equality. A number of initiatives are in place to meet the diverse needs of local communities, such as the provision of interpretation and translation services, and information packs for recent migrants. However, councils lack information about minority ethnic communities, their needs and experiences. Councils are also unable to show how race equality is routinely built into the design and delivery of services.
- 165 At Fife Council, the Equality and Diversity Annual Review Report (2007/08) encompasses the recommendations made in Audit Scotland's national report. For this reason a separate action plan has not been developed to meet the Audit Scotland report recommendations. The Council has also developed and integrated assessment checklist and associated guidance notes that focus on all aspects of equality. The Council works with Frae Fife to listen to the views of ethnic minority people and is committed to engaging on a regular basis with all equality groups. An example of this was a community engagement event held in March 2009. Progress on the action plan will continue to be monitored by the Council through annual equality and diversity reports.

## **Looking Forward**

### **Statutory Performance Indicators**

- 166 The Accounts Commission has made a significant change in its approach to statutory performance indicators (SPIs). From 2009/10, the SPI Direction incorporates two main requirements:
- That councils reports a range of sufficient information to demonstrate best value in relation to corporate management (SPI 1)
  - That councils report a range of information sufficient to demonstrate best value in relation to service performance (SPI 2)
- 167 In reporting against SPI 1 and SPI 2, all councils will be required to report performance against 25 specific indicators defined by the Accounts Commission. These indicators have been selected from previously reported SPIs.
- 168 A paper was presented to the Council's Standards and Audit Committee which set out proposals on how the Council would demonstrate compliance with the above requirements. It was recommended that the Council draw upon the measures within the existing performance management framework including:

- The suite of performance statistics defined in Fife's Single Outcome Agreement. These will be reported annually through the State of Fife Report
- The corporate scorecard indicators that accompany the Council Plan. These are reported to Policy, Finance and Asset Management Committee in the annual performance overview report
- The service scorecard indicators which are incorporated in service plans and reported twice a year to the strategic committees

169 It is essential that the Council develops its own arrangements to ensure the reliability and accuracy of the information to be reported under the SPI Direction. The Direction notes that councils should ensure that, so far as practicable, the information published is accurate and complete. The arrangements put in place should include appropriate systems and procedures to gather the information and checks to ensure that the information gathered for publication is accurate and complete.

170 Should the Council decide to use the arrangements detailed above, it will need to develop appropriate arrangements to ensure the reliability and accuracy of the information included in those performance reports. We are aware, for example, that the corporate scorecard comprises 159 indicators. If extended to the Single Outcome Agreement and service scorecard indicators this will result in a significant increase in the level of indicators that will require independent verification. Furthermore, the Single Outcome Agreement includes indicators which are reported by other organisations within the Partnership. The Council would need to consider how they would gain assurance over the indicators reported by these organisations in order to meet the statutory requirements.

*Action Plan Point 9*

## **Shared Risk Assessment**

171 The Crerar report on the independent review of regulation, audit, inspection and complaints handling of public services in Scotland contained a series of recommendations designed to streamline the scrutiny landscape in Scotland. In their response to the Crerar report in June 2008, Scottish Ministers asked the Accounts Commission to put in place arrangements to reduce the burden of scrutiny for local authorities by establishing a single audit framework. A more co-ordinated approach to the audit and inspection regime is anticipated in the future.

172 Work has begun across seven councils to pilot a shared risk assessment (five BV2 pathfinders plus 2 development sites). The intention is to develop a single corporate assessment and shared risk assessment for each local authority. From this an assurance and improvement plan would be prepared which would cover all scrutiny activity over a three year period for each council. The assurance and improvement plan would be a product of a collaborative approach of the scrutiny bodies, including for example, Audit Scotland, HM Inspectorate of Education, Scottish Housing Regulator and the Social Work Inspection Agency.

173 Fife Council is currently one of the development sites where an assurance and improvement plan is being drafted.



## **Best Value 2**

174 Audit Scotland is currently developing its approach to best value 2 (BV2) by working with five pathfinder councils. Details of their new approach can be found at [www.audit-scotland.gov.uk/BV2](http://www.audit-scotland.gov.uk/BV2) . From April 2010, the new approach will be rolled out across all 32 local authorities. The timing of a BV2 audit will be determined by a risk assessment as described above. Fife Council's response to the BV2 consultation was presented to its Standards and Audit Committee in May 2009.

