

Renfrewshire Council

Annual report on the 2010/11 audit



Prepared for Members of Renfrewshire Council and the Controller of Audit
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

Scotland's public bodies are facing major spending cuts and must focus on their long term financial sustainability to ensure effective public services in the future, with clear priorities, budgets and workforce plans. Councils have responded to reductions in funding in 2011-12 and are making significant savings, however there is a risk that cost pressures will be greater than expected due to unforeseen events.

Pay restraint and reducing workforces are the most common approaches being taken by public bodies to reduce costs over the next few years. Most councils have already reduced staff numbers through recruitment freezes and voluntary redundancy schemes. The key issues for members include the leadership and governance of public service reform, financial sustainability, and workforce planning to deliver effective public services.

We have given an unqualified opinion on the financial statements of Renfrewshire Council 2010/11. Our audit report however, does refer to the fact that the council's Building Services significant trading operation has failed to break even, on a cumulative basis, over a three year period. The overall three year deficit for the trading operation is £1.658 million which can be attributed to early severance costs totalling £2.491 million incurred during 2010/11.

The council's 2010/11 financial statements are the first to be prepared in accordance with International Financial Reporting Standards and we concluded that the adoption of IFRS has been addressed in an effective and professional manner by the council.

The general fund recorded a net surplus for 2010/11 of £2.508 million which increased the general fund reserve balance to £36.626 million. This balance is made up of earmarked commitments of £30.623 million and an unallocated balance of £6.003 million. Other reserves held for repairs, capital and other purposes total £50.687 million. The balance of unallocated funds held is 1.5 per cent of net revenue expenditure in line with the level considered appropriate by the council in the context of its financial position and ongoing risk profile. The outturn on the General Fund reflects well on the council in light of challenging financial conditions and significant demand led pressure including those experienced as a result of prolonged winter conditions.

During 2010/11, the council delivered a reduced level of spend in its non housing capital expenditure programme of £15.344 million against its original estimate. The estimates have themselves been revised at various points during the year. The reasons for these revisions range from the re-profiling of projects such as Park Mains high school without any slippage in its completion date, deferment of maintenance lifecycle costs for the council's estate and aspects of the transforming Renfrewshire programme. The capital budget was underspent by £5.203 million although this incorporated £1.870 million of project savings. This resulted in slippage in capital spend against the revised estimate of £3.333 million.

The council's internal control environment is generally strong. However, significant control weaknesses have been identified in the management and operation of the Renfrewshire Workforce Plus programme which resulted in a £2.2 million overspend. These weaknesses stem from poor management and supervision, and inadequate financial records and reporting arrangements by council staff. Difficulties have also resulted in two identified instances of non compliance with regulations which the council is taking steps to rectify.

The council is an active participant in the Clyde Valley Review of shared services and is acting as the lead authority in the joint procurement process for residual waste. It is noted that the council has agreed to continue to work with other authorities who remain committed to the shared service principles. The continued development of the business cases to the next stage of development will be required before final decisions are taken in relation to participation in the implementation of the model.

Performance has improved in 2010/11 with 53 per cent of the council's performance indicators showing progress on last year. It is however recognised that the council and its partners have entered one of the most financially challenging periods of recent times with the need to implement significant cost savings. Achieving the necessary reduction in costs in a financially sustainable manner and in a way which protected the deliverability of services has been a significant challenge in 2010/11 which will continue in 2011/12.

Outlook

Looking ahead, it is clear that the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. The high level figures for Scotland that were announced in the UK Comprehensive Spending Review indicate that significant budget reductions will be required in these years. The Audit Scotland Report "Scotland's public finances: responding to challenges" contained a number of key messages for councils to consider given the financial constraints being faced.

The council has been proactive in its preparation for these anticipated reductions and over the past year considered and approved a number of significant budget savings in response to the financial and workforce challenges facing the council. Most significant were plans agreed by the council in November 2010 which detailed budget reductions totalling £21.302 million.

In response to these constraints, the council continues to develop plans which will secure the savings of £75.0 million required to meet the identified estimated funding gap over the period 2011/12 - 2013/14. These include the progression of a range of significant work streams including the transformation programme, a debt smoothing strategy and participation in the Clyde Valley Review with a view to identifying further cost saving measures which will benefit the council.

Introduction

1. This report is the summary of our findings arising from our 2010/11 audit of Renfrewshire Council. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements), conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead focus on the financial statements and any significant findings from our wider review of Renfrewshire Council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management actions and have a mechanism in place to assess progress.
4. This report is addressed to the members and the Controller of Audit and should form a key part of discussions with the Scrutiny and Petitions Board, as soon as possible after the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may be used for the annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and presented to the Local Government and Communities Committee of the Scottish Parliament.
6. The management of the council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, statement on the annual governance statement and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit of the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of Renfrewshire Council for 2010/11 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2011 and of the income and expenditure for the year then ended.
11. Our audit report however, does refer to the fact that the council's Building Services significant trading operation has failed to break even, on a cumulative basis, over a three year period. The overall three year deficit for the trading operation is £1.658 million which can be attributed to early severance costs totalling £2.491 million incurred during 2010/11 which have been incurred as part of a significant programme of re-organisation being taken forward within the operation. The council believes that the underlying operational activities of the trading operation will deliver a surplus next year in line with budgeted estimates although trading results may be affected by additional voluntary retirement costs. Whilst this is a failure to comply with the Local Government in Scotland Act 2003, it does not impact on the fairness of the financial statements or affect the overall opinion on the financial statements.

Legality

12. Through our planned audit work we consider the legality of the council's financial transactions. 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. There are no legality issues arising from our audit which require to be brought to members' attention.

Annual Governance Statement

13. We are satisfied with the disclosures made in the annual governance statement and the adequacy of the process put in place by the council to obtain the necessary assurances. The statement reflects the fact that isolated but significant weaknesses in budget monitoring and procurement processes were identified. These weaknesses did not impact on the financial statements and the council responded swiftly and appropriately to these issues and has action plans in place to secure the necessary improvements. We will monitor the effectiveness of the improvement actions proposed.

Remuneration report

14. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. The disclosures within the 2010/11 financial statements include all eligible remuneration for the relevant council officers and elected members.

Accounting issues

Accounts submission

15. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. A comprehensive working papers package was also available to us by this date. This enabled us to conclude the audit and certify the financial statements by the target date of 30 September 2011. The financial statements are now available for presentation to members and arrangements are being made for their publication.

Presentational and monetary adjustments to the unaudited financial statements

16. The unaudited accounts signed in June have been amended to reflect audit adjustments. The effect of these adjustments is to increase income and expenditure by £0.161 million and £2.243 million respectively. As part of the normal audit process various adjustments were made to the accounts submitted for audit. The more significant adjustments were attributed to underpayment of the Scottish Teachers Pension Scheme (£0.784 million), revised actuarial estimates (£1.342 million), and an adjustment to the match funding available for the Renfrewshire Workforce plus programme (£0.669 million). These were offset by a VAT refund attributable to 2010/11 which was received after the year-end (£0.433 million) and a reduction in the required provision for voluntary severance costs. Net assets as recorded in the balance sheet have decreased by £7.785 million, primarily due to a reduction in the valuation of council houses (paragraph 21 refers). Overall, the General Fund balance increased by £2.508 million. A number of presentational amendments have also been agreed with officers and have been incorporated within the audited accounts to improve the overall standard of disclosure.

