

# Renfrewshire Council

**Report to Members and the Controller of Audit  
on the 2009/10 Audit**

October 2010



 **AUDIT SCOTLAND**

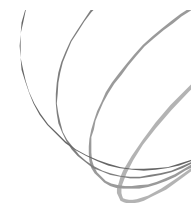


# Renfrewshire Council

**Report to Members and the Controller of Audit  
on the 2009/10 Audit**

# Contents

<b>Key messages</b>	<b>1</b>	<b>Performance management and improvement</b>	<b>28</b>
<b>Introduction</b>	<b>3</b>	<b>Appendix A</b>	<b>34</b>
<b>Financial statements</b>	<b>4</b>	<b>Appendix B: Action plan</b>	<b>35</b>
<b>Use of resources</b>	<b>11</b>		
<b>Governance and accountability</b>	<b>24</b>		



# Key messages

## Financial statements

We have given an unqualified opinion on the financial statements of Renfrewshire Council, which give a true and fair view of the financial position of the council and its group for the year.

All councils are facing challenges in preparing their 2010/11 financial statements, to ensure that accounting developments associated with the impending adoption of International Financial Reporting Standards and other initiatives (e.g. charity accounting) are implemented smoothly. The council has been planning for these changes and is well placed to ensure compliance with the new requirements.

## Use of resources

In overall terms, the council managed its resources to restrict the deficit in the general fund balances to £3.1 million compared to an expected deficit of £5.5 million. As explained by the Director of Finance and IT in the Foreword to the Accounts, the main factors associated with this variance were several planned underspends in areas with earmarked funds, combined with a range of offsetting factors, including underspends in financing charges, one-off charges relating to the cost of redundancies and early retirements and demand led service overspends.

The council has taken action to increase the level of cash backed reserves by 40 per cent over the year, to stand at £67.8 million. Of this balance, £61.8 million comprises statutory reserves including the Capital Receipts Reserve, HRA Balance and other statutory funds. The council has also ring-fenced £28.1 million of balances within the General Fund to support the council's modernisation and reform programme, fund the future availability of educational establishments under PPP and finance for the council's waste management strategy. The remaining £6.0 million is however unallocated which is equivalent to only 1.5 per cent of annual net expenditure. The council must ensure that sufficient unallocated reserves exist to meet unforeseen demands in the future.

## Governance and accountability

The tensions associated with the forthcoming period of financial constraint are likely to create a challenge for members. We believe however, that in general, relationships between members and officers are currently good and businesslike. Given the key role that political parties have in local democracy, we expect that the council will continue to make difficult strategic decisions while maintaining meaningful and effective scrutiny arrangements.

## Performance management and improvement

In areas of performance, there was some evidence of improvement. The council introduced a Corporate Asset Management Strategy in March 2010. This is a generic strategy, under which various workstreams will progress more detailed work.



Another example is the development and support of staff. Staffing costs comprise nearly two thirds of the council's net expenditure. Well trained and motivated staff are critical to the achievement of the council's objectives. The council is continuing to roll out its staff appraisal system from senior to middle management. A recent staff survey suggests that morale is fairly positive however at 8.7 days per year for teachers and 12.6 days per year for other staff, absence levels are relatively quite high and the council recognises this as an area for attention.

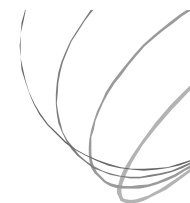
The council has responded to financial pressures with its public consultation "Difficult choices for difficult times" where it asks for public responses on how to meet the anticipated funding gap of between £75 million and £90 million over the three years from 2011/12 to 2013/14. The council has also started to manage down its workforce and had, by March 2010, released 305 permanent employees on voluntary early retirement and voluntary redundancy terms. The council acknowledges the need to further align its workforce to likely available resources and in the context of the savings required this would equate to a reduction in the workforce of up to 700 full time equivalent posts by 31 March 2011 and further reductions may be necessary.

## Outlook

The most significant challenge the council faces is balancing the cost pressures associated with the demand for services with a reduction in funding in the years 2011 to 2014. Although the exact size of the reduction will not be known until November 2010, the council can and must take action now to anticipate significant cuts in its budget. The council's corporate management team has recognised this and has brought forward action plans demonstrating real reductions in planned expenditure. The likely scale of the reductions means the council faces the risk of poor morale and motivation amongst staff as well as dissatisfaction amongst some service users. Never has the case been stronger for sound governance and good financial management.

In June 2010, we submitted our final shared risk assessment and assurance and improvement plan (AIP) to the council. This document was produced by the local area network (LAN) of scrutiny bodies and describes the work planned on corporate activities over the next three years. Based on the LANs assessment of the scrutiny risks in the council, no specific best value work is proposed. However, there are plans by the Scottish Housing Regulator to assess progress achieved depending on the 2011 self assessment, and for SWIA and HMIE to carry out work on child protection services and education respectively as part of ongoing links with the authority. The AIP is reviewed annually.

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



# Introduction

1. This report is the summary of our findings arising from the 2009/10 audit of Renfrewshire Council (the council) and other relevant work carried out by Audit Scotland. Several detailed reports have already been issued in the course of the year in which we make recommendations for improvements (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 strategic risks.
2. The report uses the headings of the corporate assessment framework, which we and the other scrutiny bodies used as the structure for the recent shared risk assessment and assurance and improvement plan (AIP) <http://www.audit-scotland.gov.uk/work/scrutiny/docs/Renfrewshire.pdf>. Where relevant, we comment on issues identified in the AIP for review by the local auditor.
3. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council are:
  - Getting it right for children in residential care
  - Protecting and improving Scotland's environment
  - Making an impact – overview of best value audits 2004-09
  - Improving public sector efficiency
  - Overview of local government in Scotland 2009
  - Scotland's public finances – preparing for the future
  - Roles and working relationships – are you getting it right?
4. All of these reports have been sent to the council for consideration and we do not consider them in this report. They are available on our website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)
5. Appendix B is an action plan setting out the high level risks we have identified from the audit. The actions have been listed in an order of priority agreed with the council. 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.
6. 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 the annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and it is also presented to the Local Government and Communities Committee of the Scottish Parliament.



# Financial statements

## Introduction

7. 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. In this section we summarise key outcomes from our audit of the council's financial statements for 2009/10, comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.

## Audit opinion

8. We have given an unqualified opinion that the financial statements of Renfrewshire Council for 2009/10 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.
9. We were satisfied with disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place by the council to obtain all required assurances.
10. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Working papers to support the 2009/10 accounts continue to improve and we acknowledge the efficient and co-operative approach all council staff displayed during the audit process.
11. The accounts were certified by the target date of 30 September 2010 and are now available for presentation to members and publication. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## Accounting issues

12. 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). With effect from 2010/11, local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS). This is perhaps the biggest technical challenge that accountants and auditors have had to face in recent years with a series of complex and resource intensive changes in accounting policy required.



13. During the year, the council restated its March 2009 balance sheet under IFRS principles. Our review of that balance sheet concluded that the council had made the appropriate accounting entries to the main account balances affected by preparing accounts on an IFRS basis, including changes to:

- PPP accounting
- the revaluation of council dwellings (values based on existing use for social housing)
- the classification and valuation of fixed assets
- leases classifications
- annual leave accruals
- the treatment of government grants deferred.

14. The overall standard of accounting required to restate the balance sheet was good and only a few amendments were required following our review. Following on from last years Report to Members the council should prepare full shadow IFRS based accounts as soon as is practicable.

#### **Key issue/risk 6**

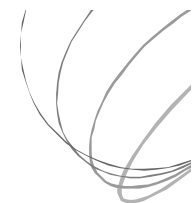
15. Subject to our comments set out in paragraph 16 below, we were satisfied that the council prepared the accounts in accordance with the 2009 SORP. In accordance with the 2009 SORP and the decision to adopt early some IFRS accounting requirements, the council amended its opening balance sheet and comparative information in the financial statements. These changes to the prior year included:

- PFI arrangements were accounted for in accordance with IFRIC12. The net impact on the income and expenditure account is an increase in expenditure of £3.6 million. The schools PFI valuation is now included in the council's balance sheet. With £103.1 million now recognised as at 31 March 2009 in the balance sheet as an asset, coupled with the recognition of the liability to the PFI operator, the net effect is an increase in liabilities of £9.1 million in the prior year period.
- Non-domestic rates. The 2009 SORP changed the accounting requirements. As an agency agreement the only requirement is to recognise the net debtor/creditor with the Scottish Government.