# Governance

## Introduction

175 Governance is about direction and control of organisations. It is concerned with structures and processes for decision making and accountability. Good governance can be defined as “*the way local authorities operate is based on sound decision-making and effective processes are in place to support it*”.

176 We have reviewed the Council’s corporate governance arrangements during the year. Our detailed findings were reported to management separately in our Corporate Governance report. This was presented to the Standards and Audit Committee on 14 April 2009. This section sets out the main findings from our review.

## Overall Governance Arrangements

### Political Governance

177 Fife Council operates through a committee based structure, with six strategic committees covering all the main services within the Council. These committees are responsible for developing policy, setting strategic direction and allocating resources assigned to them. They are also responsible for scrutinising performance in regard to matters remitted to them.

178 The Council has seven local area committees each comprising of a number of multi-member wards. The area committees have three key roles:

- Determining matters within their terms of reference that directly affect their area, including local land and property planning and management issues
- Scrutinising local service performance
- Monitoring the impact of council and other public services on the community

179 A Standards and Audit Committee, Regulation and Licensing Committee and ‘Fife-wide’ Planning Committee are also in place.

180 Fife Council is a unitary authority for police and fire and rescue services. The Council operates a Police, Fire and Safety Committee as part of its responsibilities as the unitary authority for police and for fire and rescue.

181 The recent Best Value and Community Planning report on Fife Council (March 2009), reported the following in relation to Fife Council’s political structures:

*The council’s political structures are effective, although the new area committees need further development. There is a culture of openness and accountability but arrangements for supporting elected members could be improved to enhance their capacity for effective decision making and scrutiny”.*

- 182 In response to this report, the Council developed a best value improvement plan. This includes improvement actions to develop the area committees and improve performance information given to elected members to enhance decision making and scrutiny. We have considered the Council's progress in delivering its best value improvement plan in the performance management and improvement section of this report (paragraph 143).
- 183 The Council has yet to assess its own arrangements against the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: A Framework". We understand that the Council intend to review its local code against this guidance over the coming year. A working group has been established to take forward this review.
- 184 As part of our review we observed a Council meeting (June 2009) and a service committee meeting (August 2009). We found both meetings to be well attended by elected members and the Council's standing orders were adhered to. Agenda papers for these meetings were available on the Council's website and intranet six days before the meeting. We noted through observation that elected members spoke openly and clearly. The Provost chaired the Council meeting in an efficient and effective manner.
- 185 At both meetings attended, we did not find the agenda to be onerous and items were considered in a constructive and timely manner. All items on the agenda were discussed; no items were carried forward to the next meeting.

### **Management Arrangements**

- 186 The former Policy and Resources Committee approved a review by the Chief Executive of the Council's senior management roles and responsibilities. The revised roles and responsibilities consolidated the interim arrangements and established six Directorates managed by six Executive Directors. The Executive Directors together with the Chief Executive comprise the Council Management Team.
- 187 The intention of the Chief Executive's review was for structures within the Council's six Directorates to be reviewed as the need was identified and when opportunities arose. From 2008, the Policy and Asset Management Committee has considered and approved changes to management structures within the following Directorates; Finance and Resources, Performance and Organisational Support, Education and Local, Community and Housing Services and Social Work. We noted that Environment and Development Services have yet to undertake such a review.
- 188 The Best Value and Community Planning report commented that the "*management culture is cohesive and motivated*". The Chief Executive delegates effectively and promotes a management culture based on corporate working. The report also noted that whilst the roles of senior managers were at different stages of development they contributed to a corporate culture for the Council.