Prior year adjustments

17. The 2010/11 financial statements have been prepared in accordance with the 2010 Code which is based on International Financial Reporting Standards (IFRS) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Practice (GAAP). In order to aid the implementation of IFRS, during the year the council prepared shadow accounts on an IFRS basis which allowed accounting issues to be identified and resolved at an early stage. The clear commitment of council staff to address the challenge and the additional work required in a transitional year was apparent and allows us to conclude that the adoption of IFRS has been addressed in an effective and professional manner by the council.
18. This transition required a prior year adjustment to the 2009/10 audited financial statements and the restatement of the 1 April 2009 opening balance sheet position. The main areas that required restatement include the treatment of capital grants, the inclusion of an accrual for employee benefits such as annual leave and the classification of leases. These changes resulted in the net asset position of the council as at 31 March 2010 changing from £479.105 million to £541.778 million; however, the accounting nature of these adjustments means that there has been no change to the usable reserves of the council.
19. A prior year adjustment has been required for the consolidation of Strathclyde Police and Strathclyde Fire and rescue in the group financial statements. In previous years, a number of actuaries for Police and Fire authorities calculated the pensions liability associated with injury benefits on the basis of benefits currently in payment. In 2010/11, they have changed the basis to include an estimate of active scheme members who may be paid benefit in the future. As this is deemed a change in accounting policy it required a prior year adjustment. The council processed this adjustment appropriately and this is reflected in the audited financial statements.

Payments to the Scottish Teachers Pension Scheme

20. Audit work on payments of employer's contributions to the Scottish Teachers Pension Scheme to 31 March 2011 identified an underpayment totalling approximately £0.784 million. The underpayment was attributable to the application of an incorrect rate since April 2009. The council has notified the Scottish Public Pensions Agency of this matter and has subsequently corrected the underpayment. The council should ensure that in future rate revisions are correctly implemented.

Action plan point 6 refers

Council house valuations

21. During the audit, a discrepancy of 121 houses was identified between the number of properties recorded on the council's housing rents system and the number of houses used in the valuation of council dwellings. This difference related to the manner in which houses scheduled for demolition had been recorded and resulted in a reduction of £5.464 million in the overall balance sheet valuation for council houses.

Pension costs

22. Renfrewshire Council is a member of Strathclyde Pension Fund, a multi employer defined benefit scheme. The council's share of net liabilities within the scheme as at 31 March totalled £84.250 million which represents a decrease in liabilities of £168.007 million over the position recorded a year ago. The improvement in the council's liability is attributable to pay freeze agreements and the change from retail price indexation to consumer price indexation in measuring future pension increases. It is important to note that pension scheme valuations are sensitive to stock market movements and as such represent a snapshot picture as at 31 March 2011.

Non Domestic Rates (NDR)

23. Local authorities are required to submit annual returns to the Scottish Government by October each year providing details of NDR transactions. During the 2009/10 annual accounts audit, the council gave a commitment that in future it would complete a draft return in time to reconcile details with the information provided in the annual accounts. Unfortunately, this reconciliation process was not carried out to support information provided in the 2010/11 accounts. This matter has again been discussed with officers.

Whole of government accounts

24. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidated pack to the Scottish Government on 10 August, slightly later than planned submission date of 29 July. The audited return was however certified and submitted to the Scottish Government by the audit deadline of 30 September.

Group financial statements

25. Renfrewshire Council delivers its services through a number of entities; those with which it has a material interest are consolidated within the council's group accounts. The council does not have any subsidiaries. All bodies within the group received unqualified audit opinions from their external auditors in 2010/11 and in accordance with recommended accounting practice, key policies for component bodies have been aligned with the council's. Where there are differences these have been disclosed in the financial statements. The financial effect of consolidating key partners deemed to have an associate relationship with the council or who work with the council as a joint venture is to reduce the net worth of the group to £506.780 million, a reduction of £312.230 million over the council's own results. This reduction is mainly due to the pension fund liabilities of the Strathclyde Joint Police board and the Strathclyde Fire and Rescue Board.

Trust funds

26. Renfrewshire Council administers as sole trustee 74 sundry trusts and endowments, some of which are registered charities. All registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006 which in effect means

that by 2013/14 a full set of financial statements will be required for each registered body. During 2010/11, the council decided to comply with the provisions of the new regulations before the 2013/14 deadline and has arranged for the independent audit of them.

Common good funds

27. Renfrewshire Council acts as sole trustee for the Paisley, Renfrew, and Johnstone Common Good Funds which are all registered charities. These funds are valued collectively at £28.1 million as at 31 March 2011. Under the new regulatory regime outlined above, Renfrewshire Council administers the Common Good Funds and separately accounts for them. They do not form part of the council's single entity balance sheet but are consolidated within the group accounts of the council.
28. Following a systematic review to ensure the completeness of common good assets, the council has assured us that the title deeds of all relevant assets are checked to ensure that they are correctly classified.

Outlook

Carbon reduction commitment

29. Following the comprehensive spending review in October 2010 there were a number of changes to the Carbon Reduction Commitment Energy Efficiency Scheme which had been due for implementation on the 1 April 2011. The requirement to account for and purchase carbon credits was replaced with a flat levy on emissions of £12 per tonne of carbon dioxide. In addition, those incentives previously offered to the most energy efficient organisations through the 'recycling of revenues' have been withdrawn with all charges being retained by the Treasury.
30. The council's Carbon Management Plan has been approved by the General Management and Finance Policy Board and aims to reduce emissions by 25 per cent from 2007/08 levels by 2014. The most recent progress report submitted in August highlighted that a reduction of 10.6 per cent had been achieved against a target of 7.1 per cent. The 2010/11 charge for the council was calculated as £0.375 million (£0.441 million in 2009/10) based on a baseline annual carbon footprint of 31,279 (36,763 in 2009/10). Whilst 2010/11 was a practice year and the charge was not actually incurred, during 2011/12 Renfrewshire Council has budgeted to spend around £300,000 in respect of the scheme.

Audit appointment for 2011/12

31. Audit appointments are made by the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment and we would like to thank officers and members for their assistance during the last five years. The procurement process for the next five years was completed in May 2011. From next year (2011/12) Audit Scotland will again be the appointed auditor for Renfrewshire Council but a different audit team will be in place. We look forward to continuing the good working relationships that exist.

Financial position

32. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
33. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
34. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

35. In 2010/11, Renfrewshire Council spent £526.179 million on the provision of public services, resulting in an accounting surplus of £87.351 million.
36. The budget for 2010/11 was based on Band D council tax of £1,165. The budget did not assume the use of any general fund reserves.

Budgetary control

37. The net service expenditure across the council was £308.411 million, which represents an underspend of £3.114 million against the budgeted deficit of £0.606 million.
38. Of the £3.114 million underspend, underspends included £0.602 million in relation to the long-term funding arrangements for the delivery of the council's Education PPP project; £1.225 million carry forward of resources to support committed projects under the Private Sector Housing and Fairer Scotland Programmes; and £1.1 million carry forward of resources to under the council's approved delegation of resources within schools.
39. The council continues to recognise the need to exercise strong financial controls to manage the financial pressures common to all local authorities. However at the end of the financial year a significant overspend estimated at £2.2 million to June 2011 was identified in relation to the Renfrewshire Workforce Plus programme. As referred to in paragraph 85 the circumstances contributing to the overspend have been subject to a full investigation by the council's internal audit department which identified inadequacies in department's management, supervision and budget monitoring procedures. Action is currently being taken by the council to address the identified weaknesses.

40. As reported to members during the year, an overspend of £0.982 million also occurred on the roads maintenance budget as a result of adverse winter conditions and associated budgetary pressures in road maintenance. In addition, the council incurred one-off severance costs of £22.0 million in 2010/11 relating to the implementation of the ongoing early severance exercise (paragraph 64 refers).
41. A range of offsetting factors, which principally include underspends on financing charges due to the early delivery of benefits from the council's debt smoothing strategy; savings arising on budget utilities spend; and planned underspends as a result of positive management action earlier in the year, have enabled an overall satisfactory outturn position.