16. The council has adjusted the draft 2009/10 financial statements that were submitted for audit to reflect all significant audit findings. As is normal practice, in order to make the most efficient use of time, immaterial unadjusted errors of low value (£18,000) have been reported to the Director of Finance and Corporate Services and the Scrutiny and Petitions Board. The significant accounting issues arising in the course of our audit are:

- **Increase in pension liability:** The council's deficit within the Strathclyde Pension Scheme has increased significantly during 2009/10. As at 31 March 2010, it stood at £252.3 million, an





increase of £181.0 million over the year. This deterioration is principally due to a reduction in discount rates applied to future liabilities partially offset by a recovery of asset values in the stock market. This assessment is a snapshot of the position as at the year end.

- **Valuation of council houses:** During the year, the council changed the estimation basis used for valuing its council houses. Under local government accounting rules, council houses are valued on a basis to reflect social housing asset values. In the past, councils have applied a discount factor based on the average right to buy discount. The 2010/11 accounts will be prepared under the principles of International Reporting Standards which require valuations to be on a basis linked to social rental streams. During 2009/10, the council took advantage of the option to adopt the new basis of valuation for the 2009/10 accounts which resulted in a revaluation surplus of £159.0 million. This change in estimation basis for council houses has been fully disclosed in the financial statements.
- **Component accounting:** Over recent years, the council has adopted the proper practice of accounting separately for those components of assets which have a different, normally shorter asset life. This is to ensure that depreciation charges are not misstated. During this years' audit, a review of council house valuations established that the value of replaced kitchens, bathrooms, heating systems and windows were being reflected in both the value of houses as well as in separately identified assets leading to an overstatement of overall assets totalling £22.1 million. The council has made the appropriate amendments within the balance sheet revaluation entries to remove the double counting of these assets.

## Audit testing

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

- |                                    |                           |
|------------------------------------|---------------------------|
| ▪ Payroll                          | ▪ Creditors payments      |
| ▪ Housing rents                    | ▪ Council tax             |
| ▪ Main accounting system           | ▪ Non-domestic rates      |
| ▪ Debtors and income               | ▪ Cash income and banking |
| ▪ Housing and council tax benefits | ▪ Treasury management     |
| ▪ Capital accounting               |                           |

Our work found that overall systems are operating as described and that the internal control environment is effective. We also placed reliance on the work of internal audit wherever their work could provide us with the appropriate assurance. No significant weaknesses were identified through testing.



## 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: an anti-fraud and corruption policy and response plan; a whistle blowing policy; codes of conduct for elected members and staff; and defined remits for relevant policy boards. Apart from the information provided at paragraph 20 below, no significant frauds of council assets were identified during the year.

### 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 outcomes for Scottish public bodies (£21 million during the 2008/09 NFI cycle and £58 million cumulatively up to end March 2010). If fraud or overpayments are not identified in a body and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.
20. The most recent data matching exercise collected data from participants in October 2008 and the national findings were published by Audit Scotland in May 2010. We reviewed the approach adopted by the council and found it to be suitably resourced, planned and prioritised. The result was that a number of frauds and errors were found totalling in excess of £250,000. The council is taking action to recover a significant proportion of this amount.
21. Instructions for the 2010/11 NFI exercise were issued by Audit Scotland in June 2010 and participants should be preparing to provide the requested data by early October. The national report published in May 2010 included a self-appraisal checklist that all participants were recommended to use prior to NFI 2010/11. We have been informed by officers that this checklist has been used by the council in preparation for the upcoming exercise.

### Housing benefit

22. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team carries out a programme of risk assessments of benefits services in all councils in a two year period.
23. A risk assessment of Renfrewshire's benefits service was undertaken in August 2009 with generally satisfactory results and a detailed report was issued in October 2009. The council responded to the risks we identified with an action plan in November 2009. We believe the actions will make a positive contribution to improving the benefits service and we will monitor progress in the next inspection cycle, which started in 2010.



## Group accounts

24. Councils use various means to provide the public with services including other organisations with which it has an operating interest. The diversity of service delivery vehicles used by local authorities therefore means that consolidated group accounts are required to give a true and fair view of a council's income and expenditure. The council has no subsidiaries but has a minority interest in twelve associate entities and two joint ventures, eight of which, due to the significance of the council's interest, have been incorporated within the council's group accounts, namely:

- Renfrewshire Leisure Ltd
- Strathclyde Fire and Rescue Joint Board
- The Cart Corridor Joint Venture Company
- Strathclyde Concessionary Travel Scheme Joint Committee
- Strathclyde Joint Police Board
- Strathclyde Partnership for Transport
- The Renfrewshire Valuation Joint Board
- Park Lane Developments (Renfrewshire) Ltd.

The council's group accounts also incorporate the financial position of the seventy five trusts and three common good funds operating under the stewardship of the council.

25. All bodies within the group received unqualified audit opinions from their external auditors and 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. On consolidation, the excess of assets over liabilities of the council's group significantly reduces the council's own net worth by £368.9 million to £110.2 million due to increased pension deficits in group entities as at 31 March 2010.

## Trust funds

26. 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 although the Office of the Scottish Charities Regulator (OSCR) has deferred the date of full implementation until 2010/11. In advance of these stricter requirements, the council has improved the level of disclosure of all registered charities, including charitable trusts, in its 2009/10 financial statements. The council has yet to establish financial reporting and auditing arrangements for this new requirement. The council has however, taken steps to utilise and rationalise trust funds and early steps have been taken to create three new registered charities which will hold all funds.



## Common good funds

27. Renfrewshire Council administers the common good accounts for the former burghs of Paisley, Renfrew and Johnstone. These funds are valued collectively at £26.6 million as at 31 March 2010. In December 2007, Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note requiring common good funds to be disclosed within the financial statements of councils and a separate common good asset register to be created by March 2009. The council has satisfied these two requirements for many years and as reported in last year's Report to Members, is currently engaged in an exercise to strengthen internal controls over them. As the council's common good funds are registered charities, the revised accounting and auditing arrangements required by OSCR for 2010/11 will also apply to these funds (see paragraph 26 above).

### Key issue/risk 7

28. As commented in the 2008-09 Report to Members, a systematic review is underway to ensure the completeness of common good assets and the council has assured us that the title deeds of all assets being prepared for sale are checked to ensure they are not common good assets misclassified as council assets.

## Pension fund

29. The council is a member of the Strathclyde Pension Fund (SPF). The overall pension liability for the council has risen from £71.3 million to £252.3 million over the past year. This deterioration is principally due to an increase in the present value of assessed pension liabilities as advised by the SPF. The main reason for the increase is decreasing yields on high quality corporate bonds which are used as the basis for present value discount rates in the valuation process. This increase in liabilities has however been partially offset by increases in asset values in line with the stock market recovery. As noted at paragraph 16, the assessment provides only a snapshot as at 31 March 2010 and necessarily changes on a day to day basis to reflect stock market movements in particular.
30. The council has received advice from the SPF however that asset holdings and planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities.

## Statutory trading operations

31. The council operated two statutory trading operations in 2009/10 – Building Services and Roads Services. The Road Services trading operation achieved a surplus of £0.3 million in 2009/10 while Building Services reported a deficit of £0.4 million which was attributed to one-off costs associated with the redundancy and early retirement costs from the council's modernisation programme. Both trading operations however achieved three-year breakeven performance (Building Services £0.9 million and Roads Services £0.5 million), which is consistent with their statutory requirements.



## Legality

32. Through our planned audit work we consider the legality of the council's financial transactions. There are no additional legality issues arising from our audit which require to be brought to members' attention. In addition, the Director of Finance and Corporate Services has 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.