## Police

- 189 In our 2007/08 Annual Audit Report we identified the need to clarify the arrangements and responsibilities of the Council, Police Authority and Chief Constable in relation to the police service. In particular we commented on the need to clarify how the Police Authority's activities were covered by the existing Fife Council governance arrangements. This matter was also raised as part of the Best Value audit of Fife Council.
- 190 During 2008/09 the Chief Executive and Chief Constable have considered further the key governance responsibilities. In June 2009 the Policy, Finance and Asset Management Committee considered a report by the Chief Executive proposing; the Council review its arrangements in relation to the discharge of its responsibilities as a unitary police and fire authority. The report highlighted the options open for consideration in terms of possible changes to the governance arrangements for police and fire issues and set out the characteristics of a best value police authority.
- 191 The Committee agreed to:
- approve a revised remit for the Police, Fire & Safety Committee
  - to approve any consequent changes to the Council's Scheme of Administration, including that the Council's Scheme of Delegation be amended to state explicitly the Chief Executive's role as Clerk to the Police and Fire Authority, the Executive Director (Finance & Resources) role as Treasurer to the Police Authority and the unique statutory position of the Chief Constable as an agent of the Crown;
  - that the Police Financial Regulations be reviewed in order to provide greater clarity in relation to roles and responsibilities; and
  - that it be remitted to the Police, Fire & Safety Committee to develop, by the end of 2009, an accountability framework with the Chief Constable and the Police Service to specify how the revised governance arrangements will operate in practice.
- 192 The review of the Police Financial Regulations is currently in progress and as external auditors we have provided comments on the draft regulations. A meeting is to be held in October to progress the review of the governance arrangements. HMIC are involved in assisting the Council and Chief Constable in reaching an agreed position.
- 193 We are aware that concerns still remain that there are insufficient opportunities for members to fulfil their responsibilities for effective scrutiny, holding to account and independent review of the performance of the service. It is therefore essential that the accountability framework is finalised by the end of 2009. This framework needs to set out clearly and unambiguously the respective responsibilities of the Police Authority and Chief Constable and how these will operate in practice.
- 194 We will continue to monitor developments in this area.

**Action Plan Point 10**

## Political Scrutiny at Fife Council

- 195 A Council must be able to effectively scrutinise the actions of the leadership or Executive and hold it to account for its performance. Scrutiny within Fife Council remains the responsibility of Fife Council and its strategic service and area committees. The Policy, Finance and Asset Management Committee has a responsibility for corporate policy scrutiny and has overall responsibility for the effectiveness of scrutiny and performance review arrangements across the Council. The Standards and Audit Committee has an important responsibility for scrutiny within the Council.
- 196 The existing scrutiny arrangements at Fife Council have been in place since May 2007 and replaced the previous political governance structure which had scrutiny sub-committees set up to shadow the strategic committees. In June 2008 the Policy, Finance and Asset Management Committee approved a Scheme of Scrutiny and Performance. This scheme sets out mechanisms by which effective scrutiny could be carried out and recommends that all committees consider the adoption of an annual work programme including identification of any priority areas for scrutiny.
- 197 Since the introduction of the Scheme of Scrutiny and Performance in 2008, work has been ongoing to develop scrutiny arrangements. Views have been sought from elected members through Elected Member Development Sessions and the Cross Party Leaders Group. In addition a pilot project was carried out by a Social Work and Health Scrutiny Group. A paper was recently been presented to the Policy, Finance and Asset Management Committee which sets out improvements to the existing scrutiny arrangements. This paper proposes the following:
- Council's strategic committees are to identify areas for detailed scrutiny following committee scrutiny of service plans (on an annual basis).
  - Detailed scrutiny reviews may be considered by Scrutiny Panels. These scrutiny panels would be cross-party and could appoint co-opted members. Political groups would be invited to nominate members for appointment to a core scrutiny group from which members of scrutiny panels may (but not exclusively) be drawn.
  - The Standards and Audit Committee would decide which areas for detailed scrutiny should be taken forward. It is expected that the number of scrutiny reviews to be carried out in any year would be limited to four.
  - The outcome from any review would be presented in a report to the committee which called for the review in the first place. This would then be presented to the Policy, Finance and Asset Management Committee.
  - Area committees would be expected to develop their own work programme and feedback issues to strategic committees, service providers and partners.
- 198 Due to the timing of these proposals, the paper suggests that, for 2009/10, strategic committees are invited to identify any issues for detailed scrutiny during the next committee cycle. We will continue to monitor development in this area over the coming year.

