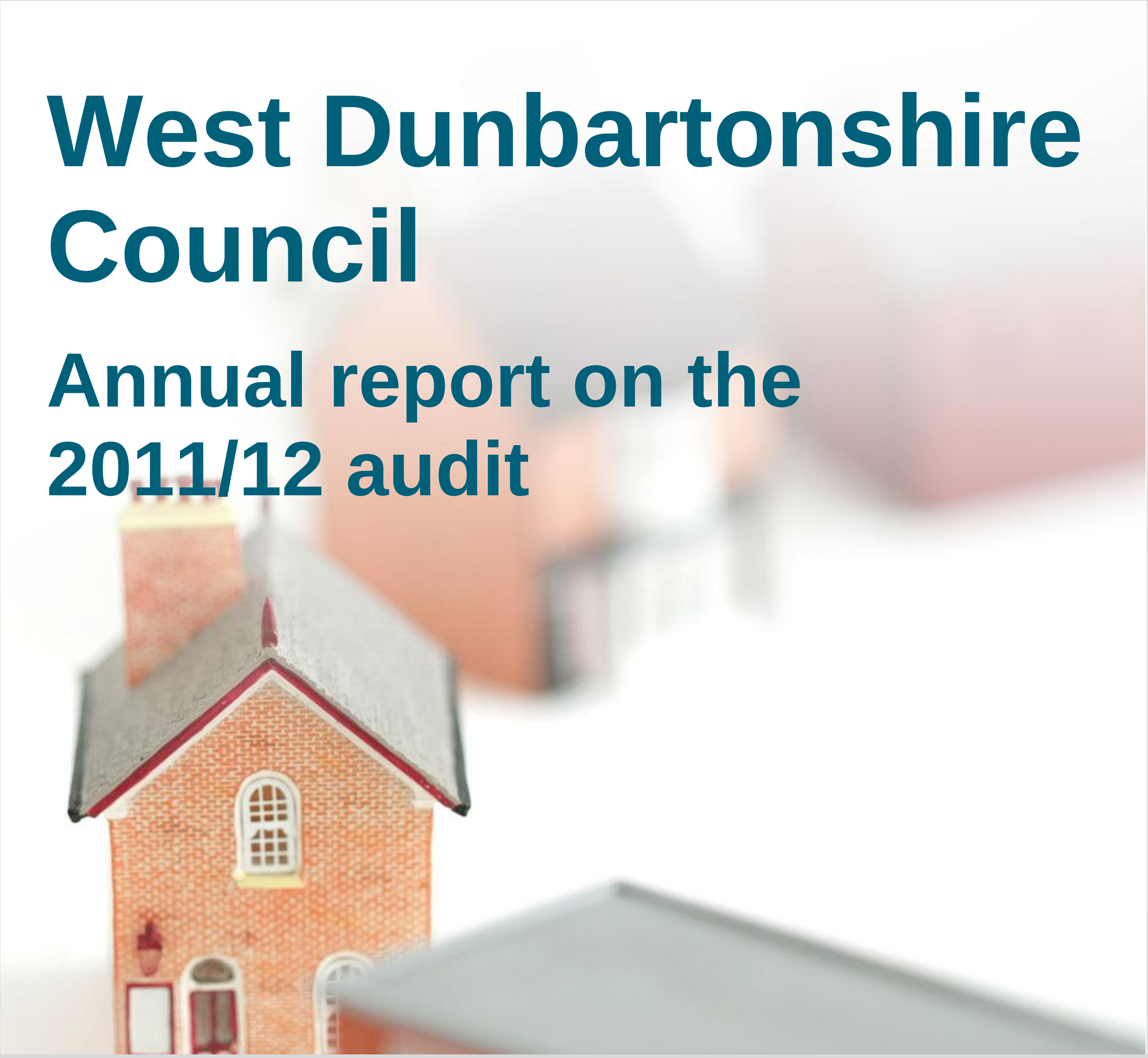
West Dunbartonshire Council

Annual report on the 2011/12 audit



AUDIT SCOTLAND

Prepared for Members of West Dunbartonshire Council and the Controller of Audit

October 2012

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.

Contents

Key messages

2011/12

This report summarises the findings from our 2011/12 audit of West Dunbartonshire Council. As part of the audit we assessed the key financial and strategic risks being faced by the Council. We audited the financial statements and reviewed the Council's financial position and aspects of governance, best value, the use of resources and performance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion that the financial statements of West Dunbartonshire Council for 2011/12 give a true and fair view of the financial position and expenditure and income of the Council and its group for the year. We also certify that the accounts have been prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements.

Financial position

The general fund recorded a net deficit for 2011/12 of £0.14 million, decreasing the balance to £14.8 million as at 31 March 2012. This balance includes earmarked commitments of £10.6 million and an unallocated general fund balance of £4.2 million.

The housing revenue account (HRA) recorded an overall surplus of £1.6 million increasing the balance on the account to £4.2 million. Of this balance £3.5 million is earmarked leaving an unallocated balance of £0.7 million.

Capital expenditure in 2011/12 totalled £31.8 million. This is a decrease of £4.8 million on 2010/11 and £13.1 million less than the approved capital programme (29.2% slippage). Capital slippage has been an area of concern for a number of years with 23.8% in 2007/08, 32.4% in 2008/09, 22.7% in 2009/10 and 19.2% in 2010/11. The Council need to take appropriate action to ensure timely delivery of projects.

West Dunbartonshire continues to experience population decline with 2011/12 being the 30th consecutive year that the population has decreased. In common with other local authority areas the number of young people is declining whilst the number of older people is increasing. There will be financial pressures in delivering services to older people and to communities that are costly to support. The Council has recognised this, with depopulation being a key strategic issue in its Single Outcome Agreement (SOA).

Overall the Council's current financial position appears stable, but this must be set in the context of the requirements to deliver planned future savings.

Governance and accountability

Following the May 2012 elections the previous coalition administration was replaced by a Scottish Labour Party administration who returned 12 of the possible 22 elected member positions. A change in political administration inevitably results in a change in political and strategic direction and some large scale initiatives including the housing stock transfer and income securitisation project have either been cancelled or postponed.

Changes to the number of committee meetings per calendar year have been implemented. Where meetings where previously held monthly they are now held quarterly. It is important that good working relationships are maintained between elected members and Council officers to ensure the Council work together to achieve the best outcomes for the residents of West Dunbartonshire.

Best Value, use of resources and performance

The Council makes extensive use of performance indicators to monitor performance including the establishment of targets and analysis of short and long term performance trends. This, in addition to its balanced approach to public performance reporting, is welcomed. However consideration should be given to better focusing performance management arrangements to support the Council's key strategic objectives.

The Council have a duty to ensure 100% of housing stock complies with Scottish Housing Quality Standards (SHQS) by 2015. Retention of the housing stock affords greater control over delivery of SHQS but also creates additional financial pressures for the Council. We recognise that compliance with SHQS by 2015 is an area of significant risk for the Council.

Outlook

Scotland's public bodies continue to face increasing demand for and cost pressures on their services and this is likely to continue into the future. An ageing population, the effects of the recession and the heightened expectations of the public, all increase the demand for public services. These, together with cost pressures and existing financial commitments, place an additional burden on the capacity of public bodies to provide efficient and quality services at a time when budgets are reducing.

The Council agreed a 2012/13 budget net expenditure general services budget of £243.3 million with a contribution of £3.3 million from general fund reserves. A budget of £35.1 million was agreed for the HRA.

The Council moves forward from a stable financial base in terms of reserves and a clear picture of their medium to long term financial position through updating their long term financial strategy.

The Council are embarking on a number of large scale projects to transform services and create better outcomes for the area. It is critical that robust project management arrangements are in place to support the significant changes planned.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of the Council. The nature and scope of the audit were outlined in the Audit Plan presented to the Audit & Performance Review Committee (A&PRC) on 15 February 2012 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the 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 we focus on the financial statements and any significant findings from our wider review of the Council.

3. Appendix B is an action plan setting out the higher 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 action and have a mechanism in place to assess progress.

4. This report is addressed to members of the Council and the Controller of Audit and should form a key part of discussions within the A&PRC. Reports should be made 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 (www.audit-scotland.gov.uk) after consideration by the Council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration 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. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their 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 systems of internal financial control 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 on the financial statements.

Audit opinion

10. We have given an **unqualified** opinion that the financial statements of the Council for 2011/12 give a true and fair view of the state of the affairs of the Council and its group as at 31 March 2012 and of the income and expenditure for the year then ended.

Legality

11. Through our planned audit work we consider the legality of the Council's financial transactions. In addition the Head of Finance & Resources has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the Council's management team, the financial transactions of the Council were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit that require to be brought to members' attention.

Statement on the systems of internal financial control (SSIFC)

12. We are satisfied with the disclosures made in the statement on the SSIFC and the adequacy of the process put in place by the Council to obtain the necessary assurances. In particular we note that the Council has an established process to ensure that the content of the SSIFC takes account of each Executive Director's opinion of the control environment operating within their areas of responsibility.

13. Although not currently a mandatory requirement within Scotland a number of Scottish local authorities produce an annual governance statement rather than an SSIFC. The annual governance statement is a more detailed and comprehensive statement than the SSIFC and outlines:
    - the scope of responsibility of the Council

- the purpose of the governance framework
- the system of internal control
- a review of effectiveness
- disclosure of any significant governance issues and improvements
- a statement on whether the authority's financial arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010).*

14. We are pleased to note that the Council has agreed to consider adopting an annual governance statement in 2012/13.

Remuneration report

15. 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 2011/12 financial statements include all eligible remuneration for the relevant Council officers and elected members.

Accounting issues

16. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011 Code). We are pleased to report that we are satisfied that the 2011/12 financial statements are compliant with the 2011 Code.