## Financial reporting outlook

33. The key issues for the council to consider are the following:

- Preparing a shadow set of IFRS-compliant statements, in preparation for full implementation in the 2010/11 financial statements. Overall the council has made good progress in this area, in common with around half of Scottish councils. The council should progress the preparation of full shadow IFRS compliant accounts as soon as is practicable.
- From April 2010, a new and complex system for charging for carbon emissions was introduced by the EU. The council is 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.
- New OSCR accounting and auditing requirements are required for 2010/11. This will require new reporting arrangements for the council's trusts and common good funds.



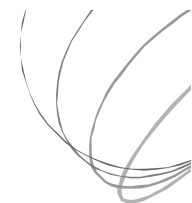
# Use of resources

## Financial results

34. In 2009/10, Renfrewshire Council spent £669.5 million on the provision of public services. £619.5 million was spent on revenue services and the remainder was spent on capital. The council's net operating expenditure in 2009/10 was £414.3 million. This was met by central government and local taxation of £398.9 million, resulting in a deficit of £15.4 million for the year. After taking into account various statutory adjustments, the General Fund deficit was £3.1 million compared with a planned deficit of £5.5 million.
35. The key underspends reported within the council related to Miscellaneous Services (£2.8 million) and Education Services (£1.6 million). The Miscellaneous Services underspend is linked to approved funding contributions for land decontamination survey work (£0.6 million), Waste Fund resources earmarked for future waste (£0.3 million), with the remainder attributed to financing costs and the impact of a one-off VAT refund.
36. Within Education Services, £0.8 million represents underspends across the department mainly due to vacancy management. A further £0.8 million is attributed to funding carried forward to 2010/11 under the schools DMR scheme.
37. The most significant overspend was reported within Social Work Services (£2.0 million). This is mainly attributed to Children and Family services (£1.4 million) due to fostering and residential schools budgets. This reflects the continuing pressures associated with demand.

## Budgetary control

38. Directors are expected to manage their approved budget on a bottom line basis with significant variances reported to relevant policy boards along with a projected year end position. During the year, the council continued to improve the financial information reported to members, with reporting cycles more aligned to the frequency and timing of meetings. In addition to normal budget fluctuations, the council experienced overspends attributed to demand led factors including severe winter weather and increased demand in Children and Family services. As pressure on financing the council's services continues to increase the council should ensure that robust budget monitoring and reporting is maintained.
39. The following Exhibit provides some information about the council's financial position compared to other Scottish councils.



## Exhibit 1

Ratio	Description	Value for Renfrewshire 2008/09	Value for Renfrewshire 2009/10	Range for all Scottish Councils
Working capital	(Current assets as a ratio of current liabilities)	142%	93%	33% - 248%
The council considers that the movement in this ratio results from of a planned reduction in cash balances in response to increased counterparty risk following the banking crisis; and also the conscious use of cash balances to fund capital investment on a temporary basis as opposed to borrowing as outlined in the 2009/10 Treasury Management Strategy.				
Useable reserves as a percentage of general revenue expenditure	This shows the proportion of revenue expenditure that could be met from reserves	14.1%	16.4%	3.7% - 230.4%
The council considers that the movement in this ratio is attributable to increased levels of reserves being held, mainly related to the Building Better Communities programme where £17.5m was ringfenced in a capital fund.				
Long term borrowing compared to tax revenue	This ratio illustrates the proportion of a council's tax related income that would be needed to pay off long term debt	201%	169%	0 – 679%
The council considers that the reduction in this ratio results from the reduced level of borrowing over the course of the year facilitated by the utilisation of cash balances to temporarily fund capital investment in line the approved Treasury Management Strategy.				
Long term assets as a percentage of long term borrowing	This gives an indication of the ability to borrow to replace or repair assets	350%	466%	178% - 3,812%
The council considers that the increase in this ratio is the result of two significant factors: the reduced level of borrowing as mentioned above; and the significant increase in asset values as a result of a change in the valuation basis for council houses.				



40. These ratios indicate the liquidity and financing position of the council. In making comparisons between councils, there are a number of factors which affect the indicators. These include the council's group structure, asset management arrangements (e.g. housing stock transfers) and financial strategies. We have compiled this information for the first time this year and it establishes a starting point to enable the council's financial stability to be monitored in the future. The council should consider whether the ratios indicate any areas for further consideration within the context of its financial strategies.

## Reserves and balances

41. Exhibit 2 shows the balance in the council's funds at 31 March 2010 compared to the previous year. In 2009/10, the council has introduced a Building Better Communities capital fund (£17.5 million) which represents earmarked funding to support the council's investment programme in schools, leisure and community facilities. As at 31 March 2010, the council had total useable funds of £67.8 million, an increase of £11.2 million over the previous year.
42. The general fund decreased by £3.1 million during the year to a balance of £34.1 million which equates to 8.3 per cent of the council's net annual operating expenditure. Of this balance £28.1 million was earmarked for specific purposes: service modernisation, future availability of the educational establishments under PPP and the waste management strategy are the main areas. The projected target of £11.0 million unallocated funds budgeted by the council for 2009/10 was achieved. The decision was then taken that a further £5.0 million be earmarked for the Service Modernisation and Reform Fund (SMARF) to support the wider change agenda. While overall reserves have increased over the year, unallocated reserves at £6.0 million are around 1.45 per cent of annual running costs. The SMARF reserve at £10.7 million has provided a useful source of finance to drive forward service redesigns etc, but in order to deal with unforeseen costs or losses care will be required to ensure unallocated reserves do not fall significantly in future.

**Key issue/risk 4**





## Exhibit 2

### Reserves

Description	31 March 2009 £ Million	31 March 2010 £ Million
General Fund	37.2	34.1
HRA Balance	6.8	7.1
Capital Receipts	9.3	5.6
Insurance Fund	2.5	2.6
Reservoir Repairs	0.3	0.3
Education Capital Fund	0.5	0.6
Building Better Communities Capital Fund	0.0	17.5
	<b>56.6</b>	<b>67.8</b>

## Group balances and going concern

43. Some of the associates (Strathclyde Police, Strathclyde Fire and Rescue and Renfrewshire Valuation Board) had an excess of liabilities over assets at 31 March 2010. However, all group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

## Capital performance 2009/10

44. The council's capital expenditure in 2009/10 totalled £50.0 million (£37.4 million non-housing and £12.6 million housing). The overall increased level of expenditure compared with the agreed budget was largely due to re-profiling and carry forward of some previous year expenditure, with price and contract variations also a factor. There was however an under-spend on the non-housing programme compared with the February 2009 council approved budget which was mainly related to savings on the schools estates contract (£1.8 million), changes in the delivery approach to specific redevelopments (£4.0 million), and various other rescheduling of works related to Transforming Renfrewshire (£2.0 million), IT projects (£0.5 million), energy investment projects (£0.5 million) and the town centre improvement project (£0.9 million).



45. In 2009/10, housing capital receipts of £4.0 million were realised from asset sales, and all were used to fund capital expenditure. Non-housing capital receipts of £2.6 million from prior year assets sales and other receipts in 2009/10 were utilised to finance capital expenditure, with £7.7 million of generated receipts being carried forward to future years.
46. Sources of funds invested by the council over the period 2006/07 to 2009/10 are reflected in Exhibit 3.

### Exhibit 3

#### Sources of finance for capital expenditure 2006/07 – 2009/10

	2006/07 Actual £M	2007/08 Actual £M	2008/09 Actual £M	2009/10 Actual £M
<b>Borrowing</b>	30.4	21.4	39.8	27.5
<b>Fixed Asset Disposal</b>	16.0	14.2	3.9	6.6
<b>Government Grants/Other</b>	18.7	19.5	15.3	15.9
<b>Total</b>	<b>65.1</b>	<b>55.1</b>	<b>59.0</b>	<b>50.0</b>

#### Key issue/risk 5

### Housing revenue account

47. The Housing Revenue Account (HRA) is required by legislation to fund the provision of council housing. In 2009/10, the HRA generated a surplus for the year of £0.3 million as budgeted. The cumulative HRA reserve balance at 31 March 2010 was £7.1 million. The council plan a contribution of an additional £1.4 million to reserves during 2010/11.
48. As at the 31 March 2010, total rent arrears amounted to £ 1.8 million (£2.3 million at 31 March 2009). This is 4.4 per cent of the rents due. This improving situation reflects more proactive debt management measures introduced by the council.