- 199 Audit Committees also have a central role in the overall corporate governance process, including a scrutiny role for the Council. The Council's Standards and Audit Committee is responsible for scrutiny and review in relation to standards, audit and risk management and adherence to the Council's Code of Corporate Governance. The committee is also able to scrutinise and investigate a particular matter referred to it.
- 200 During the year, the Standards and Audit Committee raised concerns over how the Council deals with customer complaints. The committee requested officers to review the current complaints policy and procedures and review how complaints were handled in practice across the Council. Regular reports have been presented to the Standards and Audit Committee and a workshop was held in May 2009 for committee members. The review has led to areas for improvement being identified and an action plan has been developed to take this forward.
- 201 We noted that the Standards and Audit Committee is well attended and in overall terms its remit and working practices are in accordance with good practice principles (exhibit 14):

#### **Exhibit 14: Standards and Audit Committee – areas of good practice**

As part of our review of the Council's corporate governance arrangements we assess the effectiveness of the audit committee arrangements in place within the Council. In doing this we consider the audit committee arrangements against publications which illustrate best practice including for example:

- Audit Committee Principles in Local Authorities in Scotland – a Guidance Note (CIPFA)
- Audit Committees – Practical Guidance for Local Authorities (CIPFA)
- The Smith Report

Overall we concluded that Fife Council's arrangements were largely able to deliver the audit committee principles set out in the CIPFA guidance and have had a positive impact on the Council's overall corporate governance framework. In particular, we noted:

- The committee's terms of reference overall complies with best practice guidance
- Committee members receive training specific to their role as an audit committee member. Seminars on specific topics are provided following meetings where required.
- The committee considers internal and external audit plans and respective reports issued by internal and external audit; including annual reports
- A post audit review process has been implemented which enables committee members to challenge officers where audit recommendations have not been implemented by the agreed date
- The committee has an active role in overseeing risk management strategies, internal control statements and anti-fraud arrangements
- The committee reviews the financial statements along with our annual audit report prior to the accounts being signed.

202 Best practice guidance however suggests that audit committees conduct an annual review of its work (Smith Report). Audit and Risk Management Services has committed to assisting the Standards and Audit Committee in performing such a review. We understand that Audit and Risk Management Services are currently drafting a self-assessment questionnaire for the audit committee members.

**Action Plan Point 11**

## **Governance and Accountability**

203 Elected members are central to good governance and the success of the Council. Key elements of their role include: providing leadership and direction; representing wards and constituents; and scrutinising policy direction and performance of services. They also perform key roles in making choices between competing priorities, setting objectives to meet the needs of communities and ensuring that the Council fulfils its statutory duty to achieve best value.

204 To enable elected members to fulfil their responsibilities, it is important that training and support is readily available. This should include access to key information of suitable quality, provision of professional advice and support to develop their knowledge and skills.

205 The importance of training and support to elected members was emphasised in the Scottish Local Authorities Remuneration Committees second report "Review of Implementation of Remuneration Arrangements for Local Authority Councillors and Annual Review of Remuneration Levels". The majority of the recommendations relating to training which were raised in this report were accepted, or agreed in principle, by the Scottish Government.

206 The Accounts Commission report, "*Overview of Local Authorities 2008*" also commented the importance of elected member training and development. The Commission's findings noted "*personal development is now established as essential to support elected members in carrying out their demanding and complex roles. All councillors should have a personal development plan which sets out training needs and progress*".

207 Officers at Fife Council are reviewing and refreshing training arrangements for elected members to allow more flexibility and accessibility. An Elected Member Development Focus Group has been established, comprising elected members. This group is responsible for contributing to the content of the training programme and evaluating the training provided. Training records are to be maintained. Fife Council is also one of seven councils participating in an Improvement Service initiative to pilot a continuous professional development (CPD) framework for elected members. The Council has decided to await the outcome from this pilot before progressing with the development of personal development plans for elected members.