Accounts submission

17. The Council's unaudited financial statements were submitted to the Controller of Audit by the 29 June deadline. The timely provision of the working papers and co-operation of Finance staff throughout the audit enabled us to conclude the audit and certify the financial statements by the target date of 28 September 2012. They are now available for presentation to members and for publication.

Matters arising

18. In our *Report to those charged with governance on the 2011/12 audit* issued to the A&PRC on 26 September 2012 we highlighted issues regarding the financial statements. The resolutions for these issues, agreed with the Head of Finance & Resources, are documented in the report. A summary of the issues are noted below:

- Working papers - these were not always sufficient to support the content in the financial statements.
- Reconciliations and internal control processes - weaknesses were identified in relation to timing, authorisation and errors in reconciliations.
- Identification of bank accounts - the bank confirmation letter received from the Co-operative Bank identified a bank account containing £240,000, which had not been disclosed within the accounts. This was amended in the financial statements.

- Non current assets - Decontamination costs had not been subject to revaluation. A £2.3m impairment charge was therefore applied to these assets.
- Prior year expenditure and income - an accounting error was identified which resulted in income and expenditure being increased by £520,524. There is no impact on net expenditure.

Chief Executive severance package

19. The former Chief Executive's five year fixed term contract expired on 31 October 2011. The terms of the contract included an entitlement to additional pension enhancements in accordance with the Council's Discretionary Policy and Strathclyde Pension Fund Regulations. Consideration of the contractual entitlement resulted in an added years pension enhancement of 8 years 236 days. The financial implications for the first year include payment to Strathclyde Pension Fund in respect of "strain on the fund" capitalisation costs and compensatory added years cost of £258,553 and an additional lump sum payment of £37,860, a total amount of £296,413. Annual ongoing costs thereafter are £12,620 to Strathclyde Pension Fund.

20. We have reviewed the decision-making process linked to the former Chief Executive’s departure and identified some issues concerning oversight and governance. In particular we would highlight:

- A lack of transparency in reporting of the cost of the decision to the Council. The Council was not afforded the opportunity to review the final settlement terms which, although not a formal requirement, would have been consistent with good practice.
- The construction of the employment contracts applied to senior officials at the time of the appointment of the Chief Executive on a five year fixed term contract may have contributed to additional costs to the Council. We note that the Council have reviewed these arrangements and no longer appoint senior officials on fixed term contracts.

Presentational and monetary adjustments to the unaudited accounts

21. A number of adjustments have been made to the 2011/12 unaudited financial statements in accordance with normal audit practice. These adjustments primarily relate to minor misstatements and have not had a material impact on the general fund balance of the Council. A number of presentational amendments have also been processed to improve the disclosures within the financial statements. The net effect of all monetary adjustments identified during the audit process was:

- £2.2 million decrease in the Council's net worth, predominantly due to the impairment charge detailed at paragraph 18.
- £1.6 million increase in the surplus on the provision of services mainly as a result of the impairment charge netted against technical changes regarding the presentation of pension costs.
- £0.044 million increase in the general fund balance.

22. The key presentational changes made to the draft accounts were:

- The SSIFC was amended to make reference to:
  - regularity of bank reconciliation completion not meeting control expectations.
  - an erroneous transfer of test data into a live financial system resulting in duplicate payments being made.
- Amendment of the *Remuneration Report* to include the capitalised value of future payments in respect of compensatory added years awarded to teachers in the exit packages disclosure.
- Amendment of the *Comprehensive Income and Expenditure Account* to differentiate between HRA and other Housing Services.
- Amendment of *Note 20 - Assets Held for Sale* to remove £1.6 million of assets no longer classified as for sale.

Prior year adjustments

23. The 2011 Code has been amended to require authorities to account for tangible heritage assets in accordance with FRS 30 Heritage Assets. Heritage assets are those that are intended to be preserved in trust for future generations and are held and maintained principally for their contribution of knowledge and culture. In recognition of the difficulty in obtaining valuations for this class of assets, the Code permits the value of heritage assets to be measured by an appropriate and relevant method. The Council have complied with the amended requirements of the Code and recognised assets to the value of £1.2 million based on the asset's fair value. The majority of these assets are works of art. As this is a change in accounting policy, the previous year's figures were restated.

Pension costs

24. The Council is a member of the Strathclyde Pension Fund which is a multi-employer defined benefit scheme. In accordance with pensions accounting standard IAS19 'Retirement Benefits' the Council has recognised its share of the net liabilities for the pension fund in the balance sheet. The Council also has responsibility for the unfunded liabilities in respect of the teachers' pension scheme. These are defined benefit schemes that were in existence prior to Local Government Reorganisation in 1996 and are administered as part of the Strathclyde Pension Fund.

25. The overall impact on the balance sheet of these defined benefit schemes is based on the 31 March 2012 valuation provided by the actuaries. This increased the Council's share of the deficit from £80.8 million last year to £114 million this year. We note that the actuary remains of the view that the asset holdings of the fund and the contributions from employees and employers together with planned increases in employer contributions provide sufficient security to meet future pension liabilities. The assumptions made by the actuary when preparing the valuation have been subject to review by PricewaterhouseCoopers and concluded as being reasonable.

Whole of government accounts

26. The whole of government accounts are the consolidated financial statements for all branches of government in the UK. We are pleased to say that the Council submitted their consolidated pack to the Scottish Government by the statutory deadline of 29 July. The audited return was completed by the audit deadline of 5 October 2012. No material errors were identified in the Council's submission.

Group financial statements

27. The Council has interests in a total of five associates that have been consolidated into the group financial statements, in addition to the Dumbarton Common Good and Sundry Trust Funds, in accordance with the 2011 Code. The overall effect of inclusion of these group entities is to reduce net worth by £278.6 million.

28. We have highlighted the following issues:

- All bodies within the group received unqualified audit opinions from their external auditors.
- In 2012/13 the Council will need to consolidate the financial results of West Dunbartonshire Leisure Trust into their group accounts. A service level agreement has been established for leisure provision supplied by the leisure trust however we note that external auditors are still to be appointed. Delay in appointing an external auditor may result in an inefficient audit process and increase the risk of the Trust missing the statutory deadline for the completion of financial statements.

Trust funds

29. The Council administer eight charitable trust funds which may be used for purposes consistent with the terms of the Trust. Charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006, meaning a full set of financial statements is required for each trust fund. However the Office of the Scottish Charities Regulator (OSCR) has, to date, deferred full implementation, allowing the Council to rely on its existing disclosures for trust funds in the Council's financial statements, supplemented with additional working papers.

30. The Council have entered into a reciprocal arrangement with East Renfrewshire Council and East Dunbartonshire Council to provide independent examinations of each Council's 2012/13 trust statements. However 2012/13 is the final year of the concession for an independent examiner's report and a full audit report will be required as of 2013/14. The Council are encouraged to make early arrangements for the move toward external audit of charities and should consider whether there is scope to reorganise the existing charities to reduce the number requiring audit. There is a risk that Trust funds will not be sufficient to provide for external audit costs.

Action Plan 1

31. OSCRs feedback on the 2010/11 submissions from each local authority allocates councils to one of four categories, fully compliant (one council), above average (12 councils), average (14 councils) and below average (3 councils). The Council's submission fell into the “average” category.

Outlook

32. A number of leisure facilities were transferred to West Dunbartonshire Leisure Trust in April 2012. Financial transactions for the Trust are processed by the Council finance team on the Agresso ledger system however the Trust is set up as a separate company within the ledger. Transactions between the Council and the Trust are processed as third party transactions rather than through internal journals. This clear separation within the ledger system means we have no material concerns regarding the transfer impacting on the Council's 2012/13 financial statements.

33. Due to the transfer of responsibility for Police and Fire and Rescue Services from local government to new central government bodies from 1 April 2013, as part of Police and Fire Reform (Scotland) Act 2012, 2012/13 will be the final year that the Council will require to consolidate the financial results of Strathclyde Police Joint Board and Strathclyde Fire and Rescue Joint Board into their group accounts.

Financial position

34. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.

35. 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.

36. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

37. In 2011/12, the Council spent £366.2 million on the provision of public services, resulting in an accounting surplus of £7.8 million. This represents a £30.2 million increase in gross expenditure when compared to 2010/11. The predominant reasons for this increase are:

- £50.4 million increase in non distributable costs caused by an increase in past service costs relating to pensions.
- £11.7 million decrease in education services due mainly to reductions in employee costs (£7.0 million) and capital charges & finance costs (£5.4 million). Employee cost reductions are due to staffing restructures and changes in terms of teacher's contracts.

Budgetary control

General services

38. In February 2011 the Council agreed a net revenue budget of £239.5 million. This comprises £208.9 million for service expenditure & loan charges and £30.6 million for requisitions. The budget is phased over the financial year and a budget monitoring control report is presented to each meeting of the Council to report on budget variances to date and provide explanation for any service variances in excess of £25,000. The agreed budget will be revised to reflect operational decisions.

39. Exhibit 1 illustrates how the original budget changed over the course of the year and the year end variance between the outturn and original budget. The relatively low percentage change in budget and recognised year end variances provide assurance that:

- the original budget was phased well
- budget virements are not being processed to disguise under/over spends.