### Treasury management

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



50. As at 31 March 2010, Renfrewshire Council held cash and temporary investments totalling £43.0 million. We received a specific management representation from the Director of Finance and Corporate Services that all council borrowings are compliant with the provisions of the Local Government (Scotland) Act 1975 and our own testing confirmed this. The 2010/11 treasury management strategy (approved by council in June 2010) states that the 'council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed'.
51. The current economic climate means that interest rates on investments are low – the council received £3.9 million in investment income this year compared to £10.8 million last year. This reduction can also be attributed to the decision to reduce short term deposits to repay £28.4 million of its PWLB debt. This has resulted in short term deposits now totalling £42.6 million at 31 March 2010.
52. Borrowing rates are also low and, as indicated previously, the council opted to repay a proportion of its PWLB debt. The effect of both of these factors is that that interest payable for 2009/10 was £23.8 million, which represents a reduction of £4.8 million from the previous year's figure of £28.6 million. The level of borrowing at year-end therefore is well within both the authorised limit and the operational boundary prudential indicators. Furthermore, the level of exposure to variable interest rate debt is also within the approved limit whilst long-term debt maturity profile is also within the 15 per cent target for any given year with the exception of debt maturing in 2048/49 which is slightly higher. Future debt re-scheduling is expected to rectify this anomaly.
53. The council anticipates borrowing an additional £95.6 million in 2010/11 in order to help fund the capital programme as agreed in January 2010 and finance debt restructuring of £53.0 million. Borrowing in the early part of 2010/11 is forecast to be most cost effective (i.e. lower interest rates). Any funds obtained prior to need should be invested prudently and in line with the agreed treasury management practices. The option to reschedule existing debt may also be considered as recent changes introduced by the PWLB makes this more cost effective than in the recent past.

## Financial planning

54. In accordance with the concordat with the Scottish Government, the council again froze council tax levels in 2010/11. As reported last year, the council recognises that against the background of constrained public finances and an increased demand for its services, the anticipated reductions in government grant funding present significant budgetary uncertainties. The regular briefings given to members during the year on the financial challenges facing Renfrewshire Council have reflected members' wishes to remain committed to the values and strategic objectives agreed in the Council Plan and Community Plan. There is however a clear recognition of the need to match priorities with available resources.

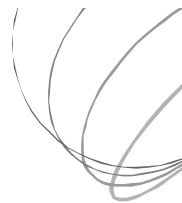


55. The level of grant settlement for the council is dependant on the spending levels set by the UK government to rebalance the public sector finances and the consequential action taken by the Scottish government. Furthermore, inflationary pressures, including the level of future pay awards, coupled with pressures on demand led services could leave the council with a projected funding gap of between £75 million and £90 million over the three year period 2011/12 to 2013/14.
56. In light of this projected gap in funding, the council is progressing the following key actions:
- departmental reviews have identified further savings in 2010/11
  - a series of corporate and service reviews is underway to reassess how budget savings can be made through such steps as, better organisation, alternative delivery vehicles, increased charges and lower but acceptable levels of service
  - continued work on preparing the business case for the Transforming Renfrewshire project which is being designed to generate savings in asset management, procurement and customer management
  - work is ongoing to support the next stage of implementing the council workforce strategy, including the management of vacancies and staff numbers.
57. During 2009/10, the council started to manage down its workforce. By March 2010, the council had completed the release of 305 permanent employees on voluntary early retirement and voluntary redundancy terms. In order to align its workforce to the new models of service delivery, etc, the council has announced that savings equivalent to the reduction of 700 full time equivalent (non teaching) posts is necessary by 31 March 2011. Further reductions in staff may be required and the council recognises that the affordability of current VER/VR terms will need to be carefully considered. The UK government announced the results of the Comprehensive Spending Review (CSR) on 20 October 2010. The impact of the CSR is still to be considered by the Scottish Government and grant funding levels for individual councils are still to be agreed. Renfrewshire Council however believes that its current financial planning assumptions are consistent with the CSR announcement.
58. After taking account of service redesigns as a result of initiatives like Transforming Renfrewshire and the Clyde Valley review, it is essential that future council budgets are balanced in such a way that protects as far as possible the quality of services provided to the public.

#### **Key issue/risk 1**

### **Asset management**

59. Effective management of council assets helps the council achieve its objectives and get best value from its investment in property and other assets. In 2009, we published *Asset Management in Councils*. Our study found that strategic asset management was not well developed in most councils.

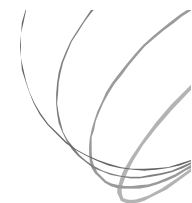


For Scottish councils as a whole, over a quarter of all properties were in poor condition and slightly less than that were not suitable for the services being delivered from them.

60. In 2008/09, we reported that asset strategies for each of the categories of asset held by the council have not been formally approved. In March 2010, the council approved its Corporate Asset Management Strategy. This is high level document which sets the overall framework for strategies in the management of all council assets however development of formal strategies for each category of council asset remains ongoing. All current asset information is managed in an interim access database and a funding has been earmarked to purchase a Corporate Asset Management Information System during 2010, which may result in shared service procurement. Asset management performance indicators are reviewed regularly by both departmental and corporate management and there is benchmarking in place to learn from best practice experience.
61. The council has completed asset condition, utilisation, and suitability assessments for all public buildings, and has commenced a programme of condition surveys for approximately 180 operational assets that will inform the council's backlog maintenance and aid the prioritisation of future investment requirements.
62. Housing condition surveys are currently in the final stages (as at August 2010, almost 87 per cent of internal survey work had been completed and 100 per cent externally). The council has around 13,000 dwellings and information from these surveys is being used to inform and update assumptions in the council's Standard Delivery plan which based investment levels on the cloned data in relation to the council's housing stock. It is understood that survey findings to date do not significantly challenge assumed investment levels although there is an indication that some additional levels regarding heating and re-wiring are required.
63. At a strategic level, the council is seeking to establish a more robust Corporate Landlord function that will reinforce the position that all land and building assets should be regarded as a corporate resource. This will lead to some property budgets and portfolios being integrated to develop a centralised property function.
64. We reported in our 2008/09 report that the council had not yet implemented a Gateway Review framework for project management. This has now been done and in June 2010 the Gateway Review process was utilised for the Building Better Communities programme (part of the community infrastructure programme).

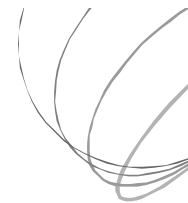
## Procurement

65. As reported in previous years the council recognises that procurement is an area where there is scope to realise savings and efficiencies.



66. The Public Procurement Reform Programme was set up following the McClelland review of Procurement in 2006. The programme aimed to drive continuous improvement in public sector procurement and to deliver value for money and increased efficiency through improved structures, capability and processes. In January 2009, the Scottish Government promoted the use of a single Procurement Capability Assessment (PCA) to assess procurement performance in public sector bodies and as a basis for the sharing of best practice and continuous improvement across the public sector in Scotland. The assessments were coordinated and conducted by the relevant Centre of Expertise, which for local government is Scotland Excel.
67. Results are summarised as non-conformance, conformance, improved performance and superior performance. All councils have been assessed by Scotland Excel and most scored as non-conformant. This means that councils are not achieving best value across their procurement activities in the following areas:
- Procurement leadership and governance
  - Procurement strategy and objectives
  - Sourcing strategies and collaborative procurement
  - Specification of goods and services
  - Contract and supplier management
  - Key purchasing processes and systems
  - People
  - Performance measurement
68. The initial PCA assessment for Renfrewshire Council was carried out in September 2009. The council's classification was one of non conformance. This assessment suggests that at that time the council could have been challenged over the lack of visibility and control over procurement matters.
69. Following this assessment, the council redesigned its Procurement Reform Policy to address the issues highlighted, with particular emphasis on organisational and governance matters. This work, coupled with separate initiatives on benefit tracking methodologies, has resulted in significant improvements in performance. At the council's invitation, a second interim PCA assessment was carried out in May 2010. This review concluded that procurement performance had improved substantially with the council's overall assessment now being at the top end of conformance. Significant improvements were recognised across most assessed criteria and the council consider that its new aim to achieve improved performance by December 2010 is within reach. Management information suggests that the council is now achieving savings of 3.7 per cent of tendered procurement spend against a 3 per cent target.
70. Further work currently being undertaken by the council to rationalise the number of order systems and other organisational issues should help to further improve this performance. We will continue to monitor the council's procurement performance and report accordingly.