208 The Council's best value improvement plan includes a specific action to improve planning, recording and evaluation of individual elected members training and development. Exhibit 15 provides the most recent progress statement by the Council in relation to this improvement action:

### **Exhibit 15: Progress Statement by the Council in relation to improving elected member training and development**

- Elected Member Development Focus Group has met twice with a third meeting planned for August 2009
- Monthly programme of Elected Member Development Briefings. Extra sessions have been added, including sessions on scrutiny and performance and area committee workshops
- Councillor survey carried out on priorities for future briefing sessions. The results are currently being analysed.
- Ongoing development of an improved system of recording individual elected member's attendance at training events
- A report on the effectiveness of the arrangements for elected member development will be presented to CMT in March/April 2010

*Source: Fife Council Best Value Improvement Plan – Progress Update (PFAM September 2009)*

## **Following the Public Pound**

209 Fife Council, over the last year, has moved towards service delivery through new arms length organisations. These include:

- The establishment of Fife Sports and Leisure Trust to deliver sport and leisure services across Fife (1 April 2008);
- The delivery of arts and theatre services through the Arts and Theatres Trust (AttFife, 1 October 2008); and
- The establishment of Ardroy Outdoor Education Centre to run the outdoor education centre in Argyll

210 The Code of Guidance on Funding External Bodies and Following the Public Pound (the Code) emphasises the need for good governance and clear accountability. The move towards service delivery through arms length organisations increases the need to ensure the principles of following the public pound are adhered to.

211 During the year we considered the Council's arrangements for following the public pound. In particular we considered the arrangements in place for the three organisations noted above. Overall we concluded that the Council had embraced the principles in the Code. The Council however is still in the process of developing the arrangements with these Trusts and finalising the service level agreements (as discussed below).

212 Service level agreements have been drafted between Fife Council and each Trust. These agreements include provision for certain assets to be leased to the trusts for a peppercorn annual rent. Some of the assets to be leased are common good assets. Case law involving common good assets had tended to view long term leases of common good assets as a disposal. The Council has therefore applied for consent from the Sherriff Officer for the disposal of these assets. The Council has also applied to the Scottish Ministers for consent to lease those assets, not common good, to the trusts. The outcome of these applications is outstanding.



As a consequence, the service level agreements between the Council and each Trust have yet to be finalised. We will continue to monitor this situation over the coming year.

## **Risk Management**

- 213 An important feature of a robust system of internal control is a developed and integrated approach to risk management. Effective risk management will deliver an appropriate balance between risk and control, more effective decision making, better use of limited resources and greater innovation.
- 214 Fife Council approved its risk management strategy in March 2007. A Risk Management Strategy Group and Operational Risk Management Group have been established to ensure risk management is effectively implemented throughout the Council. These groups provide support to the executive directors and officers, who have responsibility for risk management at a service level. Progress reports are submitted to the Standards and Audit Committee on implementation of the Council's risk management arrangements. A revised strategic risk register was presented to the Standards and Audit Committee in February 2008. The strategic risk register identifies risks in relation to the achievement of the Council's 'Big 8' priorities.
- 215 The Council has made good progress in implementing risk management arrangements at a strategic level. Risk management arrangements, however, at a service level are at varying stages of development. In particular we noted during our 2008/09 review of the Council's risk management arrangements that the relationship between the service planning process and risk management arrangements is underdeveloped across services. Whilst the Council's Service Planning Guidance document emphasises the need for such a relationship this has yet to be implemented in practice.

*Action Plan Point 12*

## **Fraud and Irregularity**

- 216 The integrity of public funds is at all times a matter of concern. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
- 217 At a corporate level, the Council has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include, for example, an anti-fraud and corruption strategy, a whistle blowing policy and codes of conduct for elected members and staff. Overall we concluded that arrangements at Fife Council were generally satisfactory to prevent and detect fraud and other irregularities.

## **National Fraud Initiative**

- 218 The National Fraud Initiative (NFI) in Scotland is Audit Scotland's data matching exercise that brings together data from councils, police and fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. This exercise runs every two years. The previous Audit Scotland exercise (NFI 2006/07), reported by

Audit Scotland in May 2008, identified at least £9.7 million of outcomes (fraud, error, overpayments and forward savings). Including all previous exercises the cumulative outcomes were now approximately £37 million. Across the UK, the cumulative outcomes from NFI exercises now exceed £450 million.

