

# South Ayrshire Council

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

October 2009



 AUDIT SCOTLAND

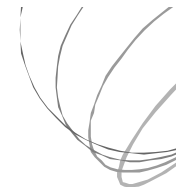


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# Contents

<b>Key Messages</b>	<b>1</b>	<b>Performance management and improvement</b>	<b>32</b>
<b>Introduction</b>	<b>4</b>	<b>Appendix A</b>	<b>39</b>
<b>Financial statements</b>	<b>6</b>	<b>Appendix B: Action Plan</b>	<b>40</b>
<b>Use of resources</b>	<b>12</b>		
<b>Governance and accountability</b>	<b>26</b>		



# Key Messages

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

During 2008/09 we have looked at the key strategic and financial risks facing the council. We have audited the financial statements and reviewed the council's financial position, governance and performance management arrangements. This report sets out our main findings, summarising key outcomes from the 2008/09 audit and the outlook for the period ahead.

## Financial statements

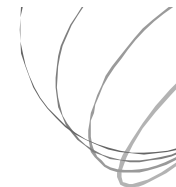
We have given an unqualified opinion on the financial statements of South Ayrshire Council. There were no unadjusted misstatements. The council's unaudited financial statements were submitted to the controller of audit prior to the 30 June 2009 deadline. Working papers to support the 2008/09 accounts were made readily available and the extensive knowledge of key finance officers in the preparation of the financial statements greatly assisted the audit process.

South Ayrshire Council had two investments totalling £5 million in Landsbanki when the Icelandic banks collapsed in October 2008. All monies in Landsbanki are subject to administration and receivership processes under Icelandic law. A recovery rate of 83% has been assumed in the council's financial statements, in accordance with the latest information emerging from the Landsbanki Resolution Committee. The council has taken advantage of the capital financing regulations to defer the impact of the loss in the 2008/09 financial statements. The overall impairment loss is estimated at £0.48 million. However should the council fail to secure preferential creditors status, the impairment would be greater.

## Financial position

South Ayrshire Council has faced severe financial pressures in recent years. The council had an accumulated deficit of £0.507 million at 31 March 2007. In 2007 and 2008 we reported our concerns regarding the level of reserves. The council agreed a financial recovery strategy with an aim to achieve a £2 million uncommitted general fund balance by 31 March 2010. The general fund balance at 31 March 2009, in the unaudited financial statements was £5.084 million.

The general fund position after audit adjustments (a windfall VAT recovery of £2.4 million and a benefits debtor understatement of £0.012 million) was £7.453 million. Of this balance, £3.154 million has been set aside for specific projects leaving an uncommitted general fund balance of £4.299 million. The council has therefore exceeded their £2 million uncommitted general fund balance target. A further £1.6 million contribution to the general fund balance has also been incorporated within the 2009/10 budget.



Despite making good progress towards the achievement of its financial target, the council continues to experience severe financial constraints within the current economic climate. The council in common with other local authorities will require to look at other sources of income and reductions in expenditure to balance its budget. Efficiency savings of £3.3 million were included in the 2008/09 budget. This was a significant challenge for the council after achieving £9.7 million of savings in 2007/08. Savings of £7.4 million plus a £1million payroll management target are included within the 2009/10 budget. Going forward, the council has estimated a funding gap of £35 million over the next 4 years.

The council continues to face difficult challenges in delivering quality services with limited resources. Going forward, this will be a significant challenge for both members and officers.

## **Governance**

The council revised its political decision making structure towards the end of 2008 rationalising the number of panels and increasing the number of portfolio holders in the leadership panel from five to seven. At the same time the organisational structure was reviewed and the number of directorates reduced from four to three each now headed by an executive director. The portfolios in the revised political decision making structure do not align with the council's themes in its vision or with the revised management structure. It is therefore difficult to understand how the council's vision, political decision making structure and management structure link together to ensure an efficient and effective means of delivering quality services.

There has been some confusion over the respective roles of members and officers. It is important that mutual trust is evident to allow both officers and members to manage their respective services and portfolios effectively. Elected members should feel confident enough to be able to focus on policy development and scrutiny without concerning themselves with more operational issues.

The corporate management team (CMT) has been subject to significant change over the past 18 months. New executive director roles have been created with a more corporate focus. Over the last year the CMT has instigated significant change including restructuring of the council, implementation of single status, agreement of an initial asset management plan, and, following the best value audit, the preparation of the improvement programme. Going forward, the CMT will face significant financial challenges which will make the implementation of the improvement plan critical in delivering efficiency savings. Difficult decisions are likely to be required from elected members who will need a strong CMT to help implement these decisions.



## Performance

South Ayrshire Council does not manage and review its performance effectively to support continuous improvement. The only council wide performance report submitted to panels is the annual report on the statutory performance indicators. The planned regular reporting of progress of the single outcome agreement (SOA) targets did not materialise during 2008/09. The council therefore did not demonstrate significantly improved outcomes for citizens or more effective and efficient services.

Risk management, financial planning, performance management, workforce management and asset management require further development across the council. Whilst work has been progressing over the last year, the council acknowledges that considerable effort still requires to be directed to these areas.

## Outlook

The council continues to face significant challenges in matching expenditure demands to available resources.

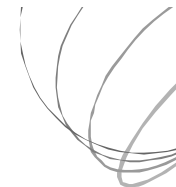
A best value and community planning audit report was published in April 2009. The report highlighted the Accounts Commission's concern regarding the council's limited progress towards delivering best value and also at the council's financial position. The Accounts Commission have requested a further best value report on South Ayrshire Council as at March 2010.

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



# Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of South Ayrshire Council (the council) and other relevant work carried out by Audit Scotland. A number of detailed reports have already been issued in the course of the year in which we highlight risks facing the council (see Appendix A). We do not repeat all of the findings in this report. Instead we focus on the financial statements and any significant findings that have arisen from our review of the management of strategic risks.
2. The report uses the headings of the new corporate assessment framework, which is being developed for best value 2 (BV2) and for joint scrutiny work. The framework is founded on the characteristics of a best value council. Using evidence gathered in the course of the audit, supplemented by other work by Audit Scotland and other scrutiny bodies, we comment on the council's position this year.
3. It must be stressed that our comments are made on the basis of information made available in the course of the annual audit. We do not offer an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time and for that to form the basis of a proportionate best value audit. This report is the first step towards that goal.
4. BV2 represents a new approach which will involve close co-operation between local audit teams and best value auditors as well as with other inspectorates, for whom the Accounts Commission is now acting as scrutiny gatekeeper.
5. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of interest to the council are:
  - The impact of the race equality duty on council services.
  - Improving energy efficiency.
  - Asset management in councils.
  - Overview of drug and alcohol services.
  - Mental health overview.
  - Civil contingencies planning.
  - Improving public sector purchasing.



6. We mention the key findings from these reports and the implications for South Ayrshire Council where relevant in the performance and use of resources sections of this report. Full copies of the studies can be obtained from Audit Scotland's web page at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
7. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and have agreed to take the specific steps set out in the column headed *Planned Management Action*. We do not expect all risks to be eliminated or even minimised. What we are expecting to see is that the council understands its risks and has in place mechanisms to manage them. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to be duly assured that the proposed action has been implemented.
8. This report is addressed to members and the controller of audit. It will be published on our website after consideration by the council. The controller of audit may use the information in this report for her annual overview report to the Accounts Commission later this year. The overview report is published and it is also presented to the local government and communities committee of the Scottish Parliament.





# Financial statements

## Introduction

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

## Audit Opinion

10. We have given an unqualified opinion that the financial statements of South Ayrshire Council for 2008/09 give a true and fair view of the financial position and expenditure and income of the council and its group for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
11. We were satisfied with disclosures made in the annual governance statement and the adequacy of the process put in place by the council to obtain assurances on systems of internal financial control.
12. The council's unaudited financial statements were submitted to the controller of audit by the deadline of 30 June 2009. Working papers to support the 2008/09 accounts were made readily available and officers were very helpful during the financial statement audit process. The extensive knowledge of key finance officers in the preparation of the financial statements greatly assisted the audit process.
13. The accounts were certified by the target date of 30 September 2009 and have been presented to members and made available via the website. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## Accounting issues

14. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). No major changes were introduced by the 2008 SORP. We were satisfied that the council prepared the accounts in accordance with the 2008 SORP.
15. The council has adjusted the financial statements to reflect audit findings. No significant accounting issues arose during the course of our audit. However, the following items of interest were noted.
  - The council made a claim to Her Majesty's Revenue and Customs in 2008/09 in respect of overpaid output tax dating from 1990. The claim was possible due to changes in VAT rules and



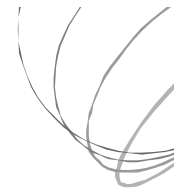
regulations. Her Majesty's Revenue and Customs have recently refunded £2.4 million. The council elected to change the unaudited accounts to reflect the VAT recovery and also an error in the housing and council tax benefit debtor of £0.012 million.

- The council had two investments totalling £5 million in Landsbanki when the Icelandic banks collapsed in October 2008. The council has deferred the impact of the impairment in the 2008/09 statements by recording the impairment of these investments through the financial instruments adjustment account as permitted by the capital financing regulations. The Icelandic bank investments are discussed in more detail under the treasury management section of this report.
- Improvements have been made to the foreword to the financial statements to ensure it is more easily understood by readers of the accounts.
- Within the group financial statements Strathclyde Police Joint Board and Strathclyde Fire and Rescue are consolidated as associates. Proper accounting practice requires a charge to be made to the income and expenditure account for pension costs based on FRS17 Retirement Benefits. The Local Government Pension Reserve Fund (Scotland) Regulations 2003 provides the statutory basis for removing the FRS17 charge from the general fund so that only the actual pension payments are charged. However, this legislation does not cover the new pension schemes established with effect from 6 April 2006 by the Police Pensions (Scotland) Regulations 2007 and the Fire-fighters Pension Scheme (Scotland) Order 2007. The Board of Strathclyde Fire and Rescue have amended their accounts to reflect this however Strathclyde Police Joint Board have opted not to make the necessary £11.2 million adjustment and their auditors have qualified their audit opinion in relation to this issue. The council included a disclosure note within the group accounts concerning the qualification in the audit certificate of the Strathclyde Police Joint Board and amended the group accounts to reflect the adjustment in Strathclyde Fire and Rescue's accounts.

## Audit testing

16. As part of our work, we took assurance from a number of the council's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes.

- Main accounting
- Budgetary control
- Capital accounting
- Borrowing, loans and deposits
- Cash, income and banking
- Payroll
- Creditors
- Debtors
- Council tax income
- Council tax and housing benefits
- Non domestic rates
- Housing repairs
- Rent accounting



17. We relied on the work of internal audit in the following areas to support our work.
- Payroll starters
  - Elected members payroll
  - Cash income and banking reconciliations
  - Statutory performance indicators

## Prevention and detection of fraud and irregularities

18. At the corporate level, the council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include a whistle blowing policy, codes of conduct for staff, and defined remits for relevant panels.