**Key issue/risk 3**



## Transforming Renfrewshire

71. As reported last year, a key component of Renfrewshire Council's response to the financial challenges facing the public sector is the Transforming Renfrewshire programme. Following an exercise to better understand the preferences of people who use services etc, the programme is designed to focus on how council services could be provided through more modern and faster techniques. In June 2010, the council approved the final business case for the Transforming Renfrewshire programme. This business case recognised that improvements would be achieved through projects in four key workstreams, namely:
- Customer management
  - Information management
  - Asset management
  - Procurement.
72. It is intended that the programme will deliver recurring annual savings of around £10 million by 2013/14 with the possibility of one off capital receipts amounting to £5 million. Good progress has been made in implementing the Transforming Renfrewshire programme with regular updates on progress against each of the workstreams being made to members. It is important that the council continues to maintain the momentum that exists behind this programme and pays due regard to more extensive sharing of services between councils as promoted by the Arbuthnott review. It will also be important that proper benefits tracking mechanisms are created to accurately measure claimed savings and efficiencies.

### Key issue/risk 2

## Payments to Scottish Water

73. Councils across Scotland are required to bill and collect water and sewerage charges on behalf of Scottish Water. The system governing how this is done is based on the provisions of a Scottish Statutory Instrument which takes account of council tax collection rates and is significantly influenced by levels of council tax benefit claimants. As a result, most councils pay over to Scottish water sums in excess of those collected. Determining the exact amount in excess of the sum collected is problematic for most councils however as Renfrewshire Council has the software to separate council tax and water charges from bill payer accounts a more accurate estimate of overpayments to Scottish Water can be made. During 2009/10, the council paid an additional £0.7 million to Scottish Water over the amount collected on their behalf. Cumulative overpayments to Scottish Water total £4.2 million dating back to council re-organisation in 1996. We understand that the Scottish Government is committed to review the current arrangements.



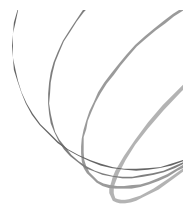
## Managing people

74. The council agreed a workforce strategy in June 2009 to support its plans for voluntary early retirements and the reconfiguration of departments. Later that year it also adopted a workforce plan to plan how to flexibly align its workforce in terms of skills and deployment to meet service demand and public expectations. As referred to at paragraph 57, the council has undertaken a programme of VER/VR which resulted in 305 early retirees. The council has also announced that by March 2011, savings equivalent to around a further 700 posts may be required to address expected pressures on council finances and the impact of the Transforming Renfrewshire Programme and other efficiency initiatives. This would represent a drop 10.5 per cent in staffing levels over the past two years.
75. The council's plans indicate that the early action on job releases, vacancy management, recruitment restrictions, etc have enabled the council to act promptly to manage down the size of its permanent workforce. These changes will however create increased pressures on staff. Care will be required to manage change of this scale and all staff will need to be properly supported through continuous professional development and good staff appraisal systems. The workforce strategy recognises the importance of these issues and services are expected to give them priority.
76. The council implemented a revised pay and grading structure in 2006 and a new terms and conditions package was introduced in autumn 2009. To date there have been 720 equal pay cases against the council. As at September 2010, 49 of these cases had been settled and 8 cases had been dismissed by employment tribunal (663 live cases remaining). Suitable provision has been made in the council's annual accounts in respect of these cases, including a new provision to reflect recent tribunal decisions.
77. Due to the inability of councils across Scotland to reach an agreed pay settlement for 2010 with staff, a 0.65 per cent pay award has been imposed but not yet implemented. The imposition of pay settlements may create tensions with employees and the council is aware of and managing this risk.

## ICT

78. The council is maintaining the good progress in establishing a sound information management environment and new systems will be implemented to improve data storage and sharing between systems. The development of an Information Asset Register (IAR) has become part of the Information Management work-stream under the Transforming Renfrewshire (TR) Programme and is scheduled for completion in March 2011. Developing a system of electronic documents and record management and a revised specification to improve the council's telephony requirements is also underway.
79. Renfrewshire Council remains fully committed to another joint Improvement Service project - the Customer Service Professional Qualification. Developed by Scottish local government and led by





Renfrewshire Council and the Improvement Service, this is the only local government-led online qualification certificated by the Scottish Qualifications Authority (SQA).

80. ICT developments are key to the council's modernisation agenda and care will be required to ensure that sufficient access to the required levels of expertise is maintained in the immediate future.

## **Data handling and security**

81. Data handling and security continues to receive public and media attention as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions and other government departments. Information security is now a service delivery issue where a significant failure of controls could lead to loss of stakeholder confidence and opt out from services. Other consequences could be higher compliance costs due to enforcement action, withdrawal of third party services such as payment card processing and legal fees relating to civil and criminal litigation.
82. The council's Information Security Group is currently reviewing the council policy on information security with the aim of this improving the security of data for the public. The council has agreed to establish a single governance structure to oversee information management across the council. The proposed Information Management and Governance Group is planned to be established by December 2010. Further work being carried out to progress the council's information management plans include:
  - the development of an IAR will incorporate a full list of data sharing arrangements. The IAR will record and monitor information reuse and sharing arrangements
  - a security awareness component is included in the council's new online corporate induction training course. This e-learning course went live at the end of June 2010.

## **Shared services**

83. The council has a number of areas of existing shared services operations including its lead council role for Scotland Excel, providing a shared Civil Contingencies Unit and the collection of Non Domestic Rates on behalf of East Renfrewshire Council.
84. There are eight councils (including Renfrewshire Council) forming the Clyde Valley Community Planning Partnership (CVPP) commissioned Sir John Arbuthnott to undertake a review of joint working and shared services. The review identified ten areas or work streams where it was felt there was scope for joint working and shared services. A phase 1 programme was agreed in January 2010 and this prioritised seven of the work streams, as indicated in Exhibit 4.



## Exhibit 4

### Shared services work stream leads

Works Stream	Lead Council
Integrated waste management	North Lanarkshire Council
Integrated health and social care	Renfrewshire Council
Social transport and fleet management	Glasgow City Council
Property sharing and management in hubs	South Lanarkshire Council
Joint approach to support services	East Renfrewshire and Inverclyde Councils
Common charging framework	East Dunbartonshire Council
Joint economic strategy	West Dunbartonshire Council

85. The programme is managed and monitored by Leaders and Chief Executives of the CVPP and each work stream has an agreed project remit and plan and is supported by a task group from across the constituent authorities. Each project has an outcome or output target of March 2011, at latest. Four of the work streams (waste management, social transport, support services and health and social care) are preparing outline business cases for submission to the CVPP on 26 November 2010. Target savings are 10-20 per cent in each service area.

## Outlook

86. The country is in a period of reduced economic growth with significant implications for public finances. This has significant implications for the council as overall resources are likely to reduce against a backdrop of increasing demand for services.
87. In 2010/11 the council received an increase in funding from the Scottish Government of £1.7 million (on a like for like basis) and a further £2.4 million which was conditional on a further council tax freeze. The 2010/11 budget has been adjusted to reflect the continuing cost pressures on the current level of service, particularly in relation to Social Work related services which experienced an overspend in 2009/10 due to demand led pressures. These pressures have been offset in part by the savings released as a result of the council's recent VR/VER exercise. The 2010/11 budget makes no provision for non-payroll inflation which should create savings estimated at £3.5 million. Further planned savings are estimated at £6.0 million.
88. In a report to council in June 2010, the Director of Finance and Corporate Services highlighted the implications for council budgets in 2011/12 of the public sector spending reductions implemented by the incoming UK government. In order to prepare for the impact to budgets, further savings of £4.3 million have been identified during 2010/11 to carry forward into 2011/12. The council recognises that the adjusted budget position will require careful monitoring throughout the remainder of 2010/11 with regards to any risk or demand led pressures that may yet emerge.