Exhibit 1: Budget vs outturn

Service	Original Budget (£m)	Revised Budget (£m)	Change	Outturn (£m)	Variance
Chief Executive	4.657	4.416	-5.17%	4.114	-11.66%
Corporate Services	12.804	12.814	0.08%	12.906	0.80%
Educational Services	88.570	87.991	-0.65%	86.465	-2.38%
CHCP	59.407	58.249	-1.95%	57.488	-3.23%
HEED	23.872	23.075	-3.34%	21.156	-11.38%
Miscellaneous Services	7.537	7.912	4.97%	8.058	6.91%
Loan Charges	16.083	15.866	-1.35%	15.663	-2.61%
Non GAE Allocation	-4.048	-4.048	0%	-4.342	7.26%
Requisitions	30.635	30.635	0%	30.629	-0.02%
Other	0	0	0%	1.499	N/A
Total	**239.517**	**236.910**	**-1.09%**	**233.636**	**-2.46%**

Source: West Dunbartonshire Council 2011/12 financial statements and budgetary control reports

40. Explanations for all variances in excess of £25,000 were reported to the Council on 26 September 2012 (agenda item 24). These papers are available on the Council's website (http://www.west-dunbarton.gov.uk/).

41. The 2011/12 budget was based on Band D council tax of £1,163 and assumed a council tax collection rate of 97.25%. This was a 0.25% increase in the collection rate assumed when setting the original draft 2011/12 budget in December 2010. This increase was a recommendation made based on a review of council tax collection targets which stemmed from a budget public consultation exercise. The 97.25% is based on collection of 2011/12 bills including collection in future years and as such it is not possible to report on whether the 97.25% rate has been achieved. However we note that the target set for collection of 2011/12 council tax within 2011/12 was 94.1% and this was exceeded by 0.1%.

Housing revenue account

42. In February 2011 the Council agreed an HRA expenditure budget of £34.1 million which was matched by anticipated income. This budget was set with an agreed average weekly rent increase of 4.5% (£54.48 per week in 2011/12 compared to £52.13 in 2010/11) which was set after consultation with tenants. The majority of feedback from the consultation process was that tenant groups, the West Dunbartonshire Tenants and Resident's Organisation and individual tenants were opposed to the rent increase.

43. The budget is phased over the financial year and a budget monitoring control report presented to each meeting of the Council to report on budget variances to date and provide explanation for key variances.

Financial position

General services

44. The general fund recorded a net deficit for 2011/12 of £0.14 million decreasing the balance to £14.8 million as at 31 March 2012.

45. Exhibit 2 shows the Council's useable funds at 31 March 2012 compared to the previous year. The Council's funds at 31 March 2012 totalled £24.5 million.

Exhibit 2: Useable reserves

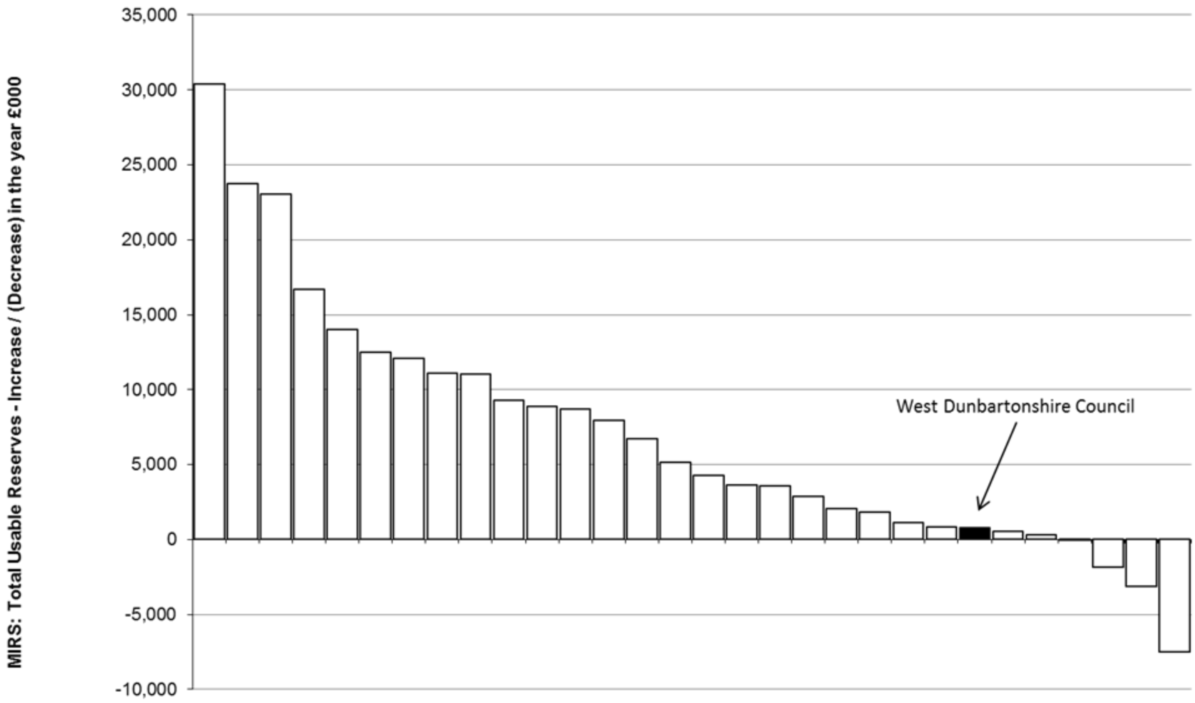
Description	31 March 2011 £ million	31 March 2012 £ million
General Fund	14.967	14.829
HRA	2.668	4.234
Capital Receipts	1.661	0.546
Capital Grants Unapplied	0.000	0.168
Capital	4.156	4.548
Other	0.202	0.158
Total	**23.654**	**24.483**

Source: West Dunbartonshire Council 2011/12 financial statements

46. Of the £14.8 million general fund balance, £3.3 million was applied to the 2012/13 budget (as agreed by Members at the Council's 2012 budget setting meeting held in February 2012); £7.3 million is earmarked, leaving an unallocated general fund balance of £4.2 million.

47. The overall increase in total useable reserves in 2011/12 is consistent with the picture across the majority of Scottish councils, as demonstrated in exhibit 3 below. The Council's useable reserves have increased by 3.5% on the previous year, which lies below the median for all Scottish councils. Nevertheless, this upward movement in reserves indicates a stable financial position going forward into 2012/13.

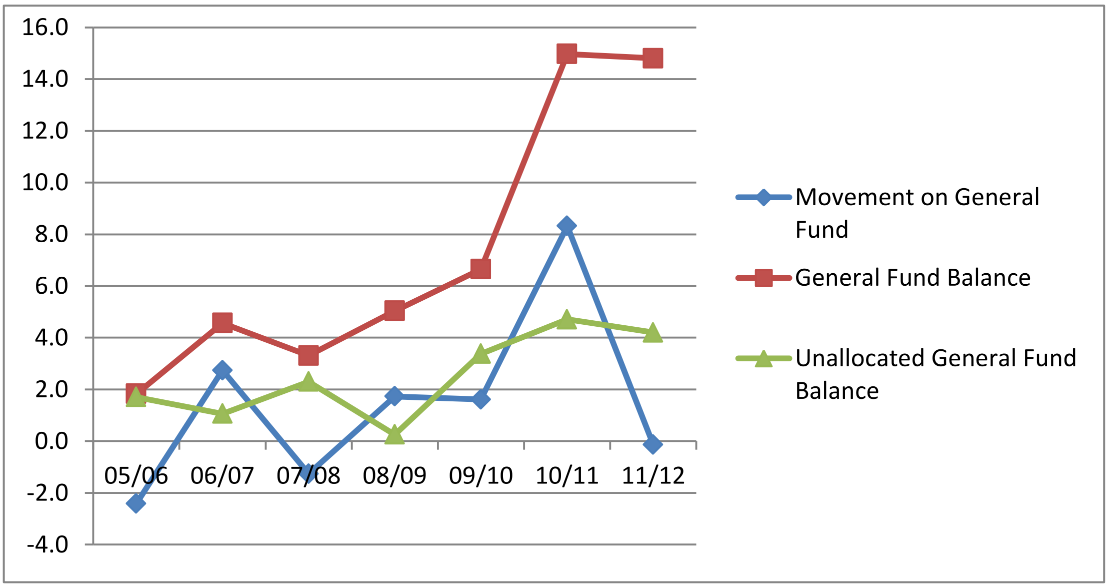
Exhibit 3: Movement in usable reserves in 2011/12



Source: Scottish councils unaudited 2011/12 financial statements

48. Exhibit 4 illustrates how the Council has, over the past six years, successfully re-established their general fund and unallocated general fund balance. As a consequence the Council is now limiting its exposure to financial risk and providing capacity to deal with unforeseen costs and losses.

Exhibit 4: Financial performance 2005/06 - 2011/12 (£ million)



Source: West Dunbartonshire Council audited accounts 2005/06 - 2011/12

49. We are also pleased to report that the Council's two trading operations (Housing Property Maintenance and Grounds Maintenance & Street Cleaning) returned a collective surplus of £3.2 million in 2011/12 and met the statutory requirement to break even over a three year rolling period by returning a cumulative surplus of £4.8 million over the period 2009/10 - 2011/12.

Housing revenue account

50. The HRA recorded an overall surplus for 2011/12 of £1.6 million increasing the balance on the account to £4.2 million. Of this balance £3.5 million is earmarked for stock regeneration, rent capping and displaced repairs. This leaves an un-earmarked balance of £0.7 million.

Capital investment and performance 2011/12

General services

51. The Council agreed the 2011/12 general services capital plan in June 2011 with the total programme expenditure being £24.1 million. £19.4 million of this was already committed to specific projects leaving a balance of £4.7 million for non-committed capital bids; the distribution of these funds was approved by Council. Revisions to the 2011/12 capital plan were agreed by the Council on a number of occasions throughout the year to reflect changes to available resources. This resulted in a final budgeted spend of £25.3 million.