### NFI in Scotland

19. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£40 million to 2008). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
20. The most recent data matching exercise was carried out in October 2008 and national findings will be published by Audit Scotland in May 2010.
21. South Ayrshire Council has participated in this 2008/09 exercise but has, to date, made no savings as a result. In light of the results from previous exercises, the council have already agreed to focus on high priority matches using the recommended filters provided. The DWP Housing Benefit Matching Service (HMBS) and public/staff sources are more effective in identifying housing and council tax benefit fraud. Up to the middle of September 2009, out of over 3,800 potential matches including the two additional series of matches referred to below, 156 have been processed or are in progress. Most of the high priority matches have at least been started but the council accepts that progress has been slower than anticipated citing the demands of the implementation of single status and an increase in the uptake in benefits as a greater priority. The council intends to agree a work plan concentrating on the high priority matches.
22. In addition to the 2008/09 exercise, two additional series of matches were offered to the council. These consisted, firstly, of matching those receiving a single person discount (SPD) on their council tax against the electoral roll (1,390) and, secondly, those people who are approaching 18 years of age (the rising 18s) (119) and potentially becoming liable to council tax. Due to difficulties experienced by a number of councils and a delay in receiving the matches the exercise was not commenced in the expected timescale. At additional expense to the council, further residency verification has been carried out by an external organisation, with a review of specific single person discount matches to be



carried out during November/December 2009. As it is the council's intention to take part in a further tranche of NFI matches to be run during the current financial year it is proposed to review the rising 18s at that time (although it is anticipated that a large number will qualify for status discount given that they are full time students).

## **Risk area 1**

### **Housing Benefit**

23. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team are carrying out a programme of risk assessments of benefits services in all councils over a two year period.
24. The risks to South Ayrshire Council's benefits service were assessed in July 2009 and a detailed report was issued in August 2009.
25. In the absence of a corporate plan, the benefits service is guided by the council's vision and has in place an established business planning process. Its annual service delivery plan details its aims and objectives which succinctly capture both national and local priorities and provide a focus for the service to help ensure the best use of its resources. The plan includes a wide range of performance indicators to measure success across its business area, from which seven overarching targets have been identified as the most critical and these are routinely reported to relevant panels.
26. Despite operating with financial constraints, a significant increase in benefit claims and reduced staffing levels, the benefits service has improved its performance year on year in new claims and change of circumstances speed of processing, counter fraud, appeals and benefit overpayment recovery.
27. However, to help ensure optimum effectiveness, efficiency and economy across all areas, the service needs to review its quality checking and intervention activities. It also needs to consult with its customers and the wider community on the type and level of service they require.
28. The council has responded to the risks identified with an action plan. We will monitor progress in the next inspection cycle, which starts in 2010.

### **Group accounts**

29. The diversity of service delivery vehicles used by local authorities means that consolidated group accounts are required to give a true and fair view of a council's income and expenditure.

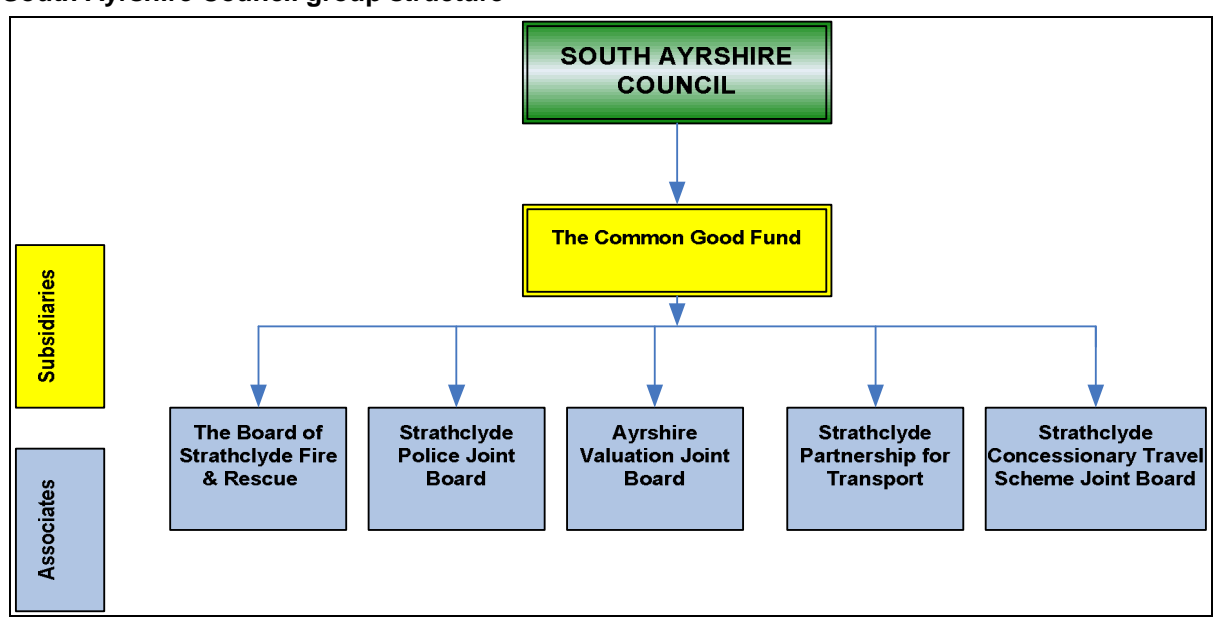


## Joint ventures and companies

30. The council has interests in one subsidiary and a total of five associates. They have been included in group accounts in accordance with the SORP (refer to Exhibit 1 below).

### Exhibit 1

#### South Ayrshire Council group structure



31. We would like to highlight the following:

- All bodies within the group received unqualified audit opinions from their external auditors with the exception of Strathclyde Police Joint Board (see page 7).
- In accordance with recommended accounting practice, key policies for component bodies such as pension costs and the valuation of fixed assets at market value have been aligned with the council.

## Trust funds

32. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund. However the Office of the Scottish Charities Regulator (OSCR) has deferred the date of full implementation until 2010/11. This means that reliance can be placed on the existing disclosures for trust funds in the council's financial statements, supplemented by appropriate working papers. The council has eleven registered charitable trusts at present.

## Common good fund

33. In December 2007, the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note for practitioners. The guidance requires the common good fund to be disclosed within



the financial statements and a separate common good asset register to be in place by March 2009. The council is making reasonable progress in complying with the LASAAC guidance.

34. South Ayrshire Council has five common good funds relating to former burghs. A separate common good account is disclosed in the council's financial statements.
35. A separate section of the council fixed asset register is maintained for common good assets. The council's legal services department are currently reviewing council assets to confirm ownership and ensure the completeness of common good assets in the asset register.

## **Risk area 2**

### **Legality**

36. Through our planned audit work we consider the legality of the council's financial transactions. In addition, the executive director, corporate services confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the council's management team, the financial transactions of the council were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.

### **Financial reporting outlook**

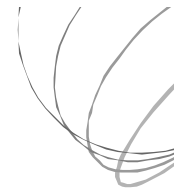
#### **IFRS adoption**

37. Local government will move from UK generally accepted accounting principles to international financial reporting standards (IFRS) with effect from 2010/11. Local government has already adopted some aspects of IFRS and we expect the transition to be fairly smooth. Indeed, next year councils will be expected to account for public finance initiative projects on an IFRS basis. A comparative balance sheet as at 1 April 2009 will be required and whole of government accounts will also be required on an IFRS basis from 2009/10. It is important that the council starts the transition period in 2009/10. The council has arrangements in place with consultants regarding advice for the transition to IFRS compliant accounts.

## **Risk area 3**

### **Carbon trading commitment**

38. From April 2010 a new and complex system of charging for carbon emissions will be introduced in the UK. The council will be required to purchase and account for carbon credits to cover all of its non transport related energy usage. Incentives and penalties will be built into the system to encourage a reduction in carbon emissions. The cost of purchasing the council's carbon credits for 2010/11 is anticipated to be in the region of £0.300 million, however between 90% and 110% of this amount is expected to be subsequently refunded to the council based on its performance against other participating organisations.



# Use of resources

## Financial results

39. In 2008/09, the council's net operating expenditure was £259.9 million. This was met by central government and local taxation of £243.4 million, resulting in a deficit of £16.5 million, 6.3% of the net expenditure for the year. The budget set for 2008/09 was based on a Band D council tax level of £1,154 with planned contributions of £2.6 million and £1.7 million from the capital fund and general fund respectively.
40. After taking account of statutory adjustments, the council reported an in year general fund surplus of £4.71 million. When the 2008/09 surplus is added to the general fund balance brought forward from 2007/08, the resulting closing general fund balance is £7.453 million. After taking account of funds set aside for specific purposes, there remains an uncommitted general fund balance of £4.299 million.
41. As previously mentioned, South Ayrshire Council has faced severe financial pressures in recent years and the current economic climate suggests this is likely to continue. The council had an accumulated deficit of £0.507 million at 31 March 2007. In 2007 and 2008 we reported our concerns regarding the level of reserves. The council agreed a financial recovery strategy with an aim to achieve a £2.0 million uncommitted general fund balance by 31 March 2010. The council has therefore exceeded their £2.0 million uncommitted general fund balance target. A further £1.6 million contribution to the general fund balance has also been incorporated within the 2009/10 budget.
42. Difficult decisions will be required to ensure the council can deliver services in a period of very restrictive financial resources. The council should also continue to review and revise its reserves strategy as appropriate to ensure it has sufficient resources to meet both expected and unexpected events.
43. The council has not experienced any significant impact on its 2008/09 outturn from the economic downturn. It has however seen a reduction in income during 2009/10, increased demand for services and additional cost pressures. This is discussed in the financial planning section below. The council recognises these pressures and has estimated a funding gap of £35 million over 4 years (£7.04 million in 2010/11 and £9 million in each of the following 3 years). The council recognises the need for strategies to be put in place to deliver savings and build reserves.

**Risk area 4**

## Reserves and balances

44. Exhibit 2 shows the balance in the council's funds at 31 March 2009 compared to the previous year. Funds include a capital fund which was established during 2005/06 primarily to assist in funding the



schools PPP project. Its main source of funding is capital receipts and interest earned on balances. A repair and renewal fund is in place. At present the council has no plans for the use of this fund. The council's insurance fund is used for paying insurance premiums and for uninsured losses. It receives revenue contributions to maintain the fund at the previously agreed level of £0.425 million. The insurance fund requires to be regularly reviewed to ensure its adequacy.