Financial position

42. The general fund recorded a net surplus of £2.508 million for 2010/11 increasing the balance to £36.626 million as at the 31 March 2011. This balance is made up of earmarked commitments of £30.623 million which includes £9.313 million of planned reserves to fund the future availability of the educational establishments under the Public Private Partnership (PPP), £9.996 million to support the council's ongoing service modernisation and reform programme, £6.294 million to support the council's waste management strategy, £4.126 million is earmarked for the carry forward of resources to 2011-2012 and £0.594 million has been reserved to fund the council's final contribution to the M74 project. This leaves an unallocated general fund balance of £6.003 million which remains unchanged from 2010/11 and equates to 1.5 per cent of the council's annual running costs. This is in line with the level considered appropriate by the council in the context of its financial position and ongoing risk profile.
43. Exhibit 1 shows the balances in the council's funds at 31 March 2011 compared to the previous year. Funds include capital statutory funds which may be used to defray capital expenditure or repay loan principal, and a repair and renewal fund to finance expenditure incurred in repairing, maintaining, replacing and renewing assets. In 2009/10, the council introduced a Building Better Communities capital fund which represents planned earmarking of funding to support the council's investment programme in schools, leisure and community facilities. Further to contributions of £17.5 million in both 2009/10 and 2010/11 the balance of this fund now stands at £35.0 million. Overall, the council's funds at 31 March 2011 totalled £98.013 million, an increase of £28.860 million on the previous year.

Exhibit 1: Reserves

Description	31 March 2010	31 March 2011
	£ million	£ million
General Fund	34.118	36.626
HRA Balance	7.096	10.700
Capital Receipts	6.968	7.819
Insurance Fund	2.543	2.543
Reservoir Repairs	0.299	0.302
Capital Statutory Funds	18.129	40.023
Total	69.153	98.013

Source: Renfrewshire Council 2010/11 financial statements

44. A suite of financial indicators has been developed in consultation with the CIPFA Directors of Finance working group and 2010/11 data for all local authorities will be reported to that group in due course.

Capital investment and performance

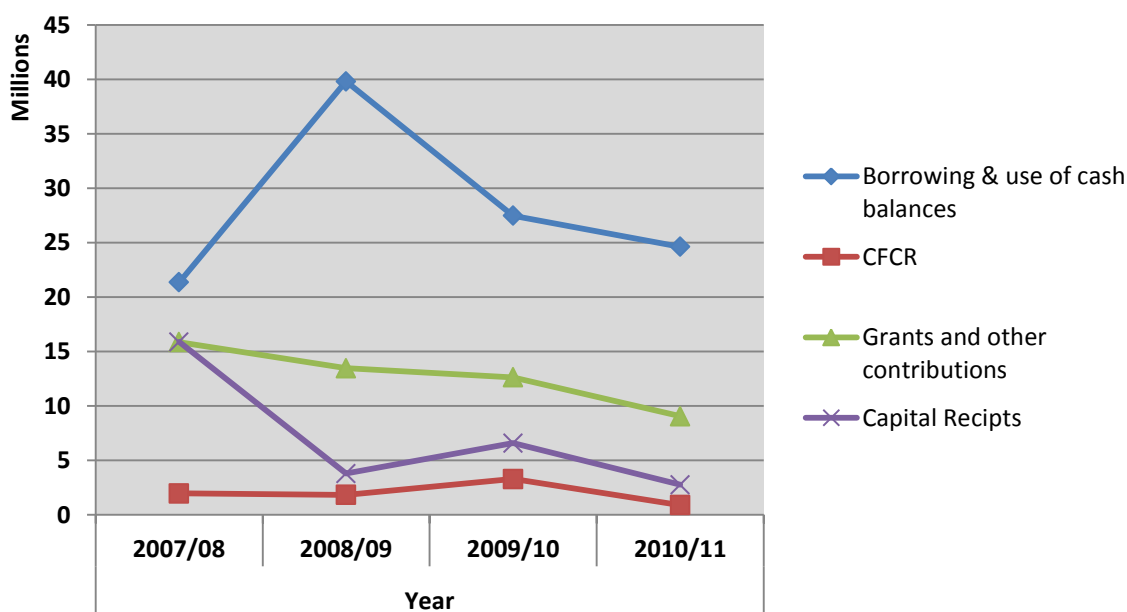
45. The 2010/11 financial statements detail capital expenditure of £37.345 million, split between the housing programme (£13.141 million) and the general services programme (£24.204 million). The housing programme includes areas such as renovations of kitchens and bathrooms, re-wiring, new heating systems and external improvements. The general services programme includes items such as the school estates strategy, the community infrastructure programme and works regarding supported accommodation.
46. The planned capital expenditure for 2010/11 (as agreed at a meeting of the council on 18 January 2010) was originally £39.548 million for general fund services and a further £16.529 million for housing services (total of £56.077 million). Consequently, the overall level of spend achieved by the year end is £18.732 million which represents a 33 per cent reduction over the original estimate. We recognise however that underspends or re-profiling of expenditure does not necessarily imply programme slippage in all cases.
47. The estimates have themselves been revised at various points during the year and were reported as £28.461 million and £14.087 million respectively (total of £42.548 million) in April this year. The reasons for revisions include the re-profiling of projects such as Park Mains high school (no slippage in completion date expected) to revised lifecycle costs for the council's estate and aspects of the transforming Renfrewshire programme. In the housing programme, slippage against a revised estimate was £5.203 million (representing 12 per cent of the annual programme). One of the main contractors for the bathroom and rewiring work went into administration during the year which has caused a significant disruption and delay

although the council believe that that medium term programme for the delivery of the Scottish Quality Housing Standard by 2015 will still be achieved.

Action plan point 4 refers

- 48. Exhibit 2 shows the sources of finance for capital expenditure in 2010/11. The council achieved capital receipts of £2.120 million (£6.580 million in 2009/10). Council house sales of £1.781 million (£2.200 million in 2009/10) represent the majority of these receipts.

Exhibit 2: Sources of finance for capital expenditure 2007/08 - 2010/11



Source: Renfrewshire Council 2010/11

Housing revenue account

- 49. The Housing Revenue Account (HRA) is required by legislation to fund the provision of council housing. In 2010/11 the HRA incurred a surplus on its balance for the year of £3.604 million compared to a budgeted contribution of £1.430 million. This increased the HRA reserve balance to £10.700 million as at 31 March 2011. As part of the 2011/12 agreed budget the council plan a contribution of £0.190 million during 2011/12 to further increase the reserve balance to £10.890 million by 31 March 2012.
- 50. The council has an obligation to bring all of its housing stock up to the Scottish Housing Quality Standard (SHQS) by 2015. The Standard Delivery Plan, which outlines the work and investment required to ensure that the housing stock met the SHQS and how this would be funded, was approved by the council at its meeting held on 21st May 2009. The plan requires rent increases of 4.5 per cent per annum during the period 2010/11 – 2014/15 to generate sufficient income to fund the SHQS capital investment. As such the 2010/11 approved budget was based on a rent increase for council tenants of 4.5 per cent.

51. The annual investment programme of the five year SHQS Investment Plan covering the period to 2014/15 continues to be subject to regular review against the HRA Business Plan and an ongoing assessment of risk prior to expenditure commitments being made.

Treasury management

52. 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.
53. As at 31 March 2011, Renfrewshire Council held cash and short-term Investments totalling £94.4 million (£36.3 million in 2009/10). These funds largely comprise reserves which are earmarked to be used for revenue and capital purposes. The council's level of borrowing is currently well within both the authorised and prudential limits.