Housing revenue account

52. The Council agreed a £20.6 million 2011/12 HRA capital plan in March 2011 with the predominant focus being on meeting the SHQS by 2015. Similar to the general services budget, this was revised by Council to reflect changes to available resources (in particular a review of anticipated capital receipts). The final budget was set at £19.6 million.

Capital slippage

53. The 2011/12 financial statements highlight capital slippage of £10.5 million (41.2%) for general services and £2.6 million (13.6%) for the HRA. Exhibit 5 shows that capital slippage has been an area of concern for a number of years.

Exhibit 5: Capital slippage 2007-2012

	2007/08	2008/09	2009/10	2010/11	2011/12
Capital Expenditure (£m)	28.0	31.9	36.6	36.6	31.8
Capital Programme (£m)	36.8	47.4	47.5	45.2	44.9
Slippage (£m)	8.8	15.5	10.9	8.6	13.1
Slippage	23.9%	32.4%	22.7%	19.2%	29.2%

Source: West Dunbartonshire Council Budget Reports 2007/08 - 2011/12

54. We recognise that the 2011/12 slippage was predominantly caused by delays in capital projects commencing and that the capital expenditure has been allocated to the 2012/13 capital budgets. However we wish to emphasise that the Council need to take appropriate action to ensure the successful and timely delivery of future capital programmes.

55. We note that the Council do not have a long term capital plan in place to ensure projects align with the overall Council priorities and resources available. It is recognised that a one year capital plan was agreed by Council in June 2012 and that there is an intention to develop a 10 year capital plan covering the period 2013/22.

Action Plan 2

Identification and valuation of common good assets

56. There have been a number of Scottish parliamentary petitions concerning the proper recording, auditing and safeguarding of common good assets and this area continues to produce a significant amount of correspondence and complaints. In December 2007, Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note for practitioners. The paper recognises the legislative distinction of the Common Good as a managed fund, which requires disclosure within the local authority financial statements with common good asset registers, supported by title deeds.

57. The Council comply with this guidance as they prepare a separate disclosure in their financial statements and maintain a register of the assets held by the Common Good Fund. However the Council has not performed an exercise to establish the existence, ownership and completeness of its heritable properties. This is important to ensure that both the Council's and any common good fixed asset figures are fairly stated.

Action Plan 3

Treasury management

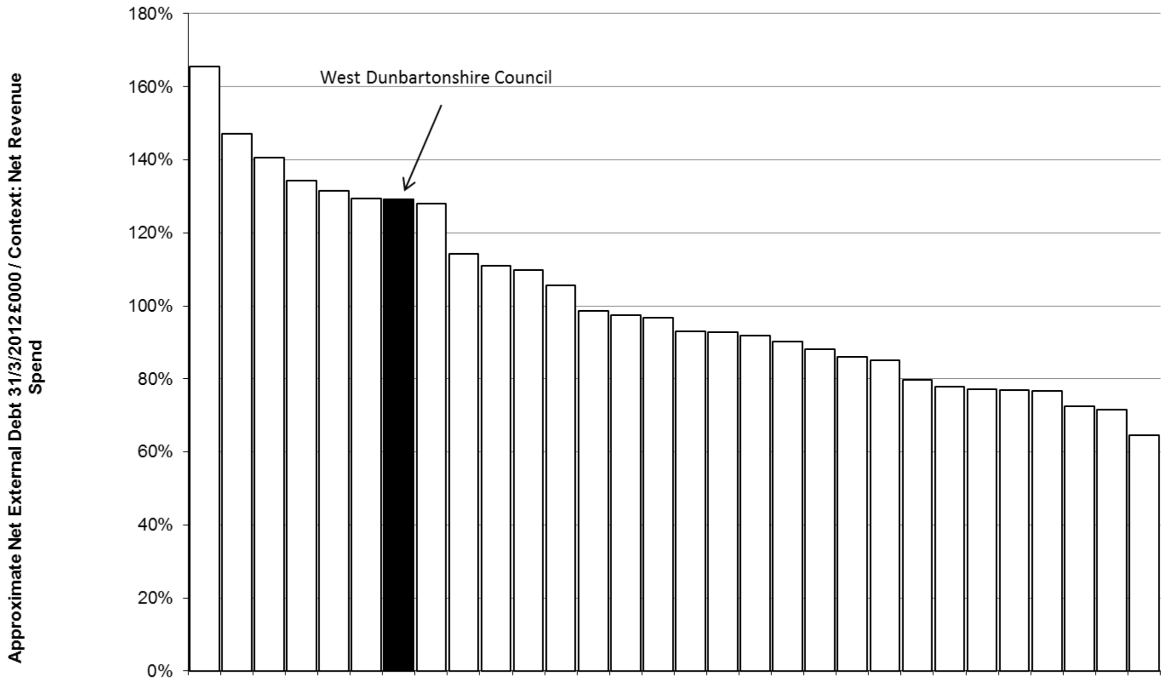
58. As at 31 March 2012, the Council held cash and cash equivalents totalling £10.2 million (£12.9 million at 31 March 2011) whilst their total borrowing (short plus long term borrowing) has decreased by £1.4 million to £317.1 million. In 2011/12 the Council did not take out any new loans or reschedule existing debt and they repaid £0.04 million of naturally maturing debt. A further £25 million of naturally maturing debt was paid off in the first half of 2012/13.

59. A review of the draft financial statements for all 32 Scottish local authorities highlighted that, as at 31 March 2012, across Scotland, the Council has the:

- third highest external debt per head of population
- second highest debt as a proportion of fixed assets
- second highest interest payments as a proportion of net spend.

60. Exhibit 6 shows the Council's net external debt at 31 March 2012 as a proportion of net revenue expenditure for the year in comparison to other Scottish councils. This further highlights issues with the Council's debt levels.

Exhibit 6: Net external debt as a proportion of net revenue spend



Source: Scottish councils unaudited 2011/12 financial statements

61. It is recognised that the total debt figure includes debt associated with both the HRA and the Council's Public Private Partnership (PPP) assets which not all Scottish local authorities will have. However as reported in our annual audit plan issued in January 2012, there are risks in relation to the Council's debt level and the impact that servicing the debt may have on service delivery.

Action Plan 4

Financial planning to support priority setting and cost reductions

62. The Council's financial strategy is designed to provide direction on how to manage and structure its financial resources to ensure they are utilised effectively and are clearly directed at achieving the Council's corporate objectives in the medium to long term. It was last updated and presented to the Council in September 2012. It reports that the cumulative budget gaps

for the period 2013/14 - 2015/16 are £11.8 million and £1.0 million for general services and HRA respectively.

63. The Council has identified a series of efficiency savings options which contain a range of service redesign and restructure programmes that are estimated to deliver £5.8 million in savings. Progress in achieving savings targets is monitored and regularly reported to the Corporate Management Team (CMT). We note that, with the exception of minor slippage, the Council are on target to achieve the targeted savings. Whilst we welcome the Council proactively seeking savings options we note that a number of them may be dependent on service and job redesign and potential staff reductions. There is a risk that achievement of the targets will present challenges to the Council in terms of both service delivery and the way in which it operates. The Council need to ensure it has the resources, capacity and skills to transform services.

Action Plan 5

64. The Council has previously considered income securitisation projects which involved borrowing money which in turn would be secured by the income generated by the Council's non-operational buildings. In June 2012 the Council decided to delay further consideration of this option for a period of at least 18 months. Through the development of income securitisation as an option since January 2011 the Council has incurred costs, both internal, and external for consultancy fees. The Council should conduct an option appraisal to consider the feasibility of income securitisation before any decision is made to reinstate this method of funding.

Public Private Partnership (PPP) sinking fund

65. In our *Review of Governance Arrangements and Main Financial Systems* report issued in May 2012, we highlighted a concern that the Council's established sinking fund, designed to close the funding gap between the combined funding sources and total estimated costs of the Council's PPP project, was projected to have an overall shortfall of £37 million over the 30 year life of the project.

66. The Head of Finance & Resources reviewed the sinking fund in June 2012, with a further review in August 2012, to account for available revenue funding based on the 2012/13 budget and a projected reduction in the PPP charge of £56,000 per annum due to reducing insurance costs.

67. Based on this review the Head of Finance & Resources has concluded that there are sufficient funds held within the revenue budget and sinking fund meaning that, at the present time, no additional funding is required to be allocated to the sinking fund. We will consider this further in our 2012/13 audit.

Income lost due to voids

68. Within West Dunbartonshire there are significant numbers of low and no demand social housing properties and letting in some of the larger housing estates can be challenging and resource intensive. Consequently the Council has the highest income lost due to voids in Scotland. Void rent loss is monitored and is discussed at the monthly Housing Inspection

Improvement Board and the Council are undertaking, in partnership with the Scottish Housing Best Value Network, a void management self assessment. This assessment will inform an action plan which targets improvements within void management performance.

69. The Council are also exploring a number of initiatives including Choice Based Letting for low and no demand properties, lettings initiatives, and a more robust marketing strategy, including the use of incentives and the creation of show flats. However, they acknowledge that some houses, and house types, are in areas of low demand and require levels of investment which cannot be justified in terms of long term business planning.

70. The decision taken by the Council in June 2012 to adopt a policy of stock retention included an agreement to bring forward planned demolition of surplus housing stock. Prioritisation for demolition was agreed by Council in September 2012. Demolition of surplus stock will decrease the disclosed income lost due to voids.

71. We also note that considerable cost and resource was invested in the Housing Stock Transfer process although no final benefit accrued.

Clydebank Municipal Bank

72. Clydebank Municipal Bank generates income by investing depositor's funds with the Council. This investment income is used to fund running costs and the interest paid to depositors. The Council provide the bank with premises within their Roseberry Place office and a Council employee is seconded to work in the Bank.