# Governance and accountability

## Introduction

89. Corporate governance is about direction and control of organisations. Councils are large complex organisations and so good governance is critically important. The assurance and improvement plan assessed the council as having no significant risks in this area.

## Scrutiny

90. Members have a significant role in scrutinising performance, holding management to account and supporting the modernisation agenda. This is particularly important over the coming years when tough choices will be required over the level and structure of council services. Informed choices can only be made if members scrutinise rigorously their organisations' risks, financial management and performance.

91. Renfrewshire Council members lead policy boards which have specific remits and are responsible for developing council policies and programmes, as well as monitoring performance and outcomes. In our opinion, the council's officers provide members with good support and help the council to operate effectively. The council's Scrutiny and Petitions Policy Board acts as an Audit Committee and considers reports from both external and internal audit. It also scrutinises a range of policy outcomes and receives reports on risk management, IT security and anti-fraud reporting. The board also has a wider role in terms of promoting, monitoring and developing continuous improvement. The board is generally well attended and contributions from all members are largely non political in overall terms. Its remit and working practices are in accordance with the good practice principles.

## Roles and relationships

92. The tensions associated with the forthcoming period of financial constraint are likely to create a challenge for members. We believe however that in general, relationships between members and officers are good and businesslike. Given the key role that political parties have in local democracy, we expect that the council will continue to make difficult strategic decisions while maintaining meaningful scrutiny arrangements. To help aid this, the continuous professional development of members is important. Personal development plans are in place for all members and the council has introduced a system of feedback questionnaires which are reviewed alongside a six monthly review of training. Feedback from members has suggested that more use could be made of tailored presentations and council officers should explore the scope for this. A recent Audit Scotland report *Role and working relationships: are you getting it right?* ([www.audit-scotland.gov.uk/docs/best\\_value/2010/bvrm\\_100826\\_councillors\\_officers.pdf](http://www.audit-scotland.gov.uk/docs/best_value/2010/bvrm_100826_councillors_officers.pdf)) includes a tool for councillors and officers to assess their relationships.



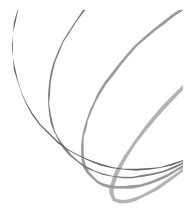
93. As reported in previous years, the council has devised arrangements around an interparty protocol which provides sound guidelines on how multi-member ward issues should be handled. We are aware that members within individual wards have devised their own local arrangements for interaction with constituents and all arrangements are subject to the overriding right of the public to contact any ward member on any issue.
94. Since our 2008/09 report, The Standards Commission for Scotland has issued annual reports for 2008/09 and 2009/10. Complaints against members of Renfrewshire Council totalled six and five for each year respectively. In all but one case, complaints were not upheld, not pursued or ruled not competent. In the remaining case, a complaint was upheld and the member who was the subject of the complaint was censured. The substance of the complaint related to the failure to declare an interest and all members were subsequently reminded of their responsibilities in this regard. The council plans to provide further training for members on the provisions of a revised Code of Conduct for Members as part of the ongoing programme of member training.

## Council structure

95. Since the council's best value review in 2006, it has kept its management structure under constant review to identify opportunities to reduce costs while maintaining the council's capacity to provide good quality services to the public. During the year the council merged its finance and corporate services functions to create opportunities for smarter working and to generate efficiencies. This merger reduces the number of directors from seven to six.

## Partnership working

96. Renfrewshire Council continues to demonstrate good partnership arrangements and a commitment to partnership working. Community planning structures are well developed at council and local levels with appropriate political, official and community representation.
97. Key priorities for the council are aligned to the national priorities of the Scottish Government. The community plan is the keystone of the council's strategic planning framework and the single outcome agreement (SOA) is supported by all partners. The SOA is viewed as a stepping stone to deliver the priorities set out in the Community Plan. Renfrewshire Community Planning Partnership working groups are now well established and these are also aligned to the five national priorities of the Scottish Government (Wealthier and Fairer; Smarter; Healthier; Safer and Stronger; Greener). Additionally there are two demographic based partnership groups relating to Children's Services and Adult Protection and one further group, the Alcohol and Drugs Partnership.
98. We reported last year that action plans had been developed for each of the thematic partnership working groups and it was intended that regular reports on action plans would be submitted to the



Community Plan Executive Group and Leadership Group. We can confirm that robust monitoring arrangements are now in place to ensure that progress is scrutinised and challenged.

99. The council is a key partner in Renfrewshire Community Health Partnership (CHP). In addition to shared accommodation for the CHP management offices which provide an opportunity for staff to work closely to provide better services, the recently completed construction of the new Renfrew Health and Social Work centre brings health and social work services together under one roof. The council is involved in a large number of joint initiatives and partnership working is a key strength in many services.

## Community engagement

100. Renfrewshire Council's local area committees (LAC) structure was established to consult and report to local residents. The annual community planning conference is generally well received and conference reports are considered for discussion in council departments and partner organisations. The council makes use of a wide range of consultation approaches including Public Services Panel, opinion meters, online polling, and consultation through a service review process to inform policy setting.
101. A wide range of consultation activities have also taken place to obtain as many views as possible on what the council's priorities should be. The council has made the effort to consult the public on how it should react to financial pressures with its public consultation "Difficult choices for difficult times" where it asks for public responses on how to meet the anticipated funding gap of between £75 million and £90 million over the three years from 2011/12 to 2013/14. Members of the Public Services Panel were also asked for their views at the same time as local business, voluntary groups and the LAC. The results of the consultation are currently being collated and will be used to inform the budget setting process.

## Public performance reporting

102. Renfrewshire Council has a well-developed approach to public performance reporting (PPR). As well as PPR being undertaken at a service specific level, a summary of the performance of the council's services is provided within the Renfrewshire Magazine, which is published 3 times a year. The council's annual report is also published within the magazine and all of this information is posted on the council's website.
103. In light of the Single Outcome Agreement, Community Plan 2008-2017 and Council Plan 2008-2012, performance is now reported against each of the five common themes which the council shares with its community planning partners: Safer and Stronger, Wealthier and Fairer, Smarter, Healthier and Greener, rather than by service/ department.



104. A performance section 'Renfrewshire Council Performs' has been developed on the council's website to report performance on a number of indicators for each of the key themes detailed in the Council Plan. This includes both local and statutory performance indicators.

## Outlook

105. Governance and accountability issues are likely to be prominent as the council's operating environment and economic position becomes more difficult and the development of working in partnership with others increases. In 2010/11, we expect to see further developments in clarifying accountability, governance and public performance reporting.



# Performance management and improvement

## Introduction

106. We believe that an effective council has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high quality services and effective outcomes for local people. The vision should be backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery. An effective council has a performance management culture which is embedded throughout the organisation. The assurance and improvement plan concluded that the council did not have any significant weaknesses in this area. This section provides a high level overview of performance management in Renfrewshire Council.

## Vision and strategic direction

107. The council has a clear vision and strategic direction. Service planning is well managed and maintains clear links to the council's vision. The senior management of the council has a strong corporate view of priorities and strong leadership by the Chief Executive Officer is evident. At both corporate and service level there is a proactive management culture and commitment to high standards.

## Performance management

108. The Renfrewshire Single Outcome Agreement (SOA) 2009-2011 was approved by the Scottish Government and the Renfrewshire Community Planning Partnership. This SOA maps the 15 national outcomes to the 21 local ones and outlines the various indicators against each of these. Performance against these indicators is recorded on the council's covalent performance management system, with interim and final progress reports submitted to the Leadership Board in March and September 2010 respectively.

109. In addition to this the council has developed the Council Plan Scorecard Plus which incorporates around 180 indicators. These include the 25 pre-defined Statutory Performance Indicators (SPIs) which were required by the 2008 Audit Scotland direction as well 61 indicators from the CMT Council Plan scorecard. A workshop involving departmental managers and internal audit was used to develop other local indicators (approved by CMT and leadership Board in March 2009) which are also incorporated into the Council Plan Scorecard Plus. The Covalent system is also used to monitor progress of these indicators.