Planning to support priority setting and cost reductions

Asset management

54. In 2009/10, we reported that the council had approved its Corporate Asset Management Strategy. This Corporate Asset Management Strategy has however recently been updated to reflect the need to work more creatively and efficiently against a background of public sector reform. The Corporate Asset Management Strategy 2011-2014, which was approved by the General Management and Finance policy board in October 2011, underlines the need to strengthen the council's long term strategic planning and asset stewardship, as well as managing and co-ordinating assets corporately to maximise the benefit to the council. We are also aware that the implementation of CAMIS (the Corporate Asset Management System) has been delayed due to the need to revise the project's specification.
55. In our Report to Members in 2009/10, we highlighted that a programme of condition surveys on non-housing operational assets had commenced. From the review of Transforming Renfrewshire progress reports to the Leadership Board we are informed that this has been completed and the first phase of the property Master Plan has been developed. It was also noted that the rationalisation of the council's property assets has commenced.
56. The council has in place a Standard Delivery Plan (SDP) to ensure that council houses meet the requirements of the Scottish Housing Quality Standards (SHQS). A number of planning assumptions with regard to the SDP required to be revised as a consequence of the stock condition surveys which were completed in April this year. From the most recent SHQS Capital Plan update, the areas identified from the condition surveys as most in need of additional funding were external improvements generally as well as health and safety and external cladding specifically in respect of multi-storey flats. The additional funding required for these types of work is around £1.4 million which will be met within the existing business model.

57. Last year we reported that the council was seeking to establish a more robust Corporate Landlord function. From the review of progress reports regarding Transforming Renfrewshire we are aware that this model has now been developed with the intention to support a more corporate approach to managing the council's core property assets.

Procurement

58. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. So far two rounds of PCA assessment have been completed. In 2010, the council scored 55 per cent which is classed as 'improved performance' and demonstrates significant improvement on the 2009 score of 21 per cent (which is classed as 'non-conformance'). This improvement represents the largest move of any of the Scottish authorities and to date Renfrewshire is one of only three councils to achieve the "improved performance" category.
59. This improvement reflects actions taken at the council which demonstrates its commitment to taking forward the principles of the McClelland review within the Corporate Procurement Unit (CPU), the Corporate Management Team (CMT) and elected members. The arrangements in place at the council ensures that the Head of Strategic Procurement now has appropriate control over almost all procurement spend (improving accountability) and a corporate procurement strategy is in place which is sufficiently detailed and to which progress is reported regularly to the CMT.
60. The council intends to improve upon its current level of performance and has identified three areas from the last PCA requiring the greatest focus. These are Defining the Supply Need; Contract and Supply Management; and Performance Measurement. The council has in place a project plan which contains a number of initiatives designed to take forward the council's score across the board as well in the three areas identified previously.
61. In the council's 2010/11 efficiency statement, recurring procurement savings of £1.035 million and non-recurring savings of £0.351 million were reported against an estimate of £1.388 million. The projects identified in order to achieve these savings relate back to the project plan discussed above and include items such as the improvements of the purchase to pay process and the standardisation of the overall procurement process. The council has set an ambitious target of £2.288 million of savings from procurement in 2011/12.

Workforce reduction

62. To deliver a package of sustainable budget reductions which would allow the council to meet the anticipated funding gap over the three year period from 2011/12 to 2013/14 the council identified that it needed to reduce its workforce by an estimated 700 full time equivalent posts by the 31 March 2011.
63. Accordingly, in June 2010 the council commenced the process of trawling its workforce for suitable candidates through its voluntary early retirement and redundancy scheme. This

council scheme was initially set up in 2009/10 when it was acknowledged that the anticipated financial position over the next few years would require the council to change the size and shape of the employee base. A report to council in June 2009 sought approval of key policies to assist the council in managing its current and future workforce.

64. As at 31 March 2011, 687 full time equivalent staff had accepted voluntary redundancy or early retirement packages at a total cost of £22.0 million. Of this £11.893 million was payable to the Strathclyde Pension Fund in the form of strain on the fund and lump sum costs.

Partnership working

65. Renfrewshire Council continues to demonstrate good partnership arrangements and a commitment to partnership working. Renfrewshire Community Planning Partnership has appropriate political, official and community representation and the structure is aligned with the five national strategic objectives for Scotland. The community planning partnership working groups are now well established and action plans which have been developed for the five thematic partnership working groups are now monitored at regular intervals.
66. The community plan is the keystone of the council's strategic planning framework and the single outcome agreement (SOA), which is supported by all partners, is viewed as a stepping stone to deliver the priorities set out in the community plan.
67. Whilst progress has been made by partners in achieving over half the targets set out in the SOA the recent annual progress report to the Leadership Board recognised that with 27 per cent slightly below target and 18 per cent significantly below target, there are areas of performance that will require increased effort from the council and partners. It is however also recognised that since the council and community plan were introduced in 2008, the council and partners have entered one of the most financially challenging periods of recent times with the need to implement significant cost savings. Achieving the necessary reduction in costs in a financially sustainable manner and in a way which protected the deliverability of services has been a significant challenge in 2010/11 which will continue in 2011/12.
68. The council works closely with the Renfrewshire Community Health Partnership (CHP). In particular the Social Work department continues to work with the partnership to improve health and wellbeing in local communities. Recently the council has invited the chair of the CHP onto the council's Community Family Care Policy board with reciprocal standing invites to senior members to attend the CHP committee. The Integrated Alcohol Team has now also been established in partnership with Renfrewshire CHP.
69. There is further evidence of successful partnership working throughout service departments. Housing and Property Services is working with partners, and the private sector, to maximise the number of new affordable housing units built each year. During 2010/11, 89 affordable housing units were completed. In addition, a multi-agency inspection of local child protection services was conducted during September 2010, which confirmed that local arrangements within Renfrewshire were amongst the best in Scotland, with inspectors stating that partnership working and leadership across the key agencies participating in the Renfrewshire Children's Services Partnership were excellent.

70. The council is involved in a large number of joint initiatives including a joint civil contingency service, Business Gateway economic development function and is the lead council for Scotland Excel. The council also provides the billing and collection service for East Renfrewshire Council's Non Domestic Rates. The council is an active participant in the Clyde Valley Review (paragraph 120 refers).

Outlook

2011/12 budget

71. The council, like all public sector organisations, faces a very challenging financial climate. Budget savings required by the council to meet its anticipated funding gap of £75.0 million over the three year period from 2011/12 to 2013/14 are far in excess of those needed previously. The achievement of these savings requires strategic planning, the implementation of sustainable measures to balance the budget, and rigorous monitoring at regular intervals. The council has been proactive in its preparation for these anticipated reductions and over the past year considered and approved a number significant budget savings in response to the financial and workforce challenges facing the council. Most significant were plans agreed by the council in November 2010 which detailed budget reductions totalling some £21 million. These budget reduction measures were extremely detailed and included specific service programmes and corporate savings activities (including service redesign).
72. When setting the 2011/12 budget the council identified a potential funding gap of £3.567 million. On 17 February 2011, the council approved a balanced budget incorporating further reductions of £4.552 million, allocated across service departments.
73. The council recognises that the financial challenge persists over the medium term and it continues to develop plans which will secure the required total savings of £75.000 million over the period 2011/12 - 2013/14. These include progression of a range of significant work streams including the transformation programme, a debt smoothing strategy and participation in the Clyde Valley Review with a view to identifying further cost saving measures which will benefit the council.