73. The current low rate of interest rates has resulted in the bank being unable to generate sufficient investment income to fund its running costs and, as a consequence, the Council are subsidising the bank to ensure it breaks even. This subsidy amounted to £159,441 over the three year period 2008/09 - 2010/11. The 2011/12 figures are not yet available.

74. The Council need to consider whether this current arrangement continues to be appropriate.

Procurement

75. 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. In 2010 the Council scored 17% which is classed as 'non conformance' and in June 2011 a PCA improvement plan was agreed by the Corporate and Efficient Governance Committee with its objective being to move the Council out of this category by the time of the next assessment.

76. We are pleased to report that in November 2011 the Council received a revised PCA assessment of 33% which placed them in the conformance category. The Council need to continue the progress they have already made to move toward 'improved performance' rating (50%).

Workforce reduction

77. During the year, 131 staff left the Council under the voluntary severance scheme. This adds to the 91 who left in 2010/11. As detailed at paragraph 63 the Council are progressing a number of spend to save projects which facilitate service redesign. Efficiency savings generated by these projects are partially achieved through voluntary severance and early retirement schemes.

78. As disclosed in the 2011/12 remuneration report the total cost to the Council for employees who have left in 2011/12 is £6.9 million.

79. In April 2012, the Council improved its staff Performance and Development Planning (PDP) process. The original process was introduced to provide a framework for improving individual staff performance and developing the skills of staff. However officers voiced concerns over the process which led to a lack of feedback on performance, development, and personal achievement. In light of this, an updated PDP process was developed which provides officers with a more formal approach to managing personal performance and development.

80. In our *Review of Governance Arrangements and Main Financial Systems* report we highlighted inconsistencies in the Council's directorate workforce plans. The Council committed to reviewing the plans to ensure consistency across the Council and alignment with corporate and service planning frameworks and timescales. This review was to be completed by 31 October 2012.

81. Limited progress has been made on this agreed action due to resource constraints. We will continue to monitor progress on this action and report on it in our 2012/13 governance report.

Action Plan 6

Outlook

2012/13 budget

82. The Administration presented draft 2012/13 budget proposals in December 2011 and the Council engaged in public consultation to allow the public to provide feedback and perspective on the proposals. An overview of the feedback was presented to Council in January 2012 to ensure it was considered as part of the final budget setting process. Net expenditure budgets of £243.3 million for general services and £35.1 million for HRA were set.

2012/13 budget reporting

83. The 2012/13 budget monitoring report (to 31 July 2012) notes a favourable revenue position to date within the general fund of £0.9 million and a favourable variance within the HRA of £46,300.

Financial forecasts beyond 2012/13

84. Looking ahead, it is clear that the outlook for public spending for the period 2013/14 to 2015/16 remains very challenging. The 2011 Scottish Government financial settlement for local authorities covering the years 2012/13 to 2014/15 resulted in a 2013/14 budget gap for

the Council of £5.9 million. Decisions taken by Council after the May 2012 election have reduced this gap to £4.2 million with an £11.8 million cumulative gap over the period 2013/14 to 2015/16. There is a further £1.0 million gap over the same period in the HRA budget.

85. Continued uncertainty over central funding beyond 2014/15, and the on-going council tax freeze, results in greater uncertainty over the Council's medium term financial planning. Continued regular review and updating of the Financial Strategy will help ensure the Council target the available financial resources at achieving corporate objectives.

Significant financial risks

86. West Dunbartonshire is experiencing a net migration pattern with 2011/12 being the 30th consecutive year that the population has dropped. The 2011/12 net migration of 210 exceeds the Council's target of 100. Depopulation is seen as a significant challenge by the Council and this is recognised in the Council's SOA and long term financial strategy. In common with other local authority areas, the number of young people is declining whilst the number of older people is increasing. There will be financial pressures in delivering services to older people and to communities that are costly to support. There is also a need to encourage young people to move to the area so that the local economy can grow. Strong financial management will be required to ensure that efficient and quality services are delivered within the financial constraints.

Governance and accountability

87. 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.

88. 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.

89. 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.

90. In this part of the report we comment on key areas of governance.

Corporate governance

Roles and relationships

91. Following the May 2012 elections the Council is run by a Scottish Labour Party administration after returning 12 of the possible 22 elected member positions.

92. Along with changes in direction and policy, the new political administration has introduced some changes in governance. In particular, it proposed that Council meetings, previously held monthly, would be held quarterly. This decision was passed by a majority vote of 12 to 10 with considerable opposition. Elected members who voted against the proposal expressed concerns about the risk to open and transparent decision-making and about the impact on accountability. It is recognised that the change to quarterly meetings is subject to review after one year. Members have also expressed concerns about political representation on committees.

93. In our *How Councils Work* report on roles and working relationships, we note that the best performing councils are able to identify when to set aside political differences and work together to deliver improved outcomes. It is therefore important that:

- Good working relationships are formed and maintained to ensure the Council is best placed to meet the challenges it faces.
- Elected members and officers work together to achieve the best possible outcomes for West Dunbartonshire.

- Elected members observe the requirements of the Councillors' Code of Conduct.

94. Complaints alleging breaches of the Councillors' Code of Conduct are initially dealt with by the Council's Monitoring Officer to substantiate whether a breach has occurred and advise what the likely action of the Standards Commission might be. In the 12 month period between October 2011 and September 2012 no complaints were lodged with the Standards Commission against elected members, either by elected members or a member of the public.

Processes and committees

95. 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 committees allow existing policies and new proposals to be subject to consideration and discussion by members.

96. A key responsibility of the A&PRC is to undertake a corporate overview of the Council's control environment and to review the adequacy of the policies and practices in operation to ensure compliance with relevant statutes, directions, standards and codes of corporate governance. Through attendance at the A&PRC we have noted an appropriate degree of scrutiny and challenge.

97. The committees within the Council are generally well attended by elected members and appropriate Council officers.

98. During the year the Council have reviewed member development and designed an integrated approach which facilitated development through a combination of different tools and programmes.

99. Organisational Development now has overall responsibility for the planning and recording of Member development and will shortly undertake the member's personal development plan process using the Improvement Service continuous professional development framework. A member's Business Day and Seminar Programme has recently been implemented to support developing personal knowledge across future strategic areas which will impact on the Council as well as the opportunity to engage member's in discussion and gain their input and ideas.

100. Individual development records have been implemented for each member and recording of member attendance at development sessions, seminars, briefings, and business days is in place. Whilst Member attendance at some events is not as the Council had hoped overall there has been good support for the development approach so far and feedback from the seminars has been positive.

Status of Chief Financial Officer (Section 95 Officer)

101. The Local Government (Scotland) Act 1973 established the role of the Chief Financial Officer (commonly referred to as the Section 95 Officer) as being the key officer responsible for the financial affairs of the Council.

102. The Chartered Institute of Public Finance Accountants (CIPFA) set out in their *'The role of the chief financial officer in local government*' publication their expectation that the Chief Financial Officer:

- be professionally qualified
- report directly to the Chief Executive and be a member of the leadership team (which in practice usually means the CMT or equivalent).

103. Within the Council the role of Section 95 Officer is at head of service level and is held by the Head of Finance and Resources. There is therefore a risk that, as the Chief Financial Officer is not a full member of the CMT, the statutory role is less visible and governance is impacted. It was noted however that this risk is mitigated within the Council through the Head of Finance and Resources attendance at CMT meetings and regular contact with the Chief Executive.

European Working Time Directive

104. During a review of staff costs we noted instances where employees were working large amounts of overtime. This was specifically noted in relation to janitors and road workers. The number of hours worked by specific employees exceeded the limit set by the Directive. Whilst employees are allowed to opt out of the Directive restrictions this must be voluntary and in writing. No such formal agreement was in place for the employees reviewed.

105. We further note that these payments may not represent value for money as enhanced rates have been paid where lesser rates could have been paid if another member of staff had been employed on a fixed term contract.

Action Plan 7

Internal control

106. 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.

107. As part of our work, we took assurance from key controls within the Council's financial systems, with the work to review controls of key systems being split between internal audit and ourselves. The results of our review of key controls were discussed with officers and reported to the A&PRC in our *Review of governance arrangements and main financial systems report* issued in May 2012.

108. The key weakness highlighted in our report related to the performance of reconciliations (refer to paragraph 18). Our overall conclusion was that there are adequate governance arrangements and controls operating within the main financial systems.

Internal audit

109. The Internal Audit Annual Report Statement 2011/12 presented to the A&PRC in August 2012 highlighted that 88.5% of the 2011/12 internal audit plan was completed by 31 March 2012. The 2011/12 plan is now fully complete.

110. During 2012/13 Internal Audit are introducing 'continuous auditing.' This means that financial transactions will be subject to ongoing audit testing rather than subject to periodic reviews. Areas of focus will be determined based on risk profiles with early indications being that payroll, procurement, debtors, creditors and cheque/BACS control are high risk areas where the application of continuous auditing might be appropriate.

111. The Head of Audit, Performance & Strategic Planning left the Council in September 2012. A new 'Audit and Risk Manager' post has been created as part of the corporate restructure with this vacancy to be filled in due course. The combination of rolling out continuous auditing and appointing a new manager represents considerable change for the section.

Information and Communications Technology (ICT)

112. The Council's ICT strategy, approved in April 2011, covers the period 2011 to 2016. ICT has been a key enabler for Council services for many years and continues to be an integral part of the Council's modernisation programme. The key objectives include making the ICT service a strategic enabler aligned with the Council's corporate objectives and using ICT to change and modernise how the Council operates to improve its efficiency, quality of systems and range of customer services.

113. The ICT strategy acknowledges that the corporate management and governance of ICT should be strengthened. By establishing an ICT Steering Group, the Council hopes to ensure that ICT resources are focused on those areas of work that are of greatest overall benefit.