- 219 The most recent NFI exercise commenced in October 2008 and the national findings are expected to be published in May 2010. Fife Council has been reviewing its matches since they were released and to date has identified approximately £50,000 in overpayments (Exhibit 16). Recovery of all overpayments is ongoing.

#### **Exhibit 16 – Fife Council data match**

A dataset of Armed Forces Pensions was available to NFI for the first time in 2008/09. This information generated a match at Fife Council, which following investigation identified a fraudulent overpayment of housing benefit of £21,000 where the claimant had not declared their armed forces pension. Benefit has now been terminated and recovery of the overpayment is ongoing. In line with the Housing Benefit Prosecution Policy, no further action was taken against the claimant due to their age.

- 220 Overall, Fife Council has adopted a positive approach to NFI. We also noted that the Council has made better use in 2008/09 of the facilities that are available in the NFI secure web application.

## **Housing Benefits**

- 221 In previous years, the Benefit Fraud Inspectorate was responsible for inspecting housing benefits. On 1 April 2008 Audit Scotland took on these responsibilities which have been integrated with the current benefits audit that is undertaken by local auditors. The work that is now being undertaken by the Housing Benefit Review team considers whether local authorities are complying with their statutory responsibility to continuously improve their benefits service. This move is also reflected by the move from prescriptive DWP Performance Standards to the overarching 'Right Benefit, Right Time' indicators that have been in place since 1 April 2008.
- 222 In April 2009, Audit Scotland's Housing Benefit Review team assessed Fife Council's housing benefit service. The findings from this review are to be presented to the Standards and Audit Committee in September 2009.
- 223 Overall, the review found no significant weaknesses in the operation of the housing benefit administration, but did note areas with scope for improvement. The Council has taken action to improve the overall performance of the benefit service. We will continue to monitor improvements made against the action plan during 2009/10.

## **IT Governance**

- 224 As part of our 2008/09 audit plan, we carried out three IT related reviews:

- Information Security Management;
- Smartcards; and
- Follow up of IT Strategy, Governance and Infrastructure.

Our findings are summarised in the paragraphs below:

### **Information Security Management**

225 The Council has well defined information security policies and an information governance framework which is led by an Executive Director. The Council demonstrated that it is taking information security management seriously through the current review of information security policies and their alignment with the international information security standard, ISO27001. This was also demonstrated in the Information Security Awareness Week during 27 April 2009 which sought to promote the policies and encourage staff to manage information in a secure manner.

226 Our review did, however, identify a number of high priority issues which required to be addressed. These included:

- The Council's information policy is not supported by formal procedures that define how the policy should be implemented as part of day-to-day working practices.
- The Council should nominate an individual or department who has responsibility for all aspects of information security management. The Council should consider the recommendations contained within the Scottish Government's Data Handling review as they relate to roles and responsibilities for information security. The remit of the role should include development of training and awareness programmes and appropriate monitoring and audit processes.
- The Council should ensure that it implements formal mechanisms through which it can gain assurance that staff have received, read and, importantly, understood the contents of the relevant information security policies. This could potentially be achieved as part of the e-learning module being developed.
- The Council should also seek to improve controls with regard to the deployment and use of USB memory sticks. There are currently no technical controls that block the use of unauthorised and unencrypted USB devices from being connected to Council PCs and laptops. Although staff are informed that they should not hold confidential or sensitive information on USB memory sticks, the Council are unable to enforce this.
- The Council should also ensure that it develops a formal framework through which it can gain assurance that information security policies are complied with. This should be co-ordinated by the Information Security Officer and approved by the Information Governance Group.