**Risk area 5**

## Exhibit 2

### Reserves

Description	31 March 2008 £ million	31 March 2009 £ million
General Fund	2.743	7.453
Repair and Renewal Fund	0.130	0.137
Capital Fund	3.706	1.463
Insurance Fund	0.425	0.425
Housing Revenue Account	19.691	20.520
	<b>26.695</b>	<b>29.998</b>

## Housing revenue account

45. The housing revenue account (HRA) reported a deficit of £0.836 million for 2008/09. Following the necessary statutory and non statutory accounting adjustments, the increase in the HRA balance for the year was £0.829 million. The HRA balance at 31 March 2009 was £20.52 million. This is £2.1 million more than budget mainly due to increased interest received on revenue balances, lower than budgeted revenue contributions to the housing capital programme, savings on insurance premiums and increased rental income due to lower than budgeted house sales in the year.
46. The council has decided that £0.55 million should be held in reserve for weather emergencies, and £6.83 million is required to fund specific capital and revenue projects in future years. This leaves an uncommitted balance of £13.14 million at 31 March 2009.
47. The HRA business plan has assumed the use of £9.8 million from reserves from 2009/10 to 2013/14 to avoid the need to borrow. The council should review the funding strategy during 2009/10 in light of the improved reserves position. Consideration should also be given to establishing a level of uncommitted reserves to deal with unforeseen events beyond the £0.55m currently set aside for weather emergencies.





48. The council requires to deliver an additional 200 affordable homes each year in order to meet current and emerging needs. In 2008/09 only 30 new affordable rented houses were completed. The council is working in partnership with registered social landlords and the Scottish Government to increase the supply of affordable homes. In financial year 2009/10, 58 affordable homes have been completed to date with another 76 currently partially complete. In addition, a 100 new replacement homes are due to be completed in 2009/10 as part of a community regeneration programme.
49. The council has recently approved a range of measures to help improve the delivery of affordable housing in South Ayrshire. These include the development of a funding proposal to the Scottish Government for funds to assist the council to build around 40 new council homes and to assist developers to build 26 homes for affordable rent. In addition a register has been prepared of council owned sites potentially suitable for affordable housing.
50. A 30 year business plan is in place to maintain and upgrade the council's housing stock. At 31 March 2009, 44.9% of the council's housing stock met the Scottish Housing Quality Standard (SHQS). The council's own projection estimated that by March 2009, 62% of the stock would meet the SHQS. Officers have explained there are some houses which will not meet the standard by 2015 due to the fabric of these buildings. Officers have estimated that it will cost £50 million to bring the housing stock up to the required standard by 2015. The current housing business plan predicts a total shortfall in funding for these improvements of £6.3 million over the next five years. The council requires to review its plans to ensure its housing stock achieves the SHQS by the 2015 target in conjunction with the review of its £20.52 million accumulated balance on the housing revenue account.

## **Risk area 6**

### **Group balances and going concern**

51. The overall effect of inclusion of all of the council's subsidiary and associates on the group balance sheet is to reduce net assets by £129.3 million, mainly because of pension liabilities. However, all group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.
52. The council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. Two of these boards (Strathclyde Police Joint Board and the Board of Strathclyde Fire and Rescue) had an excess of liabilities over assets at 31 March 2009 due to the accrual of pension liabilities. In total these deficits amounted to £3.65 billion (2007/08 £3.59 billion), with the council's share being £150 million (2007/08 £148 million).

### **Capital performance 2008/09**

53. The council's prudential indicators for 2008/09 were set in June 2008. Capital expenditure in 2008/09 totalled £27.1million, an increase of £3.4 million from 2007/08.



54. General services capital expenditure totalled £15.8 million, rising from £13.8 million in 2007/08. The council achieved 93% of its annual capital budget in 2008/09 which is a significant improvement on the 74% achieved in 2007/08.
55. The housing capital investment programme expenditure totalled £11.3 million in 2008/09 which equates to 91% of the annual budget. Again this compares very favourable with the £8.5 million spent in 2007/08 which was only 69% of the budget that year.
56. Improved capital programme monitoring reports detailing progress with individual projects, continual review of progress being made, regular meetings where project managers are required to explain variances from planned project phasing, and better planning and phasing of projects have all contributed to the much improved capital programme performance in 2008/09.
57. The council will require to continue the detailed monitoring of capital projects with key officers held responsible for the delivery of their assigned projects. There will be a need to continue to ensure that projects are profiled accurately and, if delays or underspends occur, other projects are ready to be brought forward as appropriate. Longer term capital plans, rather than annual capital programmes should be agreed and put in place to assist the planning and profiling of capital programmes. The corporate and community planning standing scrutiny panel are reviewing capital programme project management and the outcomes from this review should be considered and actioned as appropriate.

**Risk area 7**

58. Capital investment and sources of funds over the last 2 years are reflected in exhibit 3.

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**Exhibit 3**

**Sources of finance for capital expenditure 2007-09**

	<b>2007/08 Actual £M</b>	<b>2008/09 Actual £M</b>	<b>2008/09 Budget £M</b>
<b>Borrowing and capital funded from current revenue or funds</b>	8.869	13.639	15.124
<b>Fixed Asset Disposal</b>	5.421	4.759	5.087
<b>Government Grants/Other</b>	7.967	8.679	8.866
<b>Total</b>	<b>22.257</b>	<b>27.077</b>	<b>29.077</b>

59. The world's financial markets are experiencing unprecedented turbulence and uncertainty. There has been limited scope to achieve savings through debt restructuring. It is increasingly difficult to forecast interest rate movements as the balance between preventing recession and managing inflation is sought. It is also likely that capital receipts will be less than forecast for the medium to long term. This



means that the council may have to consider alternative sources of capital funding or reducing capital budgets.

## Treasury management

60. In recent years, some local authorities have held significant amounts of cash and temporary investments to take advantage of favourable interest rates for planned capital programmes. In these circumstances, the early borrowing must be justified in its own right as representing the best time for borrowing the amount required. This should be assessed without regard to temporary investment possibilities, otherwise the action may be judged to be unlawful or to have subjected public money to unnecessary speculation risk.
61. As at 31 March 2009, South Ayrshire Council held cash and temporary investments totalling £47.8 million. We received representation from the executive director, corporate services that all borrowing in advance of immediate requirements has been made for a legitimate purpose in accordance with legislation and was on-lent in the interests of prudent cash management. In the executive director's assessment any early borrowing is justified in its own right as representing the best time for borrowing the amounts required, without regard to temporary investment possibilities and the 'profit' that might arise from these.
62. The current economic climate means that interest rates on investments are low – the average investment rate paid on the council's investments at 31 March 2009 was 3.2%, mainly due to the council having several investments made between May and August 2008 which received rates between 5% and 6%. The average rate on investments made in the first three months of 2009 was 1.7%. Borrowing rates are also low, but the council has the majority of its debt at fixed rates. Its average cost of borrowing over 2008/09 was around 5%. Officers have advised that no opportunities were available to reschedule debt during the year due to the high penalty costs being charged to refinance debt during 2008/09.
63. The crisis in the banking sector and the collapse of Icelandic banks in particular prompted the council to review its treasury management practices. Consequently, the council has taken specific steps to reduce investment risk, for example reviewing and reducing its approved list of investees.
64. South Ayrshire Council had two investments of £3 million and £2 million deposited with Landsbanki when the Icelandic banks collapsed in October 2008. As per exhibit 4, during 2008, confidence in the creditworthiness of some of the Icelandic Banks changed relatively rapidly. Landsbanki's credit rating was downgraded by Moody's credit rating agency in February 2008 to a "strong grade". Subsequently another credit rating agency, Fitch, put out a warning that there was a heightened probability of a rating change for all Icelandic banks in April 2008. Fitch confirmed Landsbanki as being a "strong grade" in May 2008 and then downgraded Landsbanki to an "adequate" grade on 30 September 2008.



65. South Ayrshire Council invested £5 million in Landsbanki between 13 August and 2 September 2008 when the credit rating of Landsbanki was a “strong grade”. Landsbanki went into receivership on 7 October 2008.

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#### Exhibit 4

##### Timeline of Icelandic bank investment events

Timeline	Event
February 2008	Moody’s downgraded Landsbanki to a “Strong grade”.
April 2008	Fitch placed Icelandic banks on a rating watch, anticipating a change of rating.
May 2008	Fitch confirmed Landsbanki’s rating as a “strong grade”.
13 August 2008	South Ayrshire Council invested £3 million in Landsbanki.
2 September 2008	South Ayrshire Council invested £2 million in Landsbanki.
30 September 2008	Fitch downgraded Landsbanki to an “adequate” grade.
7 October 2008	Landsbanki went into receivership.
8 and 9 October 2008	Fitch issued further rating downgrades for Landsbanki.
13 November 2008	Maturity date of £3 million investment.
2 December 2008	Maturity date of £2 million investment.

66. All monies within the various Icelandic banks are subject to administration and receivership processes administered under Icelandic law. The Icelandic government transferred Landsbanki’s domestic assets and liabilities to a new bank called New Landsbanki and placed the management of the bank’s affairs in the hands of a resolution committee.
67. Recovery of the council’s funds is subject to confirmation that the council is a preferential creditor. This is likely to be tested through the Icelandic courts. There are exchange rate risks associated with the value of assets recovered by the resolution committee. There is also uncertainty around settlement of a “bond” which will allow creditors to enjoy rights in New Landsbanki.
68. The latest estimates available from the Icelandic bank’s resolution committee state that a recovery rate of 83% could be achieved for preferential creditors and that interest will be paid on the investments up to 22 April 2009. The council has assumed a recovery of rate of 83% in its financial statements and has taken advantage of the capital financing regulations to defer the impact of the loss in the 2008/09 financial statements. It is assumed from estimated repayment tables that repayment will be in instalments from March 2010 until December 2012.
69. The overall impairment loss for the two investments is estimated at £0.480 million. However failure to secure preferential creditor status would have a significant impact upon the recovery of the council’s investments and would result in a larger impairment having to be recognised in the council’s accounts.

**Risk area 8**



## Financial planning

70. The current economic climate has put significant financial pressures on councils across the country and recent budget announcements mean this is likely to continue. As previously mentioned, the council continues to face difficult financial pressures during 2009/10. The council is experiencing shortfalls in income from council tax and rents as a result of financial pressures on households, a decline in investment income due to low interest rates, a fall in planning fee income and a reduction in income from asset sales. At the same time, expenditure has increased due to demand for services such as welfare and debt services. Increased numbers of housing and council tax benefit applications are also being received.
71. The council is party to the concordat with the Scottish Government which means, amongst other things, that council tax will not be increased in the current year. This means that the council has had to look at other sources of income and reductions in expenditure to balance its budget. Efficiency savings of £7.4 million plus a £1 million payroll management target have been included in the 2009/10 budget.
72. The Scottish Government has made it clear that public expenditure will be constrained for the medium term. This means that councils need to plan now for a future where there is no real growth in funding. Assuming that the council remains party to the concordat, there will be no increase in council tax income for at least another year.
73. South Ayrshire Council has not agreed any medium or longer term financial plans and the financial plans in place are not well integrated with service plans. It may therefore be difficult to understand the impact of funding restrictions and to identify efficiency savings. The council recognises that it will require to downsize the organisation, streamline processes, rationalise its properties and review its services in order to cope with present and future financial pressures.

**Risk area 4**

## Budgetary Control

74. The council recognises that it has significant financial pressures and therefore must closely manage its budgets. Efficiency savings are allocated to departmental budgets across the council and are monitored through the regular budget monitoring reports submitted to the leadership panel.
75. Budget monitoring reports are comprehensive, detailed and contain explanations for variances from budget. Budget holders are accountable for their budgets and are required to provide explanations for variances where necessary. The council allocated additional efficiency savings to departments during 2008/09 when budget pressures arose due to inflationary pressures.



76. Going forward with constrained financial resources, it will be vitally important that budgets and efficiency savings continue to be closely monitored, relevant officers held to account for their budgets and corrective action taken where necessary.

#### **Risk area 4**

### **Asset Management**

77. Effective management of council assets helps councils achieve their objectives and get best value from investments in property. Effective management benefits service delivery by making council buildings work better for staff and service users now and in the future. It also reduces the opportunity cost of money locked up in surplus property and reduces councils' carbon footprint.
78. Asset management still requires significant improvement. The council requires to rationalise assets and to better share assets with partners to improve efficiency. The council has made progress in approving an interim property asset management plan in June 2009. This is a significant step in the council's efforts to plan and manage its operational property assets.
79. This plan requires the resourcing of its recommendations to be considered as part of the 2010/11 budget setting process. In order to facilitate ongoing work on the short term objectives included in the action plan these were included in an initial general services capital programme for 2010/11 approved by the council in July 2009.
80. The interim asset management plan has identified that over £123 million of capital and revenue expenditure requires to be spent on property assets between 2009 and 2014. The level of resources available to the council make it extremely difficult for the council to fully fund all the work required. Maintenance and investment plans will require to be fully integrated into decisions regarding improving efficiency and the rationalisation of assets.
81. The interim asset management plan relates only to property assets. This requires to be further developed to include other asset categories such as land and ICT. In addition, the interim asset management plan does not include appropriate performance measures and risk factors. These require to be assessed and considered.
82. The council has a number of surplus assets which require resources to maintain, repair and sometimes secure. These assets will require to be reviewed following the completion of ongoing service reviews and with regards to the income potential from asset sales within the current economic climate. A number of these surplus assets also require to be reviewed with regards to potential demolition works. The review of surplus assets will be an ongoing process for the council in rationalising its estate.

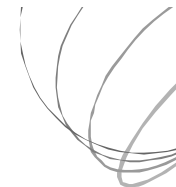


83. The council carried out a fundamental review of the schools estate and reported the results in conjunction with the interim asset management plan in June 2009. The review has identified a number of schools which require further review. These reviews should continue in consultation with parents and local residents as appropriate and the results incorporated into the council's asset management plan. The council has recently been advised by the Scottish Government that they will benefit from a proportion of the £1.25bn Schools Investment Programme. Two thirds of the cost of replacing Ayr Academy will be made available to the council.
84. In 2009, we published "*Asset Management in Councils*". Although this report has not been formally considered by the council it was taken into account when developing the council's interim asset management plan. Our study found that strategic asset management was not well developed in most councils. For Scottish councils as a whole, over a quarter of all properties were in poor condition and slightly less than that were not suitable for the services being delivered from them. South Ayrshire Council has 45.9% of property assets in either good or satisfactory condition. 66.5% of property assets are suitable for purpose. Suitability and asset condition are covered in the council's recently approved interim asset management plan and its associated action plan.
85. Our report highlighted that the council's property costs as a percentage of its gross revenue budget were the third highest in Scotland. Only the Western Isles and Shetland Islands Councils had higher percentages. The council have identified that the rationalisation of assets requires to be examined as part of the 2010/11 budget setting process.

## **Risk area 9**

### **Procurement**

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



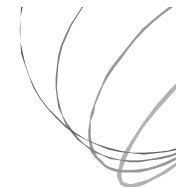
**Extract from Audit Scotland report *Improving public sector purchasing***

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

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

87. Evidence exists to confirm that the council is aware of these issues and has recognised that scope exists to improve its general contracting arrangements.
88. As part of the efficient government initiative, the Scottish Government anticipated that scope existed for significant financial savings through improved procurement procedures and practices. The McClelland report on procurement published in March 2006 confirmed that significant savings were possible but concluded that public sector procurement processes still had weaknesses in resources, skills, organisational structures and practices.
89. The council participates with the national centre of procurement expertise. In common with all councils across Scotland however, the majority of local authority procurement is still arranged and processed within individual councils. In light of this, Audit Scotland recently surveyed Scottish local authorities to establish the nature of information held by councils on procurement processes. Questions also sought information on some key procurement statistics as well as establishing if individual councils had plans to implement the key recommendations from the McClelland report.
90. The council agreed its procurement strategy in 2007. In 2008, to help develop collaborative buying, procurement became a corporate activity. Financial year 2008/09 was the first full year that the council had a corporate procurement section in place.
91. The council has introduced a number of measures to generate efficiencies from procurement. A more constructive relationship has been developed with Scotland Excel and various collaborative opportunities have been developed eg the supply of rock salt for six Scottish local authorities. In addition, programmes are in place to ensure small and medium sized enterprises are kept fully informed about tender processes. A supplier development programme is underway and various “meet the buyer” days have been arranged.
92. The central procurement team, through active involvement in collaborative working with neighbouring councils and Scotland Excel, has identified efficiency savings of £259,000 in 2008/09.





93. The council are piloting an i-procurement system in corporate services. Plans are in place to review the outcomes from the pilot, with a view to rolling i-procurement out across the council.

**Risk area 10**

## Managing People

94. The council agreed a high level workforce strategy in April 2008. This document detailed the various components to be included in the final workforce strategy. A supporting strategic action plan was then agreed in June 2008. This plan is an overarching plan to support the development of the council. It details the key outcomes to be achieved through the introduction of the workforce strategy along with the relevant timescales for delivery.
95. While there has not been a specific progress report on the strategic action plan to the council as yet, there have, however, been a number of reports relating to the specific actions included in the plan, for example on the leadership development programme mentioned elsewhere in this report, equal pay, recognition and reward, a partnership agreement with the trade unions and absence management.
96. All strands of the strategic action plan have progressed with significant progress being made in some areas such as equal pay and single status.
97. A key element of delivering the council's workforce strategy and delivering improved services is cooperation with trade unions. The council launched a partnership working agreement with relevant trade unions.
98. Sickness absence was identified as a growing concern for the council in 2008 after absence levels rose from 4.8% in 2004/05 to 6% in 2007/08. A strategic review of managing absence across the council is being undertaken. A review is being undertaken of sickness absence reporting mechanisms, the implementation of preventative measures such as referrals for physiotherapy and counselling, training for line managers and of the absence policy. To date, the review of the absence policy is approximately 75% complete. Trade unions are part of the review of sickness absence.
99. The measures put in place to date have started to deliver rewards. Levels of sickness absence have fallen from 5.97% for the period January to March 2009 to 4.7% for the quarter to June 2009. This is the lowest quarterly absence rate over the last three years. The council recognises it needs to continue to focus on sickness absence in order to make further improvements. The corporate and community planning standing scrutiny panel are currently undertaking a scrutiny review in this area and the findings from this review should be considered and actioned as appropriate.
100. The council has introduced a new competency based employee performance and development review scheme for all officers. The council is currently in the transition phase of moving groups of employees



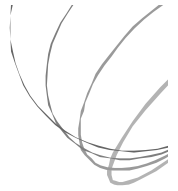
from previous performance development frameworks to the new scheme. The council plans to have all employees including teachers, working towards the new scheme by March 2010.

101. The council uses the same performance and development review scheme for teaching staff as other officers and recognises that competencies such as leadership, results driven etc apply equally to teaching positions as other roles. The new competency based appraisal scheme can be tailored to individual roles across the organisation. The scheme has been highlighted on the Learn, Teach in Scotland website and the Glow Scotland website as an example of a good appraisal scheme for teachers.
102. A staff survey was carried out in 2008 with the results reported to the leadership panel in September 2008. There were some positive results, for example employees felt proud to work for the council. However, there was variety in the results reported across groups of staff and there were issues such as staff not feeling involved and not being kept informed. The leadership panel agreed to form working groups to develop an action plan to address issues identified in the survey and also to build on the positive areas. The action plan was agreed in May 2009. Lead officers have been identified against individual issues. The action plan works on a traffic light system with many projects and action points well underway. Progress in addressing the action plan is scheduled to be reported on a 6 monthly basis. A further employee survey is planned for spring 2010.
103. Following lengthy discussions with trade unions, the council agreed in April 2009 to implement the single status package. A new pay and grading structure and terms and conditions of employment were introduced in August 2009. Staff accepting the new terms and conditions received backdated arrears from August 2008. The agreement to proceed with the implementation of the single status package is seen as a significant milestone for the council.
104. The council has made financial provision in its 2008/09 accounts for further equal pay compensation payments covering the period from April 2007 to August 2008 and future potential "equal value" claims.
105. The council recognises that it needs to review the ways it delivers services. Part of this review and the need to identify efficiency savings will potentially result in further redundancies within the council. The council has a "managing change" policy in place which covers the processes and procedures for redeployment, redundancy, early retirements and severance payments. This policy requires to be updated for recent changes in regulations. This is currently being revised in conjunction with trade unions.

**Risk area 11**

## ICT

106. The council makes reasonable use of ICT to support and deliver services. The council's website continues to receive good reviews from the Society of Information Technology Managers (SOCITM).



SOCITM invited the council's webmaster to present a talk on the use of the Geographical Information System within the website at a recent one-day conference.

107. Adequate ICT systems are essential for all organisations. The council ICT strategy was approved in February 2008. Work has been progressing to implement this strategy.

## Risk area 12

### Data handling and security

108. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions (DWP) and other government departments. Information security is now a service delivery issue where a significant failure of controls could lead to: loss of stakeholder confidence and opt out from services; an investigation from the Information Commissioner; higher compliance costs due to enforcement action; and withdrawal of third party services such as payment card processing and legal fees relating to civil and criminal litigation.

109. We conducted a review of the council's data handling arrangements last year and found a number of risk areas which required to be addressed. Further work in this area found that the council is making some progress with the previously agreed action plan. The following key issues need to be addressed by management.

- No member of the management team has overall responsibility for information and data handling.
- Only some of the council's laptops are encrypted.
- No information asset register is in place.
- The council does not record the information that is transferred routinely as well as informally to third parties regardless of the type of media involved.

110. The slow pace of progress against the areas of risk highlighted in our audit report is a cause of concern and we have received assurances from management that action is being taken to mitigate the risks.

### Business Continuity

111. A business continuity strategy was agreed in January 2008. Work is progressing to implement this strategy. The council intends to have business continuity plans in place and initial testing started by the end of 2009.

## Risk area 13



## Shared Services

112. The Accounts Commission commented on the lack of progress in developing shared services in its *overview of the local authority audits 2008*. They recommended that councils should give this high priority in the light of financial pressures and the drive for efficiency.

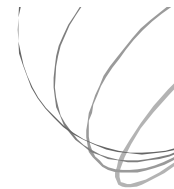
113. At present, the council has not fully embraced the shared services initiative. To date an Ayrshire wide emergency planning team has been established and agreement has recently been reached with North and East Ayrshire Councils in terms of regulatory services. Several working groups have been established to take shared services initiatives forward. The development of shared services and shared premises initiatives should be progressed to help identify potential efficiency savings for the council. Trading operations could be an area for potential savings across the three Ayrshire councils.

**Risk area 14**

## Outlook

114. Clearly we are in a period of reduced economic growth with significant implications for the council's resources and the demand for services. The council needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services. At the same time as the council tries to support its local economy and provide best value services, it is likely to face a reduction in resources.

115. Although the council's use of resources shows elements of good practice, it still has scope for significant improvement. In particular, that the integration of financial and service plans, the continued close monitoring of budgets and the introduction of medium and longer term financial planning are essential actions for the delivery of best value. The council also requires to review service delivery and its related resource requirements.



# Governance and accountability

## Introduction

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

## Structure and policies

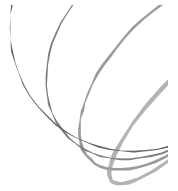
117. Corporate governance is about direction and control of organisations. Councils are large complex organisations and so good governance is critically important. South Ayrshire Council has a local code of corporate governance. An annual compliance statement is included within the 2008/09 financial statements signed by both the leader of the council and the chief executive. It details the progress made during the year in addressing issues to comply with the local code. Seventeen improvement areas have been identified with regular progress reports submitted to the scrutiny and governance management panel. A number of these improvement actions are being addressed as part of the council's improvement programme.

118. The council requires to undertake a fundamental review to move their local code of corporate governance to the CIPFA/SOLACE "delivering good governance in local government framework". The council has arranged workshops during 2009/10 and hopes to move to the new framework by April 2010.

### **Risk area 15**

119. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The council has three scrutiny panels to challenge decisions made by the leadership panel as well as to scrutinise service activities and performance. A call in procedure is in place and is regularly used by members.

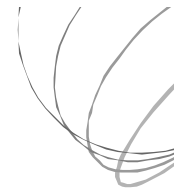
120. As previously mentioned, the council revised its political decision making structure in 2008 rationalising the number of panels and increasing the number of portfolio holders in the leadership panel from five to seven. At the same time the organisational structure was reviewed and the number of directorates reduced from four to three, each now headed by an executive director. The portfolios in the revised political decision making structure do not align with the council's themes in its vision or



with the revised management structure. It is therefore difficult to understand how the council's vision, political decision making structure and management structure link together to ensure an efficient and effective means of delivering quality services.

#### **Risk area 16**

121. The revised organisational structure saw the deletion of the post of director of education, culture and lifelong learning. The revised CMT structure comprises the chief executive, plus the three executive directors of corporate services, development and environment and children and community. The changes to the CMT were introduced to allow the executive directors to operate in roles across the council as well as their direct operational responsibilities. Following the creation of the new CMT, there was reconfiguration and modernisation of the heads of service posts. As a result of all of these changes, and the related recruitment and selection process to fill the new roles, one director and 6 heads of service left the council's employment.
122. Decisions made as part of the 2009/10 budget setting process resulted in some officers being made redundant. The total cost to the council in 2008/09 for redundancy, associated pension costs and lieu of notice payments was £1.9 million. Service budgets funded £0.5 million of this total with the remainder being taken from funds previously set aside for that purpose. Payments made to officers were in accordance with existing practices and policies.
123. The corporate and community planning standing scrutiny panel undertakes the role of the audit committee. The chair is effective in his role and ensures all panel members have adequate opportunity to put forward their views. Over the past year there has been an improvement in the level of questioning and challenge within the panel.
124. The panel is well attended and meets regularly in accordance with a prearranged timetable. Its working practices are in accordance with good practice principles. For example, the panel.
- is a formally constituted panel with clear terms of reference and usually meets in public
  - membership is in line with the political balance of the council and there is regular attendance by appropriate senior officers and the relevant portfolio holder
  - considers internal and external audit plans and respective annual reports
  - panel members have access to all internal and external audit reports
  - reviews the proposed independent auditor's report (audit certificate) and considers matters arising from the audit of the annual accounts.



## Roles and relationships

125. Since the May 2007 elections, members across political divides have worked together better than in the past in addressing the council's priorities. Members from all political groups played an active role in developing the council vision. Difficult decisions over the past year saw some differences in opinions across political groups which resulted in some members leaving the budget working group.
126. The Accounts Commission recommends that councils give priority to the continuous professional development of its members. The council agreed a member training and development policy in January 2008 with member role profiles and training and development plans put in place to identify both individual and corporate training needs. The individual personal development plans now require to be better aligned to role profiles. Training events have been well attended by members. However, training requires to be better co-ordinated, delivered and reviewed in line with identified needs.
127. A joint leadership programme for both members and senior officers is being developed as part of the council's improvement programme. This leadership programme aims to maximise corporate working and leadership.

### **Risk area 17**

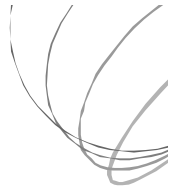
128. There has been some confusion over the respective roles of members and officers. It is important that mutual trust is evident to allow both officers and members to manage their respective services and portfolios effectively. Elected members should feel confident enough to be able to focus on policy development and scrutiny without concerning themselves with more operational issues.

### **Risk area 18**

129. As previously mentioned, the CMT has been subject to significant change over the past 18 months. The new executive director functions have a more corporate role with the aim of coordinating services to allow the CMT to focus on delivery of council objectives. Overall the CMT's first year has seen a move to a more positive financial position, although ongoing efforts are still required. It has also instigated a restructuring of the council, implementation of single status, agreement of an interim asset management plan, and following the best value audit, the preparing of the council improvement programme. Going forward, the CMT will face significant financial challenges which will make the implementation of the improvement plan critical in delivering efficiency savings. Difficult decisions are likely to be required from elected members who will need a strong CMT to help implement these decisions.

## Partnership Working

130. To date, community planning has not been well developed in South Ayrshire. Community planning structures were revised in 2008 to reduce duplication, simplify the role of chief officers in setting the



partnership's strategic direction, to increase the involvement of elected members and to support local area based community planning. Despite these changes there has not yet been evidence of significant improvements in partnership working or shared services. However, there have been some positive outcomes of joint working in disadvantaged neighbourhoods.

**Risk area 19**

131. The council's vision presents a broadly similar vision to the one in the community plan, but there are differences between the respective priorities. The community plan has five aims but focuses on three priority areas. The plan identifies measures of success but these are not ambitious and do not have timescales for delivery. The council's improvement programme includes plans to refresh and fuse the council vision and community plan by April 2011.

**Risk area 16**

132. The community planning partnership has reviewed its operations and has an improvement plan in place. Improvements are required in performance management, risk management and to improve local area based community planning. The community planning coordinator was appointed in 2008 and has been helping to drive improvements.

**Risk area 19**

133. The council agreed its first single outcome agreement (SOA) in June 2008. This first SOA was not developed jointly with partners and did not have clear comprehensive links to the council's vision. In addition, some baseline data was out of date and some targets appeared to be arbitrary. The planned three monthly reporting on progress in delivering the outcomes did not take place during 2008/09.

134. During 2008/09 the council developed a second SOA with community planning partners covering the period 2009-12. This SOA was agreed at the community planning conference in June 2009. The new SOA links local outcomes to national outcomes, vision priorities and community planning strategic objectives. The SOA however, is not fully developed. Baseline data and targets have not been set for all indicators. Targets are not specific with many targets being to simply maintain, increase or reduce performance as appropriate. It is difficult therefore to identify how challenging the objectives are. Parts of the SOA are difficult to comprehend due to unexplained abbreviations and the inclusion of end targets such as "report on outputs as proxies".

**Risk area 20**

## **Community engagement**

135. The council uses a broad range of methods for consulting with service users and community representatives. The council does not however engage with the community in a systematic and strategic way. It does not currently have a community engagement strategy and resources to support





community engagement are dispersed throughout the organisation and require to be consolidated. We understand that the new structure agreed by the council on 7 October 2009 will provide a framework for effective action.

136. The council should work with partners to better coordinate the range of consultation and to improve its efficiency and effectiveness. The council could improve its evaluation of consultation exercises and to use consultation more effectively to inform policy decisions.
137. The Scottish Public Service Ombudsman is to carry out an investigation into the council's consultation of the public prior to closing several local facilities as part of 2009/10 revenue budget. The decision by the ombudsman to carry out the investigation was made following receipt of several complaints from local residents and the local member of parliament. The ombudsman plans to carry out its investigation in the autumn of 2009 and report thereafter.

**Risk area 21**

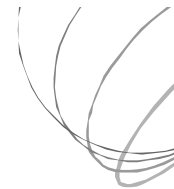
## **Public performance reporting**

138. The council has an agreed public performance reporting strategy. An annual calendar is published and in addition six monthly newsletters should be issued. These newsletters have not been published on a regular basis. In addition, no detailed performance reports have been issued. It is difficult for the electorate to hold the council to account for its performance based on the performance information published over the last year.
139. The council plans to improve its public performance reporting as part of its improvement programme. The review of performance management should be linked to the single outcome agreement.

**Risk area 22**

## **Governance and internal control**

140. The council has been implementing the Oracle e-financials system since 2003. As previously mentioned, the i-procurement module is currently being piloted in one department. The council is considering further developing the Oracle human resources module and introducing the Oracle payroll module. The council is reviewing various options as to how to proceed with the human resources and payroll modules which include the possibility of working with another local authority or using external consultants. All information obtained as part of the implementation of single status has been loaded onto the Oracle HR system to ensure employee details are up to date.
141. The previous Cfacs ledger is still being used as a feeder system to the Oracle ledger. However, the Cfacs system is no longer supported by any maintenance contract. The council has included the completion of the final stages of the Oracle financials implementation and transfer from Cfacs in its improvement plan. However, no delivery deadline has yet been set.



142. The feeders still being processed via the Cfacs system are

- the purchase ledger
- inter-departmental transfers
- payroll
- council tax
- non domestic rates.

**Risk area 23**

## Outlook

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

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



# Performance management and improvement

## Introduction

145. An effective council has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high quality services and effective outcomes for local people. The vision should be effectively promoted by the member and officer leadership of the council and supported by staff and partners. It is backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery. It has a performance management culture which is embedded throughout the organisation.

146. The council does not manage and review its performance effectively to support continuous improvement. The only council wide performance report submitted to panels is the annual report on the statutory performance indicators. The planned regular reporting of progress of the SOA targets did not materialise during 2008/09. The council is therefore not demonstrating significantly improved outcomes for citizens or more effective and efficient services.

**Risk area 24**

## Vision and Strategic Direction

147. As previously mentioned, South Ayrshire Council's vision presents a broadly similar vision to the one in the community plan, but there are differences between the respective priorities. The council does not currently have a corporate plan. Service plans are in place but are in varying formats. Directorate plans are in the process of being completed. The council recognises in its improvement programme the need to have a corporate plan in place which links to the community plan and SOA. It recognises that directorate plans and service plans should feed into the corporate plan objectives and that financial plans should be incorporated into the planning framework to ensure resources are targeted towards corporate objectives.

**Risk area 16**

148. The council experienced weaknesses in political and managerial leadership in the past. The council appointed a new chief executive, a new executive director and 6 new heads of service from external sources within the last 18 months. As previously mentioned, the new council structure introduced during 2008/09 aims to help collaborative working across directorates. Given the current economic climate and the challenging improvement plan facing the council, effective leadership will be required from both officers and elected members. Difficult decisions will require to be taken. The council



recognises the need for strong leadership and, as previously mentioned, has developed a structured leadership capacity programme for officers and members which will be formally launched in November 2009.

## Performance management

149. The council is currently reviewing its performance management systems. There is no consistent performance information across the council. The council has relied on statutory performance indicators (SPIs) but there have been reliability issues with these indicators. Therefore the council cannot demonstrate whether performance is improving, declining or being maintained and if best value is being achieved. Without comprehensive performance information, elected members cannot make informed decisions.

150. The council currently uses a corporate performance management system to monitor performance. The system does not however provide performance data that demonstrate if outcomes are improving or declining. Over the past three years, the council has piloted “balanced scorecard” methodology in one department and despite indications that the pilot was successful, it has not been fully evaluated or rolled out to other departments.

### **Risk area 24**

151. The council carries out service reviews. It is not always clear what the impact of these reviews has been on performance improvements. There have also been difficulties in some cases of completing reviews. The council recognises the need to improve its service review processes and plans to develop a coherent programme of reviews with the purposes for carrying out each review clearly documented. The programme is expected to also contain details of the desired outcomes from the reviews and the timescales for delivery.

### **Risk area 25**

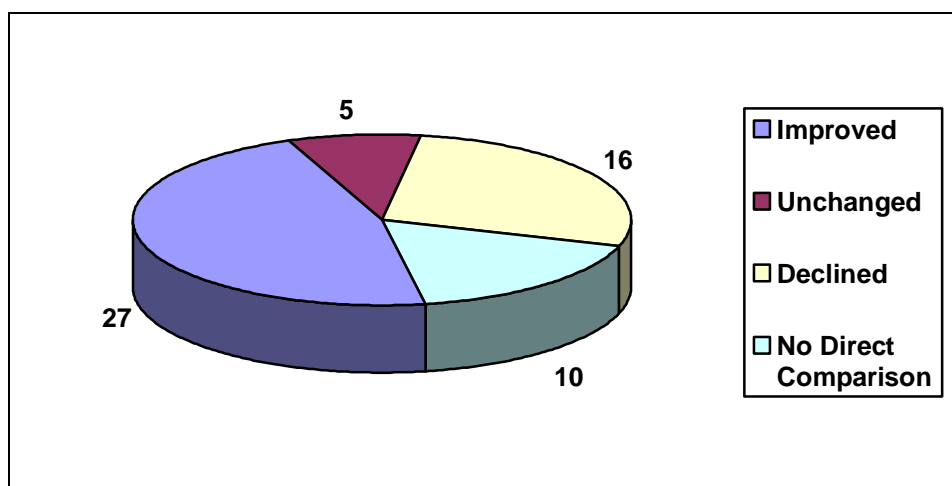
## Statutory performance indicators

152. One of the ways of measuring council performance is through the SPIs. With regard to 2008/09, a total of 58 SPIs were required. These were published by 30 September 2009 and were also submitted to the council’s leadership panel in September 2009 along with a performance summary. SPIs provide a consistent form of measurement for councils to review their performance over time and to make comparisons with other councils. In overall terms, Exhibit 4 confirms that the council has made improvement in a number of areas.



## Exhibit 4

### Improvements demonstrated by SPIs (Total 58 indicators)



153. Each year we review the reliability of the council's arrangements to prepare SPIs. Overall, the quality of working papers provided to support the SPIs continued to be variable. One indicator, the use of museum services, was found to be unreliable (also unreliable in 2007/08). In addition the council failed to report the required information for the use of libraries indicator.

154. Our audit approach is to test in detail a sample of SPIs each year with a view to covering all SPIs at least once every 3 years. This year 21 SPIs were tested. Nine were found to contain errors (excluding those requiring minor "rounding" adjustments). Data collection, retention, and care over interpretation of data requires to be improved to prevent inaccurate and unreliable performance information being reported.

155. For 2009/10 the Accounts Commission have changed the SPI Direction. There are now two statutory SPIs which require the council to publish performance information on a range of corporate issues, revenue and service cost management and delivery of front line services. In order to retain a degree of commonality of reporting across councils the Commission's 2008 Direction has retained a range of 25 specified indicators. The council has advised services of the changes, and of the Commission's expectations for a wider range of performance and cost-based indicators which demonstrate best value.

**Risk area 26**

## Equality and Diversity

156. The council promotes equalities but now requires to ensure equalities issues are embedded within working practices and the culture of the council.



157. In 2008, we published a study examining how councils responded to their race equality duty, *the impact of the race equality duty on council services*.

158. 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, and their needs and experiences. Councils are also unable to show how race equality is routinely built into the design and delivery of services.

159. The council has recognised they need to make improvements in this area including the need for a single equalities and diversity policy. This has been incorporated into the council's improvement programme.

**Risk area 27**

## Efficiency

160. As previously mentioned, the council has identified that it requires to make large efficiency savings (£35 million) over the next 4 years. This will be a significant challenge for the council given the levels of savings and cuts already achieved. The council currently does not have an efficiency savings plan in place to help identify areas where efficiencies may lie.

**Risk area 4**

161. The council's 2008/09 budget exercise required £3.27 million of efficiencies and cuts to be built into the revenue budget. This was a significant challenge for the council after achieving £9.7 million of savings in 2007/08. The council reported £2.65 million of cash releasing efficiencies in their annual efficiency statement submitted to COSLA. A review of management structures and reductions in staff numbers resulted in £0.75 million of savings. Improvements within the procurement section's operations resulted in £0.26 million of savings and a review of accommodation requirements saved £0.24 million. A further £1.4 million of savings were realised through an increase in demand for planning and building standards services and from treasury management savings.

162. Going forward, a working group comprising the three executive directors, the head of HR and organisational development and the head of policy, performance and communication has been set up to review the council's management structures with a view to identifying more efficient ways of delivering services. Service reviews, reviews of overtime and facilities management as well as opportunities for officers to volunteer for redundancy are in place to help the council identify savings.

163. Tackling climate change and making the best use of resources require the efficient use of energy. In 2008, we published a report on this subject: *improving energy efficiency*. Our report concluded that



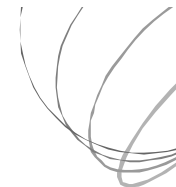
the public sector in Scotland has made progress in using energy more efficiently, recording a 5% decrease in energy consumption in councils for the three years to March 2007. However, the amount spent on energy, over the same period, increased by 47% due to price increases. Public bodies are recommended to develop and implement robust energy strategies and to encourage the necessary changes to culture and behaviour. The council experienced budget pressures during 2008/09 due to the increased price of fuel. Various actions were taken to help the council reduce its energy consumption and well as to monitor fuel costs. The council has an energy strategy and a carbon management strategy in place to help reduce the council's carbon emissions.

## **Progress on delivery of the council's best value improvement plan**

164. A review of best value and community planning within the council was published in April 2009. The Accounts Commission noted their concern regarding the council's limited progress towards delivering best value and also at the council's financial position. The report highlighted the council's lack of continuous improvement and the need to develop community planning and joint working with partners. The lack of clarity in the roles of officers and members was noted as was the lack of effective scrutiny of performance by members. The report stated that there was a need for consistent quality customer care. The Accounts Commission has requested a further best value review on the council as at March 2010.
165. In response to the publication of the best value report, the council agreed an improvement plan in July 2009. The plan is structured around the twelve improvement strands highlighted in the best value report and contains delivery timescales and responsible officers for each improvement action. The CMT with other chief officers plan to review progress against the improvement plan and submit a report to the leadership panel every 8 weeks. The first of these reports was considered by the leadership panel in September 2009. It is expected that the improvement plan will be reviewed annually in July to identify any new strands of work that should be considered alongside the existing improvement actions.
166. The council should ensure that sustainable development principles are embedded throughout all improvement actions.

## **Social work inspection**

167. The Social Work Inspection Agency (SWIA) recently carried out a performance inspection on the council's social work services. The council received good gradings for key outcomes, impact on people who use their services, and capacity for improvement. They also received an adequate rating for impact on the community, delivery of key processes, policy and service development, planning and performance management, management and support of staff, resources and capacity building, and leadership and direction.



168. Officers have welcomed the SWIA recommendations and plan to incorporate them into the social work services improvement agenda. SWIA will monitor the implementation of the recommendations and undertake a follow up inspection in the future.

## Risk Management

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

170. The council does not manage risk well. The embedding of risk management in departments is not fully developed. The council's internal auditors have qualified their annual statement on internal controls for the fifth consecutive year due to a lack of progress made with the implementation and effective use of risk registers.

171. The council has a draft risk management strategy. This requires to be reviewed and agreed in final form to demonstrate the council's commitment to risk management. Elected member involvement in risk management has been limited. Members are not actively involved in identifying risks or reviewing risk registers.

**Risk area 28**

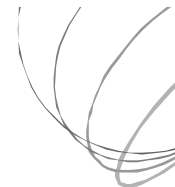
## Customer service

172. The council has committed to improving its customer focus in response to criticism made in the best value audit report. The council has recognised for some time that improvements in customer service have been required. A customer service strategy was approved in August 2009. The council plans to review this strategy annually to ensure it has a continuing framework for further development in the medium and longer term. The strategy looks at reshaping the organisation.

173. The council does not have customer service standards in place. As a result there may be a lack of consistent good quality customer care. The council has recognised these issues and has included customer care in its improvement plan. A customer contact centre is due to open in Ayr in December 2009 and a customer service centre due to open in Girvan in the autumn of 2009. The strategy, service centre and contact centre are major steps forward for the council in improving customer service.

**Risk area 29**





## Outlook

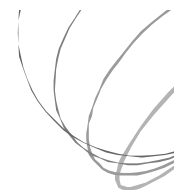
174. The alignment of the council vision with the community plan, corporate plan, directorate and service plans will be vital to ensuring the delivery of outcomes for the council.
175. The development of the council's performance management arrangements to support the delivery of quality services and provide meaningful and balanced reports on the council's performance is vital to allow the council to demonstrate both areas of good performance and weaknesses and to allow informed decisions to be taken.
176. Development of the governance aspects and the performance management aspects of the SOA are also important. The long term and complex nature of many of the outcome targets pose many challenges for performance management. For example, how can the council demonstrate if its resources are making a difference? We recognise the challenges and whilst we have no plans to audit the outcome progress reports in 2010/11, we will pay attention to the systems the council has in place to monitor progress and take remedial action.
177. We are currently developing our approach to BV 2 by working with five pathfinder councils. From April 2010, we shall be rolling out the new approach to all Scottish councils. Part of this approach will include a risk assessment of the council.
178. The risk assessment will be carried out in conjunction with other scrutiny bodies. It will determine the timing and scope of the BV 2 audits of councils as well as, identify the timing and scope of other scrutiny work. Along with the other bodies, we intend to publish a scrutiny plan for each council covering all scrutiny activity over a three year period.



# Appendix A

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

Title of report or opinion	Date of issue	Date presented to corporate and community planning standing scrutiny panel.
<b>Governance</b>		
Strategic audit risk analysis	March 2009	n/a
Internal audit reliance	December 2008	29 January 2009
Review of common good and main financial systems	July 2009	27 August 2009
Follow up tendering review	June 2009	27 August 2009
Follow up of computer service review	June 2009	25 June 2009
Follow up data handling	September 2009	5 November 2009
Follow up website overview	April 2009	25 June 2009
<b>Performance</b>		
Statutory performance indicators	28 August 2009	n/a
<b>Financial statements</b>		
Report to the corporate and community planning standing scrutiny panel in terms of ISA 260 (communication of audit matters to those charged with governance) and discussion of the ISA 260 report with the chair of the panel and the portfolio holder.	16 September 2009	24 September 2009
Audit opinion on the 2008/09 financial statements	24 September 2009	24 September 2009
<b>Grant claims</b>		
DWP subsidy	9 October 2009	n/a
Non domestic rates	Planned for 15 December 2009	n/a
Education maintenance allowance grant	June 2009	n/a
Criminal justice claim certification	September 2009	n/a
Bus service operators	September 2009	n/a



# Appendix B: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	19-22	<p><b>National fraud initiative (NFI)</b></p> <p>The council's progress in investigating NFI matches has been slower than anticipated.</p> <p><b>Risk: The full potential savings may not be achieved and the deterrent effect may be allowed to dissipate.</b></p>	<p>The council are committed to investigating "high risk" matches identified by this exercise.</p>	<p>Executive Director – Corporate Services</p>	<p>Ongoing</p>
2	35	<p><b>Common good assets</b></p> <p>Further work is required to ensure the completeness of common good assets in the asset register.</p> <p><b>Risk: There is a risk that common good assets are not identified and appropriately accounted for.</b></p>	<p>Additional resources are required to ensure the completeness of the asset register in respect of common good assets. A paper will be presented to the leadership panel in November 2009.</p>	<p>Head of Legal and Administration</p>	<p>Nov 2009</p>
3	37	<p><b>International financial reporting standards</b></p> <p>The council requires to ensure it has systems and processes in place to allow it to move to international accounting standards.</p> <p><b>Risk: The council cannot prepare its accounts in accordance with relevant international accounting standards which could result in a qualified audit opinion.</b></p>	<p>The council are working with CIPFA/PWC to ensure that the necessary systems and processes are in place.</p> <p>A cross directorate working group has been established to progress this work.</p>	<p>Head of Corporate Resources</p>	<p>March 2010</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	41-43, 70-76, 160	<p><b>Financial position</b></p> <p><i>Financial recovery strategy</i></p> <p>Whilst the council has achieved its financial recovery strategy target, financial pressures remain due to the economic climate and future funding gaps. The reserves strategy will require to be revised as appropriate.</p> <p><b>Risk: There is a risk that a £2 million uncommitted general fund balance will be insufficient to meet unexpected events.</b></p> <p><i>Efficiency savings</i></p> <p>The council requires to make efficiency savings of over £35 million over the next 4 years. The council does not have an efficiency plan in place to identify where efficiencies may lie.</p> <p><b>Risk: Efficiency savings cannot be achieved resulting in severe budget shortfalls.</b></p> <p><i>Budgets</i></p> <p>Difficult decisions will be required to ensure the council can deliver services within tight financial constraints. Alternative service delivery options require to be considered. Budgets will continue to require close monitoring to ensure any corrective actions required are taken timeously.</p> <p><b>Risk: There is a risk that difficult decisions are not taken as appropriate. There is also a risk that close budget monitoring does not continue and/or corrective action is not taken to address budget variances.</b></p> <p><i>Financial plans</i></p> <p>The council does not have any medium or long term financial plan. The plans in place are not integrated with service plans.</p> <p><b>Risk: The council cannot identify the impact of funding restrictions on services and cannot identify potential savings resulting in an adverse impact on services.</b></p>	The tasks outlined in improvement strand 1 in the council's improvement plan address the risks outlined in respect of this action point.	Executive Director – Corporate Services	Sustained activity



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	44	<p><b>Funds</b></p> <p><i>Repair and renewal fund</i></p> <p>There are no plans in place for the use of the £0.137 million in the repair and renewal fund.</p> <p><b>Risk: There is a risk this fund is not used for its original intended purpose.</b></p> <p><i>Insurance fund</i></p> <p>The level of funds in the insurance fund should be regularly reviewed.</p> <p><b>Risk: Funds may be insufficient to meet insurance demand costs.</b></p>	<p>A review of the purpose and adequacy of funds will be undertaken as part of the 2010/11 revenue budget exercise.</p>	<p>Executive Director – Corporate Services</p>	<p>March 2010</p>
6	47-50	<p><b>Housing</b></p> <p><i>Scottish housing quality standard (SHQS)</i></p> <p>The council is behind its target of having 62% of its housing stock meeting the SHQS by March 2009. Officers have estimated that it will cost £50 million to bring the housing stock up to the required standard by the 2015 deadline. The current housing business plan estimates predict a total shortfall in funding for these improvements of £6.3 million over the next five years.</p> <p><b>Risk: The council is unable to meet the SHQS by the 2015 deadline.</b></p> <p><i>Housing revenue account</i></p> <p>The housing business plan requires to be reviewed in light of the improved housing reserves position. Consideration should be given to reviewing the level of uncommitted reserves in the housing revenue account.</p> <p><b>Risk: The council does not make best use of reserves to improve the housing stock.</b></p> <p><b>There is a risk that the current levels of reserves held for unforeseen events are insufficient.</b></p>	<p>The £6.3m shortfall will be considered as part of the update of the housing business plan.</p> <p>The housing business plan is updated annually to reflect revised assumptions and uncommitted reserves. The business plan is currently being updated and will include a review of reserves. This will be reported to full council as part of the 2010/11 rent setting process.</p>	<p>Head of Community Care &amp; Housing</p>	<p>January 2010</p>





Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
8	63-69	<p><b>Treasury management</b></p> <p><i>Treasury management practices</i></p> <p>The council should continue to regularly review its treasury management practices.</p> <p><b>Risk: Best practice is not followed and/or treasury management risks are taken.</b></p>	<p>The council will continue to review its treasury management practices in line with any revised guidance.</p>	Head of Corporate Resources	Ongoing
		<p><i>Icelandic bank investments</i></p> <p>The council should continue to monitor activities nationally regarding recovery of funds invested in Icelandic banks and take appropriate action.</p> <p><b>Risk: The optimum return is not achieved.</b></p>	<p>The council will continue to monitor the extent of any potential loss as new information emerges from the bank's administrators.</p>	Head of Corporate Resources	Ongoing
9	77-85	<p><b>Asset management</b></p> <p>The action plan included in the interim asset management plan requires to be implemented alongside the budget setting process.</p> <p>The council requires to review and rationalise its assets.</p> <p>The interim asset management plan only includes property assets. This requires to be extended to include other asset categories.</p> <p>The interim asset management plan does not include appropriate performance measures and risk factors.</p> <p>The schools requiring further review should be progressed in consultation with appropriate parties.</p> <p><b>Risk: Assets are not being used in the most efficient and effective ways.</b></p> <p><b>There is a risk that spending decisions are taken in isolation of the asset management plans.</b></p> <p><b>There is a risk that assets other than property assets are not being used efficiently and effectively.</b></p> <p><b>There is a risk that performance against the plan is not measured or monitored.</b></p>	<p>The tasks outlined in improvement strand 7 in the council's improvement plan address the risks outlined in respect of this action point.</p>	Head of Property and Neighbourhood Services	Sustained activity



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<b><i>There is a risk that risk is not considered in relation to the asset management plan.</i></b>			
10	86-93	<p><b>Procurement</b></p> <p>Efficiency measures in place such as collaborative buying require to be continued and extended to ensure maximum savings are achieved.</p> <p>The i-procurement pilot should be reviewed on completion and rolled out as appropriate.</p> <p><b>Risk: Procurement does not deliver efficiency savings for the council.</b></p> <p><b>The i-procurement pilot is not reviewed and rolled out timeously.</b></p>	The tasks outlined in improvement strands 7 and 10 in the council's improvement plan address the risks outlined in respect of this action point.	Head of Corporate Resources	Sustained activity
11	94-105	<p><b>Workforce management</b></p> <p><i>Workforce plans</i></p> <p>A strategic action plan is in place detailing the outcomes to be achieved in the introduction of the council's workforce strategy. All actions in the plan have been progressed to different degrees. Work on the plan requires to continue and progress reported as appropriate.</p> <p><b>Risk: The council does not have the appropriate workforce in place to deliver the desired outcomes.</b></p> <p><i>Sickness absence</i></p> <p>Sickness absence levels have caused concern for the council. A strategic review of managing absence is been carried out. The council requires to continue to focus on sickness absence in order to make further improvements.</p> <p><b>Risk: Sickness absence levels do not improve resulting in low staff morale and poor service delivery.</b></p> <p><i>Employee performance and development scheme</i></p> <p>A new competency based staff appraisal scheme has been introduced. The council is currently in the process of moving groups of staff to this new scheme.</p>	The tasks outlined in improvement strand 7 in the council's improvement plan address the risks outlined in respect of this action point.	Head of Human Resources and OD	Sustained activity





Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p><b>Risk: All staff groups are not transferred to the new scheme and staff performance appraisal is inconsistent throughout the council. Best practice may not be followed with regards to employee performance and development.</b></p> <p><i>Staff survey</i></p> <p>The action plan developed from the staff survey results contains a number of actions without target completion dates.</p> <p>A further staff survey is planned for spring 2010.</p> <p><b>Risk: Actions are not taken to address staff concerns on a timely basis.</b></p> <p><b>The 2010 staff survey is not carried out to determine if actions taken have had the desired effect.</b></p> <p><i>Single status and equal pay</i></p> <p>The council has made provision in its accounts for the likely costs associated with the implementation of single status.</p> <p><b>Risk: The provisions are not reviewed to ensure they remain adequate.</b></p> <p><i>Managing change</i></p> <p>The council has a "managing change" policy in place which covers the processes and procedures for redeployment, early retirees, redundancy and severance payments. This policy requires to be updated for recent changes in regulations.</p> <p><b>Risk: Organisational change decisions do not follow nor comply with relevant regulations and best practice.</b></p>			



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
12	107	<p><b>ICT</b> <i>ICT strategy</i></p> <p>Additional work is required to ensure the strategy is fully implemented.</p> <p><b>Risk: Systems may not be working together to ensure efficient use of resources as well as working together to meet corporate objectives.</b></p>	The cross directorate ICT strategy group will ensure that the strategy is developed and implemented.	Head of Corporate Resources	Ongoing
13	111	<p><b>Business continuity strategy</b></p> <p>The council intends to have business continuity plans in place by the end of 2009 and then to be able to move onto testing these plans.</p> <p><b>Risk: Council services may be disrupted.</b></p>	Business continuity plans are initial testing will be completed by the end of 2009.	Head of Corporate Resources	December 2009
14	112-113	<p><b>Shared services</b></p> <p>Shared services initiatives have not yet been fully developed and are not yet delivering significant savings for the council.</p> <p><b>Risk: The shared services agenda is not embraced and efficiencies are not achieved.</b></p>	South Ayrshire Council's approach to shared services and joint working is being taken forward through improvement strand 10 in the council's improvement plan.	Head of Policy, Performance and Communication and Head of Corporate Resources	As set out in the Improvement Agenda
15	117-118	<p><b>Local code of corporate governance</b></p> <p>The annual compliance statement identified improvement areas to ensure compliance with the local code.</p> <p>Work has started to move the council's local code towards the "delivering good governance in local government framework".</p> <p><b>Risk: The improvement actions required to ensure compliance with the local code of corporate governance are not implemented. There is a risk that the council does not move to the "delivering good governance in local government framework" by their target date.</b></p>	Adoption of the Delivering Good Governance Framework underpinned by training for elected members.	Head of Policy, Performance and Communication	Training in November Framework adopted in April 2010



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date	
16	120, 131, 147	<p><b>Structures</b></p> <p><i>Vision and structure</i></p> <p>The council vision, organisational structure, management structure and portfolios do not align with each other.</p> <p><b>Risk: The vision and council structures do not link together to help ensure efficient and effective delivery of quality services.</b></p>	<p>There is not perfect alignment but a corporate and collective approach is being taken by both CMT and portfolio holders.</p>	<p>Chief Executive</p>	April 2011	
		<p><i>Vision and strategic direction</i></p> <p>The council vision presents a broadly similar vision to the one in the community plan but there are differences between the respective priorities.</p> <p><b>Risk: The council and community planning partnership objectives are inconsistent.</b></p>	<p>The improvement agenda makes provision for a single document.</p>	<p>Head of Policy, Performance and Communication</p>		
		<p><i>Corporate and directorate plans</i></p> <p>The council does not have corporate and directorate plans in place which provides a link between service plans, the community plan and the vision.</p> <p><b>Risk: The vision cannot be achieved as it is not supported by appropriate plans.</b></p>	<p>Improvement strand 2 in the council's improvement plan encompasses the generation of a corporate and directorate plans.</p>	<p>Head of Policy, Performance and Communication</p>		<p>October 2009</p>
		<p><i>Service plans</i></p> <p>Service plans are in place but in varying formats.</p> <p><b>Risk: Service plans are not effectively supporting the achievement of corporate objectives.</b></p>	<p>Improvement strand 2 in the council's improvement plan will provide the framework for service plans.</p>	<p>Head of Policy, Performance and Communication</p>		<p>Sustained activity</p>
17	126-127	<p><b>Member training</b></p> <p>Individual development plans require to be better aligned to role profiles. Training requires to be better coordinated, delivered and reviewed in line with training needs.</p> <p><b>Risk: Members do not have the necessary skills to carry out their role effectively.</b></p>	<p>Improvement strand 12 in the council's improvement plan covers training for elected members including the alignment of personal development plans to role profiles.</p>	<p>Head of Legal and Administration and Head of Human Resources &amp; OD</p>	<p>Sustained activity</p>	



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
18	128	<p><b>Roles of officers and members</b></p> <p>There has been some confusion over the roles of members and officers.</p> <p><b>Risk: A lack of clarity of respective roles of officers and members may result in the required strategic activities not being undertaken and/or members becoming too operationally involved.</b></p>	<p>Improvement strand 4 in the council's improvement plan is focused on the role of members and senior officers although there are also links to strand 3 (leadership capacity) and strand 12 (training for elected members).</p>	Chief Executive	Sustained activity
19	130-132	<p><b>Community planning partnership</b></p> <p><i>Community planning</i></p> <p>Community planning has not been well developed in South Ayrshire. Community planning structures were revised in 2008. Despite these changes there has not yet been evidence of significant improvements in partnership working or shared services.</p> <p><b>Risk: Partnership working is not yet delivering the desired outcomes.</b></p>	<p>The development of the single outcome agreement with partners and the on-going monitoring of the SOA and the development of improvement strand 10 in the council's improvement plan (joint working and shared services) will ensure that the benefits of community planning accrue in South Ayrshire.</p>	Head of Policy, Performance and Communication	Sustained activity
		<p><i>The community plan</i></p> <p>The community plan identifies measures of success but these are not ambitious and do not have target dates for delivery.</p> <p><b>Risk: Community planning objectives are not met.</b></p>	<p>The new overarching community vision document will overtake this risk.</p>	Head of Policy, Performance and Communication	Sustained activity



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p><i>Community planning partnership</i></p> <p>The community planning partnership has reviewed its operations and put an action plan in place to deliver improvements including risk management, area based community planning and performance management.</p> <p><b>Risk: Improvement actions are not addressed.</b></p>	<p>The implementation plan is considered at each implementation group meeting including consideration of any areas for improvement.</p>	<p>Head of Policy, Performance and Communication</p>	
20	133-134	<p><b>Single outcome agreement (SOA)</b></p> <p>The SOA is not fully developed. Baseline data and targets have not been set for all indicators and many targets are not specific. Parts of the SOA are difficult to understand. The planned monitoring of the SOA's progress did not take place during 2008/09.</p> <p><b>Risk: Outcomes are not achieved. Outcomes are not challenging. Progress is not regularly monitored and any necessary corrective action taken.</b></p>	<p>The council have established a community planning performance management sub-group to review measures and targets and to ensure that the underlying data is measurable.</p>	<p>Head of Policy, Performance and Communication</p>	<p>Sustained activity</p>
21	135-137	<p><b>Community engagement</b></p> <p><i>Community engagement strategy</i></p> <p>The council does not have a community engagement strategy and does not engage with the community effectively.</p> <p><b>Risk: Community engagement at present is not effective.</b></p> <p><i>Consultation</i></p> <p>Consultation could be improved as could the evaluation of consultation exercises.</p> <p><b>Risk: Consultation is not being carried out in an efficient and effective way and results are not being used to aid decision making.</b></p>	<p>Improvement strand 11 in the council's improvement plan will encompass considerations of communication and engagement.</p>	<p>Head of Community Development/ Head of Policy, Performance and Communication</p>	<p>Sustained activity and as defined in the improvement agenda</p>



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22	138-139	<p><b>Public performance reporting</b></p> <p>The six monthly local newsletters have not been issued regularly. No detailed performance reports have been issued.</p> <p><b>Risk: The electorate cannot hold the council to account for its performance.</b></p>	<p>A programme has been agreed for 2009/10 with "Update" issuing in early November and a calendar for 2010. A review of public performance reporting is to be undertaken to assess what fits best with the best value 2 regime.</p>	<p>Head of Policy, Performance and Communication</p>	<p>Nov 2009 Dec 2009 Sustained activity</p>
23	140-142	<p><b>Oracle e financials</b></p> <p>The council has been implementing Oracle modules since 2003. There is still reliance on the previous Cfacs ledger for 5 feeder systems even although this system is not supported under a maintenance agreement. Appropriate decisions require to be taken regarding the development of the HR and payroll Oracle modules.</p> <p><b>Risk: The Cfacs system fails. There is also a risk that further development of the Oracle modules is not progressed on a timely basis.</b></p>	<p>The tasks outlined in improvement strand 8 in the council's improvement plan address the risks outlined in respect of this action point.</p>	<p>Head of Corporate Resources/ Head of Human Resources &amp; OD</p>	<p>Sustained activity</p>
24	146, 149-150	<p><b>Performance management</b></p> <p>The council does not manage, monitor or review its performance effectively. The current performance management system cannot demonstrate if outcomes are improving or declining.</p> <p><b>Risk: The council cannot demonstrate if outcomes have improved, declined or been maintained.</b></p>	<p>Improvement strand 5 in the council's improvement plan will encompass this risk.</p>	<p>Head of Policy, Performance and Communication</p>	<p>Sustained activity</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
25	151	<p><b>Service reviews</b></p> <p>It is not clear what impact service reviews have had on performance. There have been difficulties in some cases of completing reviews.</p> <p><b>Risk: Service review processes do not identify the best areas for review. There is a risk that all reviews do not have a clear purpose and target date for delivery.</b></p>	<p>Improvement strand 6 in the council's improvement plan will encompass this risk.</p>	<p>Head of Policy, Performance and Communication</p>	<p>Sustained activity</p>
26	155	<p><b>Statutory performance indicators (SPIs)</b></p> <p>Twenty one SPIs were tested in detail. Nine of these were found to be incorrectly stated. Data collection, retention, and care of interpretation of data requires to be improved.</p> <p><b>Risk: Inaccurate performance information is reported.</b></p>	<p>SPIs published on time this year. Work is on-going to improve the reliability of data and to highlight the SPIs which the council is particularly keen to see enhanced performance on.</p>	<p>Head of Policy, Performance and Communication</p>	<p>Sustained activity</p>
27	158-159	<p><b>Equality and diversity</b></p> <p>The council requires to ensure equalities issues are embedded within working practices and the culture of the council.</p> <p><b>Risk: The council is not making best use of its workforce.</b></p>	<p>The council improvement agenda is underpinned by the need to mainstream equalities. Specifically the integration of current equality schemes into one single equality scheme for employment and service delivery will facilitate this.</p> <p>Improved monitoring, analysis and reporting of community and workforce information.</p>	<p>Head of HR &amp; OD/ Head of Policy, Performance &amp; Communication</p>	<p>Sustained activity</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
28	169-171	<p><b>Risk management</b></p> <p>Risk management is not embedded in all council departments. The draft risk strategy requires to be reviewed and agreed in final form. Member involvement in risk management has been limited.</p> <p><b><i>Risk: There is a risk that risk management is not adequately addressed. The council is not adequately identifying and managing risks.</i></b></p>	<p>The tasks outlined in improvement strand 7 in the council's improvement plan address the risks outlined in respect of this action point.</p>	<p>Head of Corporate Resources</p>	<p>Sustained activity</p>
29	172-173	<p><b>Customer service</b></p> <p>The council does not have customer service standards in place.</p> <p><b><i>Risk: Customers do not receive consistent good quality service.</i></b></p>	<p>The tasks outlined in improvement strand 9 in the council's improvement plan address the risks outlined in respect of this action point.</p>	<p>Head of Community Protection</p>	<p>Sustained activity</p>