114. The ICT strategy also highlights a need for greater coordination of the activities of web development and management, customer service, business change, and ICT to achieve better outcomes from existing initiatives. However, it indicates that despite many of the pieces needed for making significant cost savings being in place, the benefits are not being generated. As highlighted in the recent Audit Scotland report, *Managing ICT contracts: An audit of three public sector programmes*, delivering ICT projects can be difficult. Nevertheless using a robust project management process for larger tasks and a rigorous change control management process for smaller tasks can greatly reduce the likelihood of issues occurring.

115. Service level agreements (SLA's) can be used to formally define the service levels between the ICT department and the other departments within the Council. The ICT strategy recognises that SLAs will increasingly be required within the Council. There is a SLA in place with West Dunbartonshire Leisure Trust however none has been established between IT Services and Dunbartonshire and Argyll and Bute Valuation Joint Board or other Council departments. ICT Services are currently reviewing the requirement for SLA's.

116. The Council's Modernisation Fund includes investment to ensure ICT becomes an enabler for service and workforce transformation. The investment will deliver:

- a Core Infrastructure upgrade for majority of the Council offices and school estate
- new desktop delivery model, delivering IT services to support flexible and mobile workforce
- Fit for Purpose school IT estate to deliver Curriculum for Excellence.

Prevention and detection of fraud and irregularities

117. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

118. The Council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: an anti-fraud and corruption policy and response plan; codes of conduct for elected members and staff; and defined remits for committees.

119. The Council also has a whistleblowing policy entitled the *Public Interest Disclosure Policy*. This policy is under review and a new policy will be presented to the Corporate Services Committee in November 2012 for review and approval.

National Fraud Initiative (NFI)

120. NFI in Scotland collates data from all relevant public bodies to help identify and prevent a wide range of frauds committed against the public sector. These exercises are undertaken every two years with the most recent findings reported in May 2012. The current round of NFI commenced in June 2012, and will look to expand the range of data sets and bodies, reporting in full in May 2014.

121. Our report from May 2012 entitled *The National Fraud Initiative in Scotland* was presented to the A&PRC on 29 August as was the completed NFI self-appraisal checklist.

122. As at 2 October 2012, 3282 matched items were provided to the Council with 796 of these classified as "recommended filter matches". Five cases of fraud worth £22k have been identified. Of these five cases, three have been reported to the Procurator Fiscal with two receiving cautions. A further eight overpayments were identified, totalling £33k. Of these, six related to benefit overpayments, with the other two relating to private care home overpayments. There are a number of on-going investigations and it is therefore likely these figures will increase over the coming months.

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

123. 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. We have concluded that the Council's arrangements are satisfactory and are not aware of any specific issues that we need to identify in this report.

Complaints handling procedures

124. In 2012 the Scottish Public Services Ombudsman (SPSO) issued guidance to all Scottish councils on implementation of a new standardised local authority complaints handling procedure. A deadline of 14 September 2012 was set for councils to either submit their procedure to SPSO for assessment or to outline progress and submit a clear plan for implementation. The Council have progressed this through the creation of a customer relations team and model to manage the recording, reporting and monitoring of complaints. They met the 14 September 2012 deadline by submitting a plan with a projected implementation date of 1 April 2013.

Outlook

125. The Westminster government's Welfare Reform Act received Royal Assent on 8 March 2012. This is the biggest reform of the UK welfare system for 60 years and promises to change the lives of millions of households by creating a new Universal Credit for working age claimants.

126. The main drivers for this legislation are to improve work incentives, simplify the benefits system, tackle the administrative complexity of existing systems and deliver savings.

127. The provisions of the Act will result in a number of significant changes for how local authorities deliver services. Universal Credit will end the devolved administration of housing benefit. Council tax benefit will be replaced by a Scottish council tax reduction scheme from April 2013. There will also be a shift in terms of the delivery of services such as the Social Fund, community care grants and benefit fraud investigations. Going forward, the role councils will play in the delivery of welfare reforms is not yet clear although there is an expectation that councils will provide some face to face support to benefit claimants.

128. Councils will face challenges in understanding and acting upon welfare reform changes, and communicating these accurately and effectively to local residents. The introduction of Universal Credit will also have a significant impact on councils' strategies and plans in areas such as housing, asset management, finance, ICT and customer service. Councils will be challenged during this period of change to maintain service delivery and performance around housing benefit claims.

129. The Council is one of 12 councils selected from across the UK by the Department of Work and Pensions to run a pilot project to support people to claim Universal Credit. The pilot will run from autumn 2012 and will explore how local expertise can support residents under Universal Credit and set examples for other local authorities. The pilot includes help for claimants to build online skills to allow them to claim Universal Credit and to look for jobs and also develop financial management skills.

130. As part of our work on the 2012/13 audit, we will consider the Council's preparations for introduction of these changes, and how it is developing and taking forward its strategies and plans to address the risks arising from these changes.

Best Value, use of resources and performance

131. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.

132. The Local Government (Scotland) Act 2003 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 specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

133. 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.

134. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.

135. 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.

136. This section includes a commentary on the Best Value/ performance management arrangements within the Council. We also note any headline performance outcomes/ measures used by the Council and comment on any relevant national reports and the body's response to these.

Management arrangements

Best Value

137. The first Best Value report issued in December 2006 highlighted significant weaknesses within the Council. The most recent follow-up report issued in March 2010 concluded that *'the Council has still not made significant progress against many of the areas identified in the original Best Value audit as priorities for immediate improvement'*. In response the Council prepared a Best Value Improvement Plan and during 2011/12 the outstanding actions were consolidated in the Assurance and Improvement Action Plan. Updates on progress were reported to Council in June 2011, September 2011 and December 2011. A further update was submitted to the A&PRC in February 2012 which was used to inform the AIP published in

May 2012. As the Council had demonstrated good progress against the action plan it was decided that the Best Value review scheduled for 2012/13 be delayed until 2013/14. The shared risk assessment process commencing in the autumn of 2012 will be utilised to determine the timing of future Best Value audit activity.

138. A draft Assurance and Improvement Plan tracker was prepared by the Council in September 2012. Progress made is being evaluated by services and will be utilised as a means of self assessment for the next shared risk assessment.

Partnership working

139. The Council withdrew from participation in the Clyde Valley Shared Services Partnership in August 2011. It was felt that local solutions would provide better service delivery options.

140. The Council have continued to explore sharing services on a smaller scale with other neighbouring local authorities, mainly in relation to specialist areas such as ICT and Civil Contingencies. Procurement options for the disposal of residual waste are being considered by the Council in partnership with Inverclyde Council. Shared service arrangements are still at the planning stage and tangible benefits have not yet been realised. The Council should continue to evaluate shared service opportunities with a view to maximising best value options for delivering services.

141. West Dunbartonshire Community Planning Partnership (CPP) is supported by a strategic board which is scheduled to meet four times per year. We note however that the June 2012 and August 2012 meetings were cancelled. There are 15 Board Members from across public bodies in West Dunbartonshire and also representation from community forums.

142. The role of the strategic board includes scrutinising and analysing performance linked to the SOA. Community planning guidance is in the process of being updated by the Scottish Government and is due for publication in the autumn of 2012. The CPP will require to keep abreast of community planning developments including refreshing the SOA to ensure that partnership working is having a positive impact on service delivery and better outcomes for West Dunbartonshire residents and visitors.

Community/user engagement

143. The Community Engagement Strategy currently in place covers the period from 2008 to 2012. The Council have recognised that there is a need to update the strategy based on the Scottish Government's review of community planning and SOA's. The existing strategy focuses on activity and inputs, officers have made a commitment to move to an outcome based approach.

144. The Council has a range of well established processes in place to engage with the community. In the spring of 2012 they were accredited with being the top Council in the UK in relation to training undertaken and awards received from the Consultation Institute. 42 members of staff have achieved the Institute's Certificate of Professional Development.

145. A Community Participation Committee (CPC) has been established and is the main driver for involving the community in Council decision making. The CPC, which consists of 17

community representatives, meets five times per year and has open forums in place to widen involvement to include members of the public. Activity during 2011/12 included public consultation events which were held in the three main areas of West Dunbartonshire to discuss the setting of future budgets to ensure community views were considered.

146. A Citizens' Panel is also in place with 1400 representatives from across West Dunbartonshire. It is operated in conjunction with community planning partner organisations. During 2011/12 there was a high level of participation and areas consulted on included:

- Community safety - The 2012 survey showed a significant fall in the level of concern about crime in the local neighbourhood from 85% in 2011 to 59% in 2012.
- Local Development Plan - A high proportion of panel members agreed that the focus of the Council was appropriate in relation to housing, employment, retail and leisure, transport and the environment.
- One stop shops - information was collected from the community in relation to service priorities within one stop shops.
- Council services - The 2011 survey results compared less favourably with those previously reported. Satisfaction with Council services fell from 68% in 2010 to 61% in 2011.

147. Other community involvement forums in place include tenants and residents groups and a Public Partnership Forum (West Dunbartonshire Community Health Partnership).

148. The Council should continue to involve the community in setting Council priorities and decision making to improve the efficiency and effectiveness of Council services.

Carbon management

149. In July 2012 the Council became one of the first local authorities in the UK to achieve the Carbon Masters Standard. The Carbon Masters Standard is a certification scheme to encourage, recognise and reward best practice in carbon reduction. In order to achieve the Standard, organisations must demonstrate that they have reduced carbon emissions over a number of years as well as demonstrating that carbon management is embedded in the operation of the organisation.

150. The Council demonstrated an absolute reduction in carbon emissions of 11% from 2009/10 to 2011/12 covering emissions from gas, electricity and oil consumption from Council properties and fuel consumption from the Council vehicle fleet.