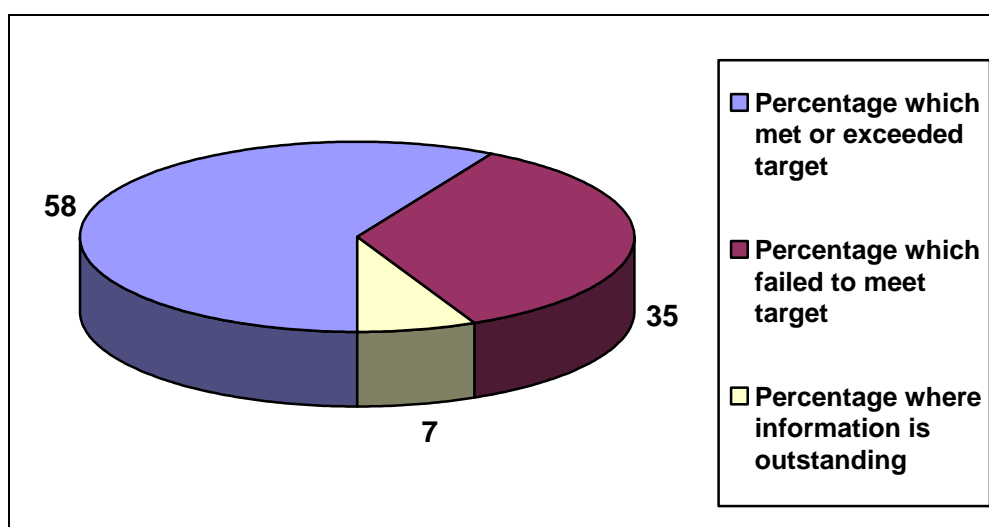


## Overview of SOA performance in 2009/10

110. The chart below (Exhibit 5) summarises progress against the SOA targets as per the report to the Leadership Board in September 2010.

### Exhibit 5

#### Achievement of Renfrewshire SOA targets 2009/10



111. The overall percentage of indicators which are meeting or exceeding their target (58 per cent) has improved from the position in 2008/09 where the figure was only 50 per cent. Of those indicators which are failing to meet their target, 17.5 per cent were slightly below target with the remaining 17.5 per cent judged to be significantly below target. Five indicators give rise to specific concerns, namely:

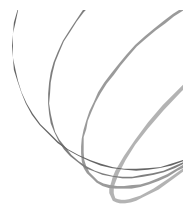
- Percentage of 18-29 year olds whose highest qualifications was below SCQF.
- Total number of weeks of respite care provided.
- Percentage of care leavers under 19 participating in employment, training or education.
- Number of affordable housing completions.
- Reduction in carbon emissions in council buildings.

The Leadership Board has been informed of the remedial actions aimed at improving all indicators which were significantly below the target.

112. The indicators with outstanding information are expected to be known before the end of the financial year. The council should ensure that all outstanding information is obtained and performance for these indicators is reported appropriately.

113. The third iteration of the Renfrewshire SOA will be developed over the period to June 2011 by the community planning partners. This exercise will involve reviewing indicators and (more significantly)





their associated targets in light of ongoing factors such as the current economic climate and the upcoming public sector expenditure reductions. This should ensure that going forward targets remain meaningful and challenging.

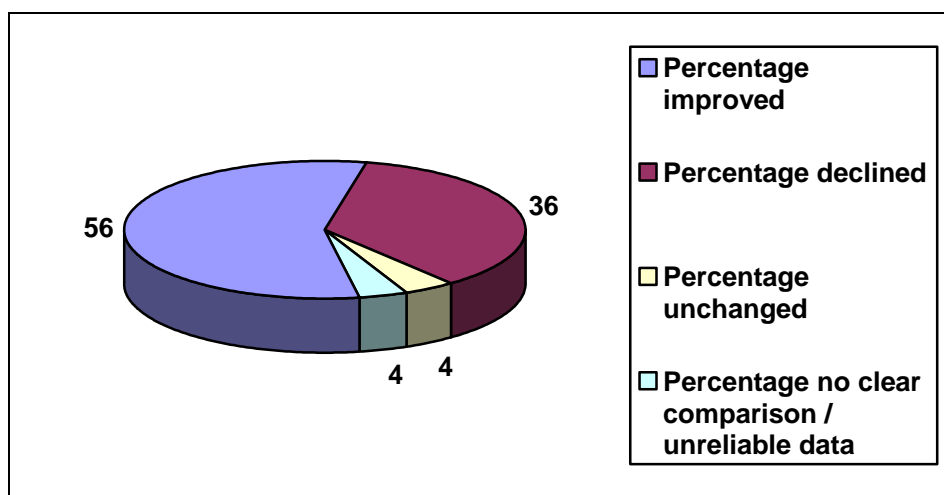
## **Overview of performance indicators**

114. The Accounts Commission has significantly reduced the range of statutory performance information (SPI) that all councils must report. This reflects the developing scrutiny arrangements, single outcome agreements and proposals for the next stage of the Best Value audit regime.
115. In response to the new performance reporting requirements, the council has developed a Council Plan Scorecard Plus which is an expansion of the CMT Council Plan Scorecard and includes indicators covering corporate objectives, pre-defined SPIs and Best Value (see paragraph 109). Arrangements have been established to monitor, report and review the indicators and to obtain the qualitative information.
116. From earlier discussions with officers, we are aware that a progress report regarding the Council Plan Scorecard Plus (which incorporated the local performance indicators) will be submitted to the Scrutiny and Petitions Board at a later date. Although this report has yet to be submitted, because the comparative rankings with other councils are not yet available, we have been provided with a year-end report which details the performance of all indicators as per the covalent system. From a review of the report provided we noted the following in relation to local performance indicators: The tonnage of biodegradable waste which was disposed of in landfill sites in 2009/10 is well within the target and significantly less than 2008/09; total running costs for operational assets per square metre meets the target and is an improvement on the position from 2007/08 (2008/09 data is not available); the amount of investment levered in the area is considerably less than the target for the second consecutive year largely due to the wider economic environment.
117. As mentioned in paragraph 104, a performance section on the council's website reports on a number of the key indicators including data on all 25 SPIs.
118. Exhibit 6 below summarises the performance in 2009/10 against each of these SPIs. Due to the sub division of performance within some SPIs the total number of indicators commented below is 45 rather than the top level 25 contained within the SPI Direction. Our testing this year identified problems with the completeness of the SPI on the number of council buildings which are compliant with the Disability Discrimination Act (DDA). The supporting information behind this indicator is therefore unreliable at this time. The council is committed to provide more robust data for SPI analysis next year.



## Exhibit 6

### Improvements demonstrated by SPIs (Total 45 indicators)



119. One indicator where performance had declined was sickness absence in relation to teachers (from 6.6 days lost per employee in 2008/09 to 8.7 days in 2009/10). Conversely however, the figure for other local government employees improved slightly (from 12.9 to 12.6 days) although overall remains higher than the teachers figure. The council recognises that staff absence levels is an issue which merits continued management action.

120. Also worth noting is the indicator measuring the percentage of the housing stock meeting the Scottish Housing Quality Standards (SHQS). This indicator was assessed as unreliable in 2008/09 with a figure of 3.6 per cent. A full stock condition survey was carried out during 2009/10 and the results from this were used to return a figure this year of 0.6 per cent. Supporting papers for this indicator were reviewed and found to be satisfactory.

## Public Service Improvement Framework

121. Renfrewshire Council also recognised the need to adopt robust self-assessment systems to monitor progress and performance in order to drive improvement and as such introduced the Public Service Improvement Framework (PSIF). Further to an initial pilot in five service areas, the full implementation plan for extending PSIF to all services was approved by the Leadership Board in March 2010. PSIF requires services to assess their performance against a number of set criteria, identify gaps and areas for development and focus on the issues that require to be addressed. PSIF is currently being phased in across the council with plans for 30 services to undertake the self assessment.