2011/12 budget reporting

74. The 2011/12 budget monitoring report (to 22nd July 2011) predicts an underspend of £2.254 million (General Fund £2.175 million and HRA £0.079 million), with an underspend being forecast in most service areas. The largest underspends are projected in Education (£0.831 million), Social Work (£0.750 million), Finance & Corporate Services (£0.200 million) and Planning & Economic Development (£0.125 million).
75. The underspends forecast across services are mainly due to the savings achieved from staff vacancies, efficient deployment of teachers, reduction in waste disposal tonnages and slippage in planned client placements. These underspends are however subject to the emerging demand pressures and will kept be constantly under review by the council over the remainder of the financial year.

Financial forecasts beyond 2011/12

76. Looking ahead it is clear that the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. As clearly recognised by the council, the recently published Scottish Spending Review 2011 indicates that significant budget reductions will continue to be required over the next few years. The Scottish Government remains committed to the council tax freeze for another year and has confirmed that there will be a 36 per cent real terms cut to Scotland's capital budget in the UK spending review.

Action plan point 1 refers

Governance and accountability

77. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
78. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
79. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
80. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

81. 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's policy boards have specific remits and are responsible for developing council policies and programmes as well as undertaking a scrutiny role through the monitoring of performance and outcomes. Reports to the council and all policy board meetings provide members with information on which they are able to take reasoned decisions, including personnel, legal, financial, risk, health and safety and other implications, and provide clear recommendations.
82. The Scrutiny and Petitions Board functions as the council's audit committee and has an overview of the internal audit role to ensure that resources are being targeted effectively. The board reviews the council's internal control mechanisms, approves action where appropriate, and considers reports by external auditors. The Chief Auditor provides a regular training programme for members of the board, prepared in consultation with them, to assist them in fulfilling their audit committee role.

Internal control

83. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
84. Subject to the comments made in paragraphs 85 to 91 below, no significant weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements or compromise the standard of governance within the council.

Renfrewshire Workforce Plus

85. At the end of the financial year, the council identified a £2.2 million overspend on the Renfrewshire Workforce Plus programme. Upon discovery of the issue, the Director of Finance and Corporate Services immediately requested the council's Chief Auditor to investigate all aspects of the project which could have a bearing on the overspend. The report to the Director of Finance and Corporate Services was issued to the Chief Executive as soon as it became available. The internal audit investigation reported there was a lack of adequate scrutiny oversight, management control and decision making at a sufficiently senior level within the Planning and Transport Department in relation to the Economic Development Budget. In addition, the report concluded that budgetary control arrangements were inadequate which, coupled by the absence of accurate and reliable financial records for the programme, prevented effective reporting and challenge of programme activity at all levels. The matter was fully reported to members on 21 June 2011. Audit Scotland understands that the Chief Auditor intends to report on her investigation as part of her routine quarterly feedback on all internal audit reports to members of the Scrutiny and Petitions Board in the near future.
86. Audit Scotland was informed of the issue prior to the start of the internal audit review. This allowed us to discuss the scope and nature of the investigation with internal audit. During this review, the Chief Auditor liaised regularly with Audit Scotland and we are content that the focus of her investigations addressed all key areas of risk. This investigation included interviews with all key officials, past and present, who were involved with the programmes operation and monitoring. Given the comprehensive nature of this and subsequent reports, we are satisfied with the completeness of the investigation and the reporting of its findings.
87. As it was agreed that the scope of the internal audit investigation into Renfrewshire Workforce Plus was to be wide ranging, further issues of inappropriate practices in relation to the Job Rotation and Workforce Development (JRWD) project were identified and merited separate investigation. This investigation is currently ongoing and we understand that matters of concern will be reported to the Planning and Economic Development Policy board and the Scrutiny and Petitions board in line with their normal reporting timetable. Any issues raised will be considered as part of our 2011/12 audit planning process.

88. At the end of March 2011, the overspend on the Renfrewshire Workforce Plus Programme was £1.355 million, the balance of the overall £2.2 million overspend comprising payments in 2011/12. The amount of the overspend is subject to completion of the normal verification of claims which is currently ongoing. At the date of this report, a key official has resigned from the council's service and disciplinary hearings and action have been progressed involving other officers with responsibility for the project. The council has referred to this matter in its Annual Governance Statement. The council has put in place an action plan to fully address the areas of failure to ensure that effective financial management arrangements are applied to the successor programmes to Renfrewshire Workforce Plus and more generally across the Planning & Transport service

Action plan point 3 refers

Compliance with procurement standing orders and other regulations

89. As commented in paragraph 58 above, the council has continued to implement changes to the way it performs its procurement function and these changes have resulted in a much improved score in the externally validated Procurement Capability Assessment. During the year however, a review of grant awards relating to a project which formed part of the Renfrewshire Workforce Plus programme identified non compliance issues relating to contracting arrangements with the council's internal procurement and governance arrangements.
90. An internal audit investigation into the circumstances surrounding how services were procured for the JRWD project within the Renfrewshire Workforce Plus programme was carried out. This concluded that the council had not complied with EU procurement rules over tendering. This failure occurred as the council was revising procurement processes across the council. The internal audit investigation will be reported to members of the Scrutiny and Petitions Board as part of the routine quarterly update of issued reports.
91. We consider there is a need for the council to take the necessary steps to mitigate any repetition of these failures. We understand that action plans are now in place to implement a programme of training for officers involved in significant contracting activity to ensure consistency and compliance with approved internal governance arrangements. Appropriate disclosures are contained within the Annual Governance Statement.

Action plan point 3 refers

Write - off approval for rent arrears of past tenants

92. As part of our audit process, we noted that £0.427 million of former tenants arrears which had been appropriately identified for write-off had been written off by housing officers without a prior submission for formal approval being made to the Director of Finance and Corporate Services as required by the council's financial regulations. These debts represent sums that the council has appropriately considered are not cost effective to pursue for recovery and comprise individual balances of less than £10,000. We have been assured that arrangements have been revised to ensure that in future officials seek the appropriate write-off authority from the director.

ICT

93. The council continues to maintain good progress in providing a sound information management environment and new systems such as electronic document records management is being considered to improve storage and access to information. Relevant policies are in place and guidance, supported by staff training is being provided as required.
94. 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, 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.
95. In addition to enhanced employee training, the council has now established an Information Management Governance Group to oversee the practice of information management across the council.

Prevention and detection of fraud and irregularities

96. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
97. Renfrewshire Council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include a "Strategy for the Prevention and Detection of Fraud", whistleblowing arrangements contained within the Code of Conduct for Employees; and defined remits for policy boards. No instances of fraud were reported to Audit Scotland during 2010/11.

National Fraud Initiative in Scotland

98. 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. The council has made steady progress in reviewing the NFI reports and taking appropriate action with activity focused on the red "high quality" matches.
99. The 2010/11 data matching exercise identified 7,892 matches for Renfrewshire Council but when the recommended filter was applied (used to identify matches which are most likely to result in fraud) the number of matches reduced to 2,095. At the time of preparing this report the council had fully investigated 526 matches and 945 were in progress. 6 cases of fraud totalling £26,693 had been identified.

Housing benefit inspections

100. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team assessed the council in 2009 and a detailed report

was issued that year including agreed improvement actions. The progress on these actions will be followed up in due course.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

- 101.** Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place.
- 102.** The council currently complies with the requirement for proper arrangements through its procedural documentation including standing orders; standing orders relating to contracts; financial regulations; scheme of delegated functions, code of conduct for employees and the Councillors' Code, which sets out a protocol for relations between councillors and employees however as commented in paragraphs 85-91 above several issues have been identified in 2010/11 in relation to compliance with procurement standing orders and other regulations.