Overview of performance in 2011/12

Annual public performance report

151. The Council's Annual Public Performance Report for 2011/12, entitled "*Measuring Up?"* provided a summary of the performance of services provided by the Council in 2011/2012. The report describes aspects of performance, achievements and areas for future improvement across each of the corporate plan themes. The identification of success stories in addition to

areas requiring improvement provides a welcomed balanced and fair assessment of performance throughout the year.

Vision and strategic direction

152. The Council have a programme in place to refresh the Corporate Plan in March of each year. However, due to the May 2012 elections and the forming of a new Council Administration, a decision was taken in February 2012 to delay the production of Corporate and Departmental plans until August 2012 to take cognisance of political priorities. It was also recognised that there had been significant change within the Council during 2011/12 with the appointment of a new Chief Executive, Executive Director of Corporate Services, Head of Finance and Resources and Chief Social Worker. A more fundamental review of the Council's improvement strategy and strategic plans was agreed to take account of the significant change within the Council.

153. A Corporate Plan 2011/15 progress report for the year ended 31 March 2012 was presented to the A&PRC on 29 August 2012. Exhibit 7 summarises the performance against targets set in relation to the Corporate Plan.

Exhibit 7: Corporate plan performance indicators

	Number of indicators	Percentage achieved
Met or exceeded target	80	59.7%
Narrowly missed target	25	18.7%
Significantly missed target	19	14.1%
No data available	10	7.5%
Total	134	100%

Source: Audit & Performance Review Committee 29 August 2012

154. Following a fundamental review of the Council's approach to strategic planning the Council have prepared the West Dunbartonshire Council Strategic Plan 2012-17, which replaces the Corporate Plan. It is more concise than previous plans and focuses on the Council's vision, mission, values and priorities. The plan was presented to full Council on 26 September 2012 and made available on the Council's website with a commitment to report year one progress by 30 September 2013. Concerns were raised at the meeting by the opposition and independent parties about the lack of detail contained in the plan. Assurances were provided by the Council Leader that detail was contained within Departmental Plans which are linked to the Strategic Plan. The Strategic Plan outlines success factors such as strong financial governance, partnership working and having a committed and dynamic workforce to deliver the outcomes. Priorities within the Strategic Plan align with the Scottish Government's national outcomes, the West Dunbartonshire Community Plan and the local SOA. Council Departmental Plans for 2012-13 were prepared in advance of the Council's Strategic Plan. A high level review has been conducted which concluded that priorities in Departmental Plans

were broadly in line with those in the Strategic Plan. It is recommended that Departmental Plans are refreshed and clearly aligned to the new Strategic Plan to encourage consistency in approach.

Action Plan 8

155. A public value scorecard has been developed to support performance management arrangements for delivery of the Strategic Plan. This will involve significant development and change to the Council's approach to performance management and reporting. It is also intended that the scorecard will be rolled out to support performance management reporting for both Departmental Plans and public performance reporting. Comprehensive and challenging monitoring arrangements require to be developed to augment performance management arrangements across the Council.

156. The West Dunbartonshire SOA 2011-14 progress report in relation to 2010/11 was approved by Council in June 2011. Partnership outcomes are the main focus for the CPP. The report concluded *"We are still at the early stages of designing service delivery models that can respond effectively and sustainably to the National agenda and priorities. However, there is now evidence available, and included in this report, that the overall direction of the work is positive."*

157. The report highlights that 52% of the performance targets were met, 26% were narrowly missed and 15% of the targets were significantly missed. There has been slippage in delivering the outcomes identified in the SOA. The pace of change has been slower than planned and service delivery has not yet transformed in line with expectations. The introduction of relevant, robust and challenging performance management arrangements should be implemented as the Council prepare for the next stage of community planning and update of the SOA.

Action Plan 9

Performance indicators

158. The approach the Council has taken to producing the Public Performance Report is through the setting of targets and using performance indicators to measure progress made throughout the year in relation to these targets. The Council is required to report on all 25 Statutory Performance Indicators (SPIs) on corporate management and on service performance. In addition to the SPIs the Council has a defined set of Key Performance Indicators (KPIs) that they use to measure progress and demonstrate that the Council are delivering best value across services and functions. A number of the indicators have multiple 'measures' of which in total, there are 107.

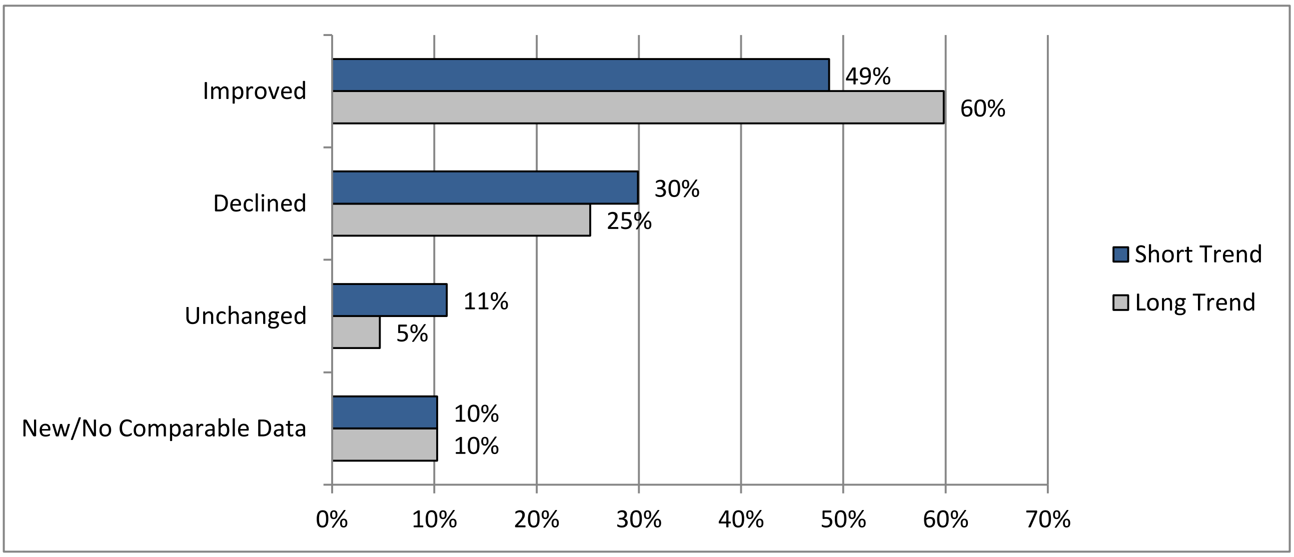
159. Performance is reported to the A&PRC on a quarterly and annual basis and reports performance against established targets. Reports are published online through the Council's Committee Management Information System. Quarterly reports focus on performance across 60 'measures', whilst an annual report covers all 107 'measures'.

160. The SPIs and KPIs were submitted to the A&PRC in September 2012. Information extracted from this report highlights that of the 107 performance indicators set:

- 68 have met or exceeded their targets
- 27 were within 15% of the target set
- 10 failed by greater than 15%
- 1 cannot be measured
- 1 has been qualified

161. The report also details improvements and decline in performance over long and short term trends. This gives an indication of progress towards internally set targets. Exhibit **Error! Reference source not found.**8 displays long term and short term trends for all 107 performance indicators:

Exhibit 8: Improvements demonstrated by PIs (Total 107 indicators)



Source: West Dunbartonshire Council SPI data returns and performance management system (Covalent)

162. The improved indicators include cost of collecting council tax, waste recycling and homelessness applications processing times. Indicators in decline include council buildings that are suitable and accessible to disabled people, net cost of refuse collection, average number of working days lost per employee through sickness absence (non-teaching staff) and carriageway condition.

163. Educational attainment is an area of concern within the Council, in particular with regard to the percentage of pupils passing SQA exams at levels 5 and 6 (or better) by the end of S4 and S6 respectively. In 2011/12 the Council have failed to meet their target for these two indicators and both are experiencing short and long term declines. We will review this as part of the 2013-2016 AIP update.

164. Absenteeism rates continue to be a concern for the Council. This was previously highlighted in our *Review of Governance Arrangements and Main Financial Systems* report. This issue has been subject to discussion at the A&PRC. Although there have been improvements in the long term trends for this performance indicator, the annual result of 12.2 days lost per full time

equivalent staff (non-teaching staff) missed the target set of 10.5 days. Since May 2012 the Council have been taking action to address this issue.

165. The indicator relating to the condition of operational buildings was classified as unreliable as information used to produce the indicator was outwith the timeframes established by the Federation of Property Societies. This qualification was agreed by the Council and they have committed to establishing a more robust assessment of asset condition.

Performance measurement outcomes

166. This shows that the overall position remains fairly static when compared to 2010/11 and further enhancements are required in 2012/13 to improve on the success achieved to date.

167. The Council have rolled out a Public Service Improvement Framework (PSIF) as the core tool to facilitate continuous improvement. As a result, the Chief Executive's Department was subject to a self-assessment and a PSIF Improvement Plan was created to address the areas of improvement identified.

168. In October 2012 Audit Scotland published a national report entitled *Managing performance: are you getting it right?* This report offers practical advice and support to help councillors and officers manage performance effectively. Drawing on audit work from all councils the report highlights concerns, issues and good practice from across the board, it is a useful tool in improving performance management within the Council.

Local performance reporting

169. In June 2012 we issued *Maintaining Scotland's roads: a follow up report* which reported on the progress made by the Council in improving their management of road maintenance, focusing on road asset management planning, performance management and maximising value for money.

170. We concluded that the Council is continuing to make progress in its approach to managing the road network and noted that the Council have developed a road asset management plan and are in the process of developing lifecycle plans to which highlight required improvement actions and associated timescales.