### **Smartcards**

227 We also undertook a review of the controls in place within the Council in relation to the issuing and management of Council smartcards. The review identified that generally the controls around the use of smartcards are effective although a number of issues were identified which, if addressed, would further strengthen the control environment. These included:

- The need for school children to have their card renewed with a new photo at regular intervals. This will help ensure that the photo on the card adequately reflects the individual's appearance and reduces the risk of the card not being accepted by services.
- The Council should ensure that standard procedures are developed by the Council for all services to clearly define the procedures to be followed when there is suspected fraudulent or inappropriate use of cards.
- The Council should consider developing a process through which services are informed of changes to cardholders' details to enable their systems to be kept up to date. Alternatively, consideration should be given as to whether such updates can be carried out automatically.

### **IT Strategy, Governance and Infrastructure**

- 228 Positive steps have been taken by the Authority to address the recommendations contained within our 2006/07 report on IT strategy, governance and infrastructure. A high percentage of the highest priority recommendations have either been addressed or are in the process of being actioned.
- 229 However, there remain a large number of recommendations (25 of 45) from our original report which have not been implemented. Our audit work has also identified that, with a few exceptions, recommendations have not been implemented by the target date specified by management in the original management responses. Of those actions still to be actioned or completed, all of these should have been completed by June 2008. This would indicate that the original target dates for implementation of the recommendations did not fully appreciate the challenges IT Services would face in addressing these.
- 230 Since our report was issued in March 2007, there has been significant change within IT Services, one of the most significant being the restructuring of the service, which is being led by the Council Information Officer. It is essential that resources continue to be dedicated to improvement within IT Services. This should assist in ensuring that the recommendations contained within this report are successfully implemented.
- 231 The Council need to ensure that they continue to devote resources to embedding best practice as part of their service delivery. In particular, IT Services also need to complete the work on an IT Disaster Recovery Plan. This will be a critical deliverable so that assurance can be gained that there are appropriate plans in place to ensure continuity of IT service delivery in the event of a disaster. A back-up strategy should also be developed in support of the IT Disaster Recovery Plan.
- 232 Improvement is also required in relation to controls over powerful user accounts within IT Services. We noted that there had been little progress in limiting access to UNIX and Windows powerful user accounts.
- 233 Our reports on Information Security Management, Smartcards and IT Strategy, Governance and Infrastructure have been finalised and action plans agreed with management to address the issues identified. All reports have been or will be submitted to the Standards and Audit Committee.

# Action Plan

Our action plan details the key weaknesses and opportunities for improvement that we have identified during this review. To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

Our rating structure has been revised to ensure consistency with the structure used by Audit and Risk Management Services. The rating structure was approved by the Standards and Audit Committee in 2008.

The rating structure is as follows:

Significant	Weaknesses in existing controls leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high for the matter to be reported specifically in the Annual Assurance and Corporate Governance Statements
Substantial	Weaknesses in existing controls leaving the Council or Service open to high risk of error, fraud, financial loss or reputational damage
Routine	Weaknesses in existing controls leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage
Minor	Administrative weaknesses in existing controls posing little risk of error, fraud, financial loss or reputational damage

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
1	38	The Council should ensure, going forward, that depreciation is not charged on investment properties. In addition, the Council should review those assets classified as investment properties to ensure correct disclosure in the financial statements. <b>Routine</b>	A review is currently underway to correctly classify investment properties in the Council's asset register (AIRS). This review will include the accounting treatment of depreciation in relation to investment properties.	Accounting Team Leader – Accounting Control	31 March 2010
2	41	The Council should ensure its review of lease dilapidations considers instances where the lease agreement requires the asset to be put back to its original condition. <b>Routine</b>	This area will be reviewed as part of the work associated with International Financial Reporting Standards (IFRS)	Accounting Team Leader – Accounting Control	31 March 2010
3	44	We recommend that the Council estimates the future cash flows based on average employee working life to determine the fair value of its soft loans. <b>Routine</b>	The Council will review the area of “soft loans” to ensure fair value is recorded in the accounts.	Accounting Team Leader – Accounting Control	31 March 2010
4	53	The Council should ensure arrangements are in place to comply with OSCR filing requirements for 2008/09. <b>Substantial</b>	Arrangements are in place to ensure compliance with OSCR filing requirements.	Accounting Team Leader – Support Services	31 December 2009