Roles and relationships

- 103.** The Scottish Government issued a revised Councillors' Code of Conduct in December 2010. The main changes included clarification of the rules on registering and declaring interests, and the new decision-making procedures for planning applications. A report to the General Management and Finance Policy Board on 19th January 2011 advised members of the principal changes to the code and it is intended that training will be provided to members once guidance is available from the Standards Commission for Scotland.
- 104.** In 2007, the council introduced an inter-party protocol which sets out the rights and responsibilities of councillors and political groups in the course of conducting council business; and an elected member protocol which sets out good practice guidelines in relation to multi-member ward issues. These protocols were last revised on 14 January 2009 following consultation with elected members.
- 105.** Any alleged contraventions of the Ethical Standards in Public Life etc. (Scotland) Act 2000 within the council should be referred for investigation to the Chief Investigating Officer and thereafter for consideration by the Standards Commission appointed by Scottish Ministers. Where a hearing involving members of Renfrewshire Council has taken place, the outcome of this is reported to the council.
- 106.** As reported in 2009/10, the Standards Commission has only upheld one recent complaint against a member of Renfrewshire Council – the result of which was censure. The substance of the complaint related to the failure to declare an interest and changes were implemented by the council to address the identified weaknesses. This included greater emphasis on this issue within the ongoing training already provided to members and since August 2009 all council and board agendas now include an item in relation to declarations of interest.

Best Value, use of resources and performance

107. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
108. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that audited bodies have to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
109. As part of their statutory responsibilities, the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
- a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
110. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
111. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
112. This section includes a commentary on the Best Value / performance management arrangements within the council. We also note any headline performance outcomes and measures used by the council and comment on any relevant national reports.

Management arrangements

Best value

113. The first Best Value report in 2005 highlighted that the council demonstrated a clear commitment to best value and community planning. Since this time the council has implemented its plan which was compiled in response to this report. The timing of Renfrewshire Council's next Best Value audit (BV2) will be determined by a risk assessment performed by the Local Area Network (LAN). In 2010/11 the LAN noted the continuous improvement initiatives being made by the council and there are currently no plans for a Best Value review of the council over the next three years.

Self-evaluation arrangements

114. In recognition of the need to adopt robust self-assessment systems to monitor progress and performance in order to drive improvement, Renfrewshire Council has implemented the Public Service Improvement Framework (PSIF) across almost all services – Education and Cultural services having chosen to adopt the “How Good is my Council?” model.
115. The PSIF is a self-assessment tool, which encourages organisations to conduct a systematic and comprehensive review of their own activities and results. In essence, PSIF is a streamlined approach to organisational improvement for the public sector.
116. In January 2010 the council agreed the roll out of the PSIF programme. The first cycle of PSIF reviews has been completed and the Chief Executive Service maintains a programme of regular updates to discuss the findings with members. Initial surveys indicate that most participants believe that PSIF has led to improvements in their service, and it is the council's intention that it should be repeated across services over the next couple of years.

Transforming Renfrewshire

117. As reported in last year's Report to Members, the council's Transforming Renfrewshire programme consists four main work streams namely:
 - Customer management
 - Information management
 - Asset management
 - Procurement
118. Despite some programme slippage in the procurement of asset management information system and customer service payments system integration (Lagan), progress during 2010/11 has been good with the council estimating that savings of £7.4 million were delivered ahead of estimates. A selection of key achievements are:

Customer Services

- Development of a Customer Service Charter
- Consolidation of the contact and service centres
- Tools and Technologies
- Implementation of the new Wide Area network ensuring resilient communication across council networks
- Procured the services of a ICT technical partner to assist in house resources in technical developments

Asset Management

- Completed a condition survey for all core property assets
- Development of the Worksmart toolkit to support mobile and flexible working

Procurement

- Continued development of the Corporate Procurement Unit

119. Progress against the approved business plan is reported to members at regular intervals throughout the year. In September 2011, members were informed that work was ongoing to introduce a new council telephone system which will improve the standard of services to the public (right service at first contact), a new council tax service for customers and a review of accommodation requirements to maximise the use of office space within the council.

Action plan point 2 refers

Clyde Valley shared services programme

120. In March 2009, as a reaction to the recognition of an extended period of financial constraint, Renfrewshire Council, together with a number of other councils in west central Scotland, commissioned Professor Sir John Arbutnott to lead an independent review of ways in which councils could enhance the current level of joint working and sharing services. Following publication of his review in November 2009, seven workstreams were identified as detailed below, with a lead authority nominated to take the initiative forward.

Exhibit 3: Share services work stream leads

Works Stream	Lead Council
Social transport and fleet management	Glasgow City Council
Integrated health and social care	Renfrewshire 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
Integrated waste management	North Lanarkshire Council

121. Renfrewshire Council is an active participant in four of the workstreams namely,

- Social Transport
- Integrated Health and Social Care
- Joint Approach to Support Services
- Integrated Waste Management

122. Progress on social transport has been limited largely to a data gathering exercise by Glasgow City Council and Strathclyde Passenger Transport which will be analysed to identify trends and opportunities for the provision of shared cost effective service in the areas of children and adults with special needs. The council has also agreed to explore the opportunities for better scheduling of day care transport provision including the use of any spare transport capacity within other councils.

123. Work to date on the integrated health and social care workstream is also ongoing with discussions centring on joint procurement opportunities covering children and adult services, shared training and development opportunities, and the scope for collaborative working across telecare/ telehealth services.
124. Renfrewshire Council has for many years worked in co-operation with other local authorities with the aim of delivering services to the public in a cost effective manner (eg Police, Fire and Rescue, Joint board and Committee activities). The development of a wider ranging shared service for support services would have the aim of:
- Delivering best practice in support service provision to partner councils
 - Drive down support service costs to help protect frontline services
 - Support equitable sharing of investment costs
 - Create flexibility to react to wider public service reforms.
125. A detailed business case has been prepared for a shared support service which based on full participation by councils could initially generate gross annual savings of up to £30 million after 5 years. An investment of around £30 million would be required to achieve this but it is likely that some of this expense would be incurred by authorities anyway over this period. A key feature of the proposal is that a new organisation would be required to manage operations with staff drawn from participating councils. Staff numbers in the new organisation however are likely to drop by 25 per cent after a few years to realise efficiency opportunities.
126. In September 2011, the council noted the progress achieved and agreed in principle to participate in this shared service. The vision underlying the business case is far reaching and care will be required to ensure the robustness of the underlying business case. Members have requested further reports prior to any final decision on council participation.
127. Regarding waste management, Renfrewshire Council is committed to participate in this workstream which involves the creation of a new organisation to undertake all waste treatment and disposal for participating councils. It is envisaged that this organisation would have the responsibility for procuring all contracts relating to the treatment and disposal of waste and the development of a joint waste strategy. The council firmly believes that its participation in this shared service would assist it in achieving national recycling and landfill targets. The council should ensure that the business case for the shared service remains viable should any partner authority withdraw from the project.
128. The workstream on integrated health and social care has developed a business case which identified the initial areas for collaborative opportunities, with particular focus on those services where there was high levels of external spend. Opportunities within childcare and adult services are being progressed by officers across partner local authorities and organisations. Early achievements include the development of generic e-learning modules around adult and child protection, the development of an SVQ qualification around behaviour management and a shared SVQ centre across several authorities including Renfrewshire. The key focus of the next phase will be to drive forward ambitious plans for future collaboration in identified adult and children's services and commissioning plans are now

being developed with participating authorities, in addition to prioritising further collaborative work with health partners.