National performance reports

171. 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 **Error! Reference source not found.**9.

Exhibit 9: A selection of national performance reports 2011/12

- Commissioning social care
- Community health partnerships
- Transport for health and social care
- The National Fraud Initiative in Scotland
- Strathclyde Fire and Rescue
- An overview of local government in Scotland - challenges and change in 2012
- Reducing greenhouse gas emissions
- The role of CPP in economic development
- Modernising the planning system
- Overview of Scotland's justice system
- Strathclyde police and Strathclyde police authority
- Scotland's public finances - addressing the challenges

Source: www.audit-scotland.gov.uk

Follow up on national reports

172. During 2011/12 intelligence was gathered in relation to the action taken by the Council and impact of the following Audit Scotland reports:

- Scotland's public finances - addressing the challenges - no formal consideration by the Council. It is intended that the self evaluation section contained within the report will be referred to in officer / member awareness sessions.
- Transport for health and social care - report was discussed by the senior management team and assisted with identification of key areas for development work.
- Community health partnerships - the report was discussed by the senior management team and full Council and recommendations within the report were considered. The CHCP have carried out a self assessment which relate to areas covered in the report using the Public Service Improvement Framework self assessment model.
- Modernising the planning system - the report was presented to Council and an action plan was produced to monitor progress against actions contained within the report.

173. The following Audit Scotland reports were presented to the A&PRC in August 2012:

- Using cost information to improve performance: are you getting it right?
- An overview of local government in Scotland - challenges and change in 2012.
- The National Fraud Initiative in Scotland.
- Commissioning social care.

174. Action has been taken in highlighting the impact and relevance of these reports to the Council. The self appraisal checklist has been completed in relation to the NFI report and concluded that the Council are proactive in their management of the NFI process. Member development needs that have been identified as part of the overview report assessment checklist will be incorporated in members' personal development plans.

Progress against audit risks identified in the Assurance and Improvement Plan (AIP)

175. In early 2012 the Local Area Network (LAN) comprising representatives of the major audit and scrutiny bodies met to update the AIP, revise its assessment and reconsider the level of scrutiny required for the Council. The AIP Update 2012-15 summarised the changes to the LAN's risk assessment. The following paragraphs note the position against the key areas which were classified as 'Areas of Significant Risk'. Updates on the areas classified as being 'Areas of Uncertainty' will be provided in the 2013-2016 AIP update.

Housing maintenance & assets

176. The AIP Update noted that, at that time, 68% of the Council's housing stock was failing to meet the SHQS and the Council's 2010/11 return projected only 79% compliance by the 2015 deadline.

177. In May 2012, the Council, under the new administration, requested that officers bring forward a report to detail available options to meet the SHQS by 2015. This report was presented to Council in June 2012. Five options were presented, four of which included complete or partial stock transfer, with the fifth being full stock retention. Each option was assessed against variables relevant to meeting the SHQS with advantages and disadvantages for each option highlighted.

178. The decision taken was for full stock retention thus abandoning a policy of partial housing stock transfer first approved by Council in October 2008. Some key implications of this are:

- Annual rent increase of RPI plus 4.5% between 2011/12 and 2016/17. Average weekly rent will increase from £54.48 in 2011/12 to £76.38 in 2016/17. This compares with a projected increase to £68.71 had partial transfer been continued.
- Lost opportunity to write off £49 million of debt and potential opportunity for investment from Registered Social Landlords.

179. It is noted that the Council's plans to meet the standards is reliant on funding obtained through rent increases which are still subject to agreement.

180. The retention decision included an agreement to accelerate the demolition of housing stock deemed surplus to requirements. A report was presented to Council in September 2012 with an outline project plan for a series of demolition phases commencing in January 2013 and concluding in November 2014.

181. The Scottish Housing Regulator (SHR) is in the process of determining future scrutiny in relation to the Council with a particular focus on asset management and meeting the SHQS.

182. We note that there remain significant risks relating to the quality of housing stock.

Action Plan 10

Risk management

183. The AIP Update highlighted the LAN's concerns about the maturity of risk management arrangements within the Council. The Council have used the Risk Management Best Value toolkit to self assess current arrangements and applied the areas of better practice identified in the toolkit to provide guidance for improvement. Further progress is required to support delivery of the Strategic Plan and other Council plans. Identification, ownership, monitoring and reporting of risks will be critical for the successful delivery of plans across the Council. Work is underway in this area with strategic risks having been identified by the Risk Manager. The risks identified have been passed to Directors for comment and assessment. Responses are currently outstanding, when received they will be used to inform the Council's Strategic Risk Register and risks will be monitored via the Council's performance management system.

Action Plan 11

Outlook

184. As highlighted at paragraph 137 a Best Value Audit was scheduled to take place during 2012/13. Following the shared risk assessment process concluded in May 2012 this audit work has been delayed until 2013/14. Detail on forthcoming reviews will be determined in the 2013-16 AIP.

185. The Accounts Commission has developed an audit approach for CPP. This approach is being piloted in the autumn of 2012 and rolled out across the sector thereafter.

186. In April 2011, the Equality Act 2010 introduced a new public sector ‘General Duty’ which encourages equality to be mainstreamed into public bodies’ core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of ‘Specific Duties’ which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the ‘General Duty,’ including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013. We will consider progress made by the Council in implementing these requirements as part our 2012/13 audit.

187. The West Dunbartonshire Equality Scheme 2009-12 ended in March 2012. Officers are in the process of producing a report to capture the impact of the scheme and incorporate any outstanding actions in future reports. The report is due to be finalised in November 2012 and the content will inform future plans which include development of mainstream reporting.

Council transformation programme

188. The Council have prepared a range of business cases to support projects aimed to modernise and transform Council services. A report was submitted to full Council on 26th September 2012 by the Executive Director of Housing, Environment and Economic Development outlining the current position and the proposed next steps.

189. A range of funding options have been identified including utilisation of the Council's existing General Services Capital funds, the Council's modernisation fund and spend to save budgets. Funding arrangements considered by the previous Administration included exercising the option to borrow via income securitisation. At the June 2012 Council meeting the new Labour Administration made a decision to delay funding decisions linked to income securitisation.

190. Exhibit 10 summarises the projects proposed.

Exhibit 10: Projects with business cases developed

Title	Net Present Value (£m)	Payback Period (Years)	Initial Capital Investment (£m)	Future Capital Investment (£m)	Potential Capital Receipt (£m)
Office rationalisation	2.830	10.6	29.8	0	-3.7
Depot rationalisation	7.3	34.5	14.8	0	-1
Care Homes for older people	-22.6	6.9	14	0	-0.8
ICT core infrastructure	12	n/a	2.3	7.2	0
IT Equipment replacement	10.4	n/a	5.9	21.5	0
Transformation of website & Contact Centre	-2.5	2.4	0.8	2.6	0
Wind farm	-6.3	8.23	7.6	0	0
School estate	4.8	n/a	8.7	0	-1
Kilpatrick school	5.1	n/a	8.1	0	0
Fleet				0	-1.4
Street lighting	13.3	72	11.9	18.5	0.0
TOTAL	24.33		103.9	49.8	-7.8

Source: West Dunbartonshire Council Meeting 26 September 2012

191. At the June 2012 Council meeting two ICT business cases were approved amounting to £4.2 million, it was agreed that these would be funded via the General Services Capital Plan. More recently at the September 2012 Council meeting agreement was reached in treating Care Home and Education projects as a priority.

192. The Council are embarking on a major transformation programme and intend that these projects will contribute significantly to the successful delivery of efficient and effective services. Delivery of such large scale projects present considerable challenges and risks. It is critical that robust project management arrangements are sufficiently developed to support the significant change programme being undertaken. Capacity to deliver these projects should be considered carefully taking account of resources available which include both workforce requirements and finances to support successful delivery of the outcomes planned. Comprehensive risk management arrangements should be developed and monitored to supplement other project management controls in place.

Action Plan 12

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Relevant Committee
Review of adequacy of internal audit	25 January 2012	Not reported
Annual Audit Plan	1 February 2012	15 February 2012
Shared Risk Assessment/Assurance and Improvement Plan	9 May 2012	30 May 2012
Review of governance arrangements and main financial systems	31 May 2012	29 August 2012
Maintaining Scotland's roads - follow-up review	25 June 2012	Not reported
Report on financial statements to those charged with governance	18 September 2012	25 September 2012
Audit opinion on the 2011/12 financial statements	18 September 2012	25 September 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	05 October 2012	N/A
Report to Members on the 2011/12 audit	October 2012	December 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	29-30	**Audit of Trust Funds** From 2013/14 the tripartite reciprocal agreement between the Council and two other councils relating to the independent examination of Trust Funds will no longer satisfy OSCR's requirements. ***Risk: The current reciprocal agreement will be insufficient from 2013/14 onwards and should be replaced by a full audit report or risk non-compliance of the OSCR Regulations. There is a risk that Trust funds will not be sufficient to provide for external audit costs.***	Options as to how the Trust accounts will meet OSCR compliance will be identified and reported as appropriately	Head of Finance & Resources	31 March 2013
2	53-54	**Capital Management** Capital slippage has been an area of concern for a number of years with an average of 25.5% per annum since 2007/08. We further note that the Council do not currently have a long term capital plan in place. ***Risk: Future capital programmes and associated service improvements may not be delivered in a timely manner. Furthermore***	HEED has recently generated a procurement programme for HRA Capital projects to generate framework contracts for a range of capital works to support the implementation of works to attain Scottish Housing Quality Standard. This means that if slippage is experienced, then	Executive Director Housing, Environmental and Economic Development	In Place

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		projects may not align with available Council resources.	substitute projects can be brought forward, with the aim of ensuring all SHQS works