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
5	55	We recommend that a programme is put in place to ensure that the proposed charitable trust reorganisation is taken forward on a timely basis. <b>Substantial</b>	A meeting is scheduled to take place with OSCR on the 29 September 2009 in order that this can be progressed. A programme has been developed that will be agreed with OSCR at this meeting in order that this can be completed by March 2010.	Team Leader – Performance and Organisational Support	31 March 2010
6	95	Given the uncertainty in the future financial outlook we would recommend that the financial position of the fund is monitored through interim funding reviews. <b>Substantial</b>	At the time of the 2008 actuarial valuation the Council commissioned additional work from our actuary, Hymans Robertson, to ensure that the agreed strategy on employer contribution rates was not storing up problems for the future. The work carried out by Hymans Robertson demonstrated that the risk associated with the agreed strategy was low and that the strategy was prudent. Since the time of the 2008 valuation equity markets have been volatile with a significant rally over the last few months. Accordingly interim funding reviews will be considered based on the future performance of pension fund assets.	Head of Revenue & Exchequer Services	As necessary

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
7	144	Elected members should challenge the progress made in implementing the best value improvement plan. There is a risk that the agreed timescales continue to be extended and the improvement agenda is not achieved. <b>Routine</b>	To date, reasonable progress has been made against the actions highlighted in the BV1 improvement plan. Progress statements will continue to be reported to PFAM Committee on a six-monthly basis – the next being due in March / April 2010.	Michael Enston, Executive Director Performance & Organisational Support	April 2010
8	158	Arrangements should be put in place to reliably report on the police complaints statutory performance indicator. <b>Substantial</b>	Changes have already been implemented to ensure that an adequate audit trail is maintained for future SPI returns.	Superintendent David Hardie Head of Professional Standards	Completed



Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
9	170	<p>It is essential that the Council develops arrangements to ensure the reliability and accuracy of the information to be reported under the 2009 SPI Direction</p> <p><b>Substantial</b></p>	<p>The 25 SPIs specified by the Accounts Commission in the new Direction for 2009/10 will continue to be subject to verification by internal audit using a risk-based approach. These specified SPIs will continue to be the subject of separate reports to committee for the immediate future.</p> <p>Council Plan / Council Scorecard indicators are covered by definition sheets detailing collection and calculation arrangements. Our intention is that these indicators would be subject to verification by internal audit on the basis of assessed risk.</p> <p>Individual Services are subsequently responsible for ensuring and checking the accuracy of additional performance indicators included within Service Scorecards.</p>	Michael Enston, Executive Director Performance & Organisational Support	April 2010

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
10	194	<p>Clarification of the governance and respective responsibilities of the police authority and chief constable is work in progress. It is essential this is completed in the near future.</p> <p><b>Significant</b></p>	<p>A paper outlining the governance arrangements for the police authority has been approved at Policy, Finance and Asset Management Committee (PFAM June 2009)</p> <p>Revised schemes of administration and delegation have been approved by Committee (PFAM September 2009)</p> <p>Police Financial Regulations have been reviewed and circulated for comment and an accountability framework is being drafted for submission to Committee.</p>	Chief legal officer and Audit and Risk Management Manager	December 2009
11	202	<p>We recommend that the Standards and Audit Committee carry out an annual review of their work. We understand a draft questionnaire has been developed by Audit and Risk Management Services. This should be circulated as soon as practicable.</p> <p><b>Routine</b></p>	<p>The review will be carried out and the result reported to the January Standards and Audit Committee.</p>	Audit and Risk Management Manager	January 2010

Action Plan Point	Para Ref	Recommendation and Rating	Management comments	Responsible Officer	Agreed Completion Date
12	215	<p>We recommend that risk identification workshops are held within services as part of the service planning process. The risks associated with achieving service priorities should be documented in the service risk register.</p> <p><b>Substantial</b></p>	<p>Services are required as part of the service planning process to review their risk registers and update these in JCAD. Risks can be identified in a number of ways and in most cases a combination of techniques should be used of which a workshop could be one. Services will be reminded that as part of the planning process they must update their service risk registers and provide evidence of how this was done.</p>	<p>Audit and Risk Management Services Manager</p>	<p>October 2009</p>



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