Action plan point 5 refers

Overview of performance in 2010/11

Performance management

129. The council has a well-developed performance management system in place called Covalent, which is actively used by services across the council to monitor service improvement plans, strategies, actions plan and scorecards.
130. The CMT monitors the council's scorecard of performance information on a quarterly basis, which allows them to assess and review the quality and level of service. This scorecard reflects the six priorities or themes outlined in the council plan and include indicators to monitor the council's priorities, relevant statutory performance indicators (SPIs) and single outcome agreement indicators. This is also reported six monthly to the Leadership Board whilst the council's performance in terms of Audit Scotland's SPIs is reported to and reviewed by the Scrutiny and Petitions Board each year. Of the 112 performance indicators (PIs) included within the council plan scorecard plus, five were new PIs for 2010/11, of the remaining 107 PIs 57 had improved performance in the short term. This means that 53 per cent of indicators have improved since 2009/10.
131. The council has a comprehensive performance scrutiny framework in place, which involves a series of meetings between the chief executive and directors to scrutinise performance and service delivery. Service departments are subject to regular PSIF reviews and are required to produce a rolling three year service improvement plan which outlines how the service will contribute to the council plan and community plan priorities, and details how its actions and plans will achieve improved outcomes for customers in the future. Services are also required to select a range of key performance indicators to create a scorecard to measure how well they are contributing to these priorities. This is monitored at a mid-year point and at the end of that service improvement plan year. Quality of service is also measured through national initiatives such as the Customer Service Excellence Standard which services are encouraged and supported to aim for.
132. An annual report is published in respect of the single outcome agreement and the community plan, which demonstrates the progress being made by the council and its partners in terms of key areas of activity.

Public reporting

133. Currently, performance reporting within Renfrewshire Council includes: 'Renfrewshire Performs' which provides detailed information (including trends) for SPI, single outcome agreement and discretionary indicators as well as financial information. Service level

publications are also produced including People's News, Social Work Annual Report (in conjunction with CHP) and school review reports and leaflets.

134. During 2010/11, the Chief Executive's service undertook a review of its standard of public performance reporting (PPR). The review concluded that the council believes that the overall standard achieved was high, although in line with other councils, gaps were identified in terms of public access, interest and engagement with the material as well as a need to reduce costs.
135. As a result, the council are intending to place more focus on PPR in a local context with clearer explanations of what statistics etc. mean. The council intend that the main methods of communication should provide highlights of key performance information with a move to more online information (mainly the website) and live data for quicker availability - structuring information around services and customers rather than council themes. This is in line with recommendations from Audit Scotland's Review of Local Government for 2010.

Statutory Performance indicators

136. Several improvements were made during 2010-11. The number of homecare hours increased in 2010/11 as the overall level of service rose due to the better reporting of packages purchased for clients being supported to live independently in the community. Also, although the number of attendances for all pools decreased due to temporary closures of the Erskine Pool and Renfrew Baths for upgrade works, the attendance figure for indoor sports and leisure facilities exceeded the 2010/11 target and was attributed to a growth in fitness gym attendance through new location, sports camp programmes and additional indoor facilities at Ralston Community Sport Centre.
137. For the first time, virtual visitors have been included in the number of visits to libraries, contributing to its increase. The council believe that enhanced web services and wifi connectivity for users have encouraged greater use. Also, the new library service structure has appointed a "Children, Young People and Families" officer to specifically develop activities to encourage library use by young people.
138. During 2010/11 the council increased the percentage of municipal waste collected for recycling. This improvement is due to the first full year of managed weekly collections and has enabled the council to achieve the government's target for 2010 of 40 per cent recycling and composting.

National performance reports

139. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 4.

Exhibit 4: A selection of National performance reports 2010/11

- | | |
|---|---|
| <ul style="list-style-type: none"> • The cost of public sector pensions in Scotland • How councils work: an improvement series for councillors and officers - Arms-length external organisations • Scotland's public finances: addressing the challenges • Maintaining Scotland's roads: a follow-up report | <ul style="list-style-type: none"> • Physical recreation services in local government • An overview of local government in Scotland 2010 • Community Health Partnerships • Improving energy efficiency: a follow-up report • Transport for health and social care • Modernising the Planning System |
|---|---|

Source: www.audit-scotland.gov.uk

140. Although all reports have relevance to councils, three are highlighted for further comment.

Scotland's public finances: addressing the challenges

141. The full council considered this report in September 2011 and noted its findings. This report provides an overview of the financial environment facing the public sector in Scotland and the cost pressures currently faced. It outlines what the public sector is doing to respond to current and future budget reductions, and highlights a number of key risks and issues that the public sector needs to manage in responding to the challenges. Key messages in the report include the following:

- The budget reductions affect revenue and capital expenditure differently with the capital budget taking the largest cut in percentage terms.
- Public bodies are finding it difficult to plan beyond 2011/12, as they do not have a clear view of their budgets beyond 2011/12. The Scottish Government plans to publish detailed spending plans for years 2012/13 to 2014/15 in September 2011, which should establish a framework that bodies can use to make future spending plans.
- The need to reduce costs provides public bodies with an opportunity to reform and streamline public service delivery. However, in doing so, bodies must focus on long-term financial sustainability.
- Pay restraint and reducing workforce levels are the most common approaches being taken by public bodies to reduce costs over the next few years. Good workforce planning is necessary to ensure that the right people and skills are available to deliver effective public services in the future.
- Public bodies are considering how they can work better together to reduce costs. While a number of initiatives are being planned to increase working together, sharing resources and involving voluntary and private organisations, progress to date has been limited.

The council has noted the report.

Maintaining Scotland's Roads: a follow up report

142. This report examines the progress on implementing the recommendations contained in the initial report published in November 2004, with particular emphasis on the change in condition of the road network, current expenditure on road maintenance and management arrangements. Key messages in the report include:
- Limited progress has been made to improve the road networks based on an assessment against the recommendations from the 2004 report.
 - The condition of Scotland's roads has worsened since the 2004 report despite public spending rising by around 25 per cent. Only 63 per cent of roads are now in an acceptable condition.
 - The present levels of spending are insufficient to maintain Scotland's roads, even in their current condition.
143. The council has considered this report in June 2011. The council considers that it is fully aware of all of the key points made by the Audit Scotland report and has actions in place to address all its key recommendations. The council has some concern over the accuracy of some of the underpinning data on road condition and is taking this matter forward with the Society of Chief Officers for Transportation. The council considers that the enhanced capital programme for roads to be delivered during 2011/12 will permit some improvement in overall road conditions.

Modernising the Planning System

144. Across Scotland the number of planning applications has fallen by 29 per cent over the past six years, with income from planning application fees also dropping. However, expenditure on processing planning applications has risen by 17 per cent in real terms between 2004/05 and 2009/10. Over this period, the gap between income and expenditure on processing planning applications increased in real terms from £6.7 million to £20.8 million. This gap has to be met from councils' central budgets, which are already under pressure.
145. The trend in Renfrewshire reflects a greater drop in planning applications. Applications declined by 39 per cent over the same period although the time taken to decide on local applications has remained constant over the past six years. 66 per cent of local applications were decided in two months in 2004/05 and in 2009/10. This is in line with the national average of 63 per cent in 2004/05 and 65 per cent in 2009/10.
146. Fees from planning applications declined by 51 per cent in Renfrewshire Council from £760,000 (real terms) in 2004/05 to £375,000 in 2009/10 representing a cost recovery percentage of around 50 per cent. This was the greatest reduction across all Scottish councils.

Progress against audit risks identified in the Shared Risk Assessment

147. The Assurance and Improvement Plan (AIP) for Renfrewshire Council was published in July 2010 and during 2011 the Local Area Network (LAN) undertook an exercise to update its assessment to identify those areas of scrutiny uncertainty.