## Progress against audit risks identified in the AIP

122. This report includes any significant findings that have arisen from our review of the management of strategic risks contained within the AIP which was issued in July 2010. The AIP contains audit and scrutiny risk assessments prepared by a local area network with membership drawn from representatives of the major audit and scrutiny bodies, with direct experience and knowledge of Renfrewshire Council. The overall assessment of risk for Renfrewshire Council is one of no significant risks. Overall, the council demonstrated a good awareness of its risks and the planned scrutiny activity is currently assessed as low. The assessment however, did identify two areas of uncertainty relating to housing management and asset management. An updated position on asset management is reported in paragraphs 59-64.
123. **Housing management:** Concern was expressed in the AIP over the uncertainty of how successful the council's approach to ensuring improvements in aspects of housing management (e.g. rent arrears, and HRA costs) will be. The AIP also recognised the challenge the council faces to ensure its housing stock meets the 2015 Scottish Housing Quality Standard. The council has informed us that the development of a long term business plan for the HRA has established an integrated mechanism to monitor progress on key efficiency targets and investment levels. In addition, the council has recently embarked upon a review of housing management systems, including rent collection and voids, which together with elements of the council's transformation agenda will identify opportunities for efficiencies.
124. As reported in paragraph 62 the council has made good progress in relation to establishing robust information on the condition of its housing stock. In light of this, information the council has approved a financial package and a 5 year investment programme to enable the SHQS to be met by 2015. A large proportion its investment programme, in the region of £60 million, has already been procured and a four year partnering framework has been established for the internal investment programme.
125. The success of the council's various strategies in this area will be subjected to regular monitoring.

## Equality and diversity

126. Renfrewshire Council is aiming to ensure that all of its activities comply with best practice in the field of equality and diversity. In 2009, the council approved a corporate equalities framework and it has a three year programme of equality impact assessments. The council has been proactive in ensuring that all parts of the 2010 Equality Act are complied with as they are brought into force. A programme of Equality Impact Assessments is continuing to be delivered and initiatives such as Equality Awareness weeks staged by the council will help reinforce best practice to council staff.



## Risk management

127. 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.
128. Renfrewshire Council has an established risk management strategy in place and risk management arrangements are robust and form an integral part of the council's planning and decision making processes. Recent developments in this area include risk management training sessions for members, continuing progress of the Strategic Risk Management Action Plan in line with agreed timescales as well as the ongoing process to update and review the Corporate Risk Register to reflect emerging risks involving quarterly meetings of the Corporate Risk Management Group. Our view that the council has a good level of risk management is supported by the findings from a follow-up review by risk management consultants Gallagher Basset in 2009.

## Outlook

129. We have already mentioned the importance of developing the performance management aspects of the SOA. The long term and complex nature of many of the outcome targets pose many challenges for performance management. 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 Renfrewshire have in place to monitor progress and take remedial action.
130. The Accounts Commission approved a new approach to best value in July 2010, details of which can be found at [www.audit-scotland.gov.uk/work/scrutiny/index.php](http://www.audit-scotland.gov.uk/work/scrutiny/index.php). This year's risk assessment on the council indicates that timing of Renfrewshire's best value audit is not imminent and there are currently no plans for any best value work in Renfrewshire over the next three years. The AIP however does include some scrutiny activity by other scrutiny bodies over the next three years. Risks and uncertainties identified through this year's review will be followed up. The scope of scrutiny generally however will, in the first instance, be informed by the results of self evaluation exercises.



# Appendix A

## External audit reports and audit opinions issued for 2009/10

<b>Title of report or opinion</b>	<b>Date of issue</b>	<b>Date presented to Scrutiny &amp; Petitions Board</b>
Annual Audit Plan 2009/10	29/1/10	8/3/10
Annual Overview of Internal Audit	29/1/10	8/3/10
Assurance and Improvement Plan (Issued by the Local Area Network)	1/7/10	1/7/10
Annual Overview of Internal Financial Control	4/6/10	Letter to Director of Finance and IT
Opening IFRS Balance Sheet Review	26/7/10	Report to Director of Finance and Corporate Services
Report on Financial Statements to those charged with governance	21/9/10	28/9/10
Audit opinion on 2009/10 financial statements	28/9/10	25/10/10



# Appendix B: Action plan

## Key Issues/Risks and Planned Management Action (in order of priority)

Issue/ Risk ref	Page/ Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	17/58	<p><b>Financial Pressures</b></p> <p>The council has taken a number of steps to anticipate future likely financial pressures. Care will be required to ensure future budgets are balanced whilst protecting the quality of services.</p> <p><b>Issue/Risk</b></p> <p>Any failure to plan service provision to available resources is likely to affect the continuity and quality of departmental programmes.</p>	<p>The council has well developed financial planning and monitoring arrangements in place which are integral to the service planning process. The council is undertaking a range of corporate and service reviews which aim to reduce the costs of service provision, whilst where possible mitigating the impact on service provision.</p>	<p>Director of Finance and Corporate Services</p>	<p>February 2011</p>
2	20/72	<p><b>Transforming Renfrewshire</b></p> <p>The council has developed its Transforming Renfrewshire programme to produce a number of initiatives to improve and/or make more efficient services to the public.</p> <p><b>Issue/Risks</b></p> <p>It is intended that recurring annual savings of circa £10 million are generated through the projects falling within this programme. The council needs to ensure that proper benefit tracking mechanisms exist to demonstrate actual savings made.</p>	<p>The business case for Transforming Renfrewshire was recently approved by the council, and includes well developed project and programme management frameworks including benefit tracking.</p>	<p>Programme Manager</p>	<p>Sept 2011</p>



Issue/ Risk ref	Page/ Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	19/70	<p><b>Procurement</b> The council has taken steps to restructure the manner in which it undertakes procurement in line with best practices.</p> <p><b>Issue/Risk</b> Improvements such as the rationalisation of the number of different ordering systems are required to gain new efficiencies.</p>	<p>The council has a very clear strategic direction for the development of procurement across the council as detailed in the approved procurement strategy. This strategy and the associated action plan will continue to underpin the significant effort and resource which the council continues to invest in developing procurement across the council to support the delivery of significant and sustainable procurement savings as part of the medium term financial plan.</p>	Head of Strategic Procurement	Sept 2011
4	13/42	<p><b>Reserve Levels</b> Unallocated reserves are low at 1.45 per cent of running costs.</p> <p><b>Issue/Risk</b> Low levels of unallocated reserves will inhibit the council's ability to respond to unforeseen events.</p>	<p>The council continues to monitor the financial environment to assess the risks of additional unforeseen costs; balancing such risks against requirements to utilise available resources to finance change programmes that are a pre-requisite for the council to adjust its cost base appropriately as part of its medium term financial planning programme.</p>	Director of Finance and Corporate Services	Ongoing
5	15/46	<p><b>Capital Expenditure Programme</b> The council is planning an increase in capital expenditure in 2010/11 and the near future.</p> <p><b>Issue/Risk</b> Past trends indicate programme slippages and with reduced manpower levels within the council, effective monitoring will be required to ensure the delivery of projects to time and cost.</p>	<p>The capital programme will continue to be closely monitored within the strengthened internal governance arrangements to ensure projects are as far as is possible delivered on time and to budget.</p>	Head of Corporate Finance	Ongoing



<b>Issue/ Risk ref</b>	<b>Page/ Para No</b>	<b>Risk Identified</b>	<b>Planned Management Action</b>	<b>Responsible Officer</b>	<b>Target Date</b>
6	5/14	<b>IFRS Preparation</b> IFRS will be introduced from 2010/11. The council should prepare full shadow IFRS based accounts as soon as is practicable. <b>Issue/Risk</b> Any delay in the preparations for IFRS will adversely affect 2010/11 reporting deadlines.	The council has successfully completed the restatement of the 08/09 balance sheet and continues to prepare for the introduction of IFRS, including the preparation of full shadow accounts, with the support of CIPFA and PWC within agreed timescales.	Head of Corporate Finance	April 2011
7	9/27	<b>OSCR Reporting Requirements</b> OSCR will require councils to revise the financial reporting for charitable funds wef 2010/11. The council need to formalise how it plans to comply with the new arrangements. <b>Issue/Risk</b> Non-compliance with OSCR requirements could lead to adverse audit opinions.	The council has discussed with OSCR the revised reporting requirements for 10/11 and will use the 09/10 return to prepare for full compliance in 10/11. The council will also engage a suitable auditor to allow compliance with OSCR requirements.	Head of Corporate Finance	January 2011