Housing and Property

148. An uncertainty around its progress towards meeting the Scottish Housing Quality Standard by the Minister's target of 2015 was noted. The AIP stipulated that during 2011, the Scottish Housing Regulator would request a self-assessment from the council to inform the LAN of the latest position. This was requested and subsequently provided by the council in late June. The LAN's initial appraisal has identified good progress is being made by the council despite the disruption caused by one of its four framework contractors entering administration in September 2010. The LAN will continue to regularly monitor the council's progress.

National risk priorities

149. During the AIP process, LANs were asked to consider their council's position against three national risk priorities.

The protection and welfare of vulnerable people (children and adults) including access to opportunities

150. The LAN's view is that the council is well placed to address risks in this area. The Renfrewshire Child Protection and Adult Protection Committees demonstrate outstanding leadership in driving forward long term improvements for all vulnerable people. The council has robust strategies in place to meet the needs of vulnerable people with specific improvements in the provision of children's residential homes.

Assuring public money is being used properly

151. There is no significant risk associated with this area. The council has various mechanisms to exercise proper scrutiny of activities involving both officers and members, supplemented by an effective internal audit function, all of which have been assessed as robust. The council has introduced a programme, 'Transforming Renfrewshire', which is designed to focus on how services can be delivered through more modern and faster techniques. The council has also adopted a Public Service Improvement Framework to promote continuous improvement across all departments.

How councils are responding to the challenging financial environment

152. The Comprehensive Spending Review covering public sector expenditure for the period 2011/15 was announced in October 2010 and the Scottish Government responded to it by announcing a single year Scottish budget for 2011/12 which in turn, created challenges for the council's medium term financial planning assumptions. As reported in last year's Report to

Members, financial pressures on services are likely to present the council with a funding gap of between £75 million and £90 million over the period to 2013/14. Against an underpinning objective to protect front line services, the council has taken action to redesign service delivery mechanisms, introduce flatter management structures, revise debt management procedures and increase charges for a range of services to the public.

153. The council's workforce has reduced significantly over the year. Members were informed in June 2011 of the number of full time equivalent staff released through voluntary redundancy/early retirement/efficiency of the service terms. These releases are expected to reduce council staff costs by £13.162 million annually at a one off cost of £22.0 million. The council considers that this reduction in staff will be sufficient to deliver the 2011/12 budget savings. The council must continue to carefully identify any future funding gaps and explore opportunities to reduce costs accordingly without compromising the council's policy of protecting frontline services.
154. It is clear that the current financial climate creates a significant challenge for the council to deliver its outcome targets and maintain service performance into the future. The council has been and continues to be proactive in working within and planning for the current difficult financial environment. One clear demonstration of this is the Clyde Valley Review which is designed to significantly extend the existing levels of co-operative working with other local authorities through a model of shared support services. As commented in paragraph 126, the council has recently confirmed its continued commitment to this review. This project is expected to reduce staffing levels within the council by around 400 posts through transfers to a shared service organisation and is thought to have the potential to generate annual savings of between £2.5 million and £4.0 million.

Outlook

155. There are currently no plans for a best value review of Renfrewshire Council over the next three years. However, the Assurance and Improvement Plan update 2011 - 14 does include activity by scrutiny bodies over the next three years including council involvement with Fire and Rescue Services (2011/12) and a possible review of the council's Single Outcome Agreement (2012/13).

Appendix A: Audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Members
Annual Overview of Internal Audit	18 January 2011	21 March 2011
Annual Audit Plan – Renfrewshire Council	28 January 2011	21 March 2011
Shared Risk Assessment/Assurance and Improvement Plan	26 May 2011	21 June 2011 (Leadership Board)
Review of IFRS shadow financial statements	27 May 2011	*1
Improving public sector purchasing follow-up	1 June 2011	*1
Review of internal controls	4 June 2011	*1
Report to those charged with governance on the 2010/11 audit	14 September 2011	29 September 2011
Audit opinion on the 2010/11 financial statements	29 September 2011	29 September 2011

*1 Reports issued to Director of Finance and Corporate Services *

Appendix B: Action plan

Key Risk Areas and Planned Management Action (in order of priority)

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	Para 76	<p>Financial Pressures Issue - Future finance settlements are predicted to be lower than current levels. At the same time pressure on demand led services are increasing and income from fees and charges are reducing.</p> <p>Risk - The council is unable to achieve the necessary reduction in costs in a financially sustainable manner and in a way which protects the deliverability of services.</p>	<p>The council will continue to progress the ongoing work being taken forward as part of its medium term financial planning and shorter term budget strategy for 2012/13. This work and its associated workstreams are focused on ensuring that the council maintains a medium term perspective and delivers cost reduction and organisational change in a manner which supports sustainability of both the council's financial position and its ability to deliver priority services.</p>	Director of Finance & Corporate Services	Ongoing
2	Para 119	<p>Transforming Renfrewshire Issue - The council should continue to develop the initiatives in the Transforming Renfrewshire programme to produce the identified improvements and / or efficiencies in services.</p>	<p>The council will continue to appropriately resource the Transformation Programme and maintain the robust governance arrangements which underpin the ongoing monitoring and delivery of the</p>	Director of Finance & Corporate Services	Ongoing (in line with TR timetable)

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		Risk - Slippage in the progression of the significant work streams may impact upon the achievement of future cost savings which form part of the council medium term financial plan.	programme to support the achievement of implementation progress in line with key milestones dates.		
3	Para 88 and 91	<p>Renfrewshire Workforce Plus</p> <p>Issue – The council should ensure that transactions are appropriately approved, fully monitored and reported. The use of outside parties to deliver council objectives should be robustly controlled and all procurement processes should comply with council regulations and governing legislation.</p> <p>Risk - Weaknesses in the management and monitoring of transactions are not consistent with an effective financial controls environment and inhibits proper scrutiny and reporting. Weaknesses in procurement processes and the operational arrangements for working with outside parties can also expose the council to the potential for fraud and legal challenge.</p>	<p>The council will ensure that all aspects of the agreed management actions identified following the audit investigation are fully implemented within agreed timescales to support the necessary improvements in the management and control environment.</p> <p>The Chief Executive is chairing the oversight group responsible for ensuring the action plans are implemented and members are briefed as appropriate.</p>	Chief Executive through the established oversight group	In line with agreed timescales identified in the action plan

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	Para 47	<p>Capital investment</p> <p>Issue - The planned capital expenditure for 2010/11 has experienced slippage.</p> <p>Risk - Any reduction in the council's capital programme creates a risk that the council may not achieve its corporate objectives.</p>	<p>The council will continue to implement appropriate project management and governance arrangements which seek to support the delivery of major capital projects in line with anticipated delivery timescales and budget, taking appropriate account of the requirement to manage unforeseen risks.</p>	Director of Finance & Corporate Services	Ongoing
5	Para 128	<p>Shared services</p> <p>Issue - All approved business cases need to be kept up to date to accurately reflect the number of participating councils.</p> <p>Risk - Business cases approved by members, may set out savings that are no longer realistic due to the number and significance of the councils which have declined to participate in sharing services.</p>	<p>As reported to the council, business cases relating to the Clyde Valley Shared Services programme will continue to be updated and refined taking account of a number of changing variables, including the number of councils who remain involved and the scope and depth of their participation.</p>	Identified lead directors for each CVSS workstream	Ongoing (as part of CVSS project timetables)

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
6	Para 20	<p>Payroll contribution and deduction rates</p> <p>Issue - Adequate controls should exist to ensure that the rates applied to payroll contributions and deductions in the payroll system are accurate.</p> <p>Risk - Incorrect rates may result in under/ over payment to relevant bodies. A misstatement of the financial accounts may also occur.</p>	A range of improvements to existing control arrangements have been agreed with the Chief Auditor and fully implemented.	Head of HR and Organisational Development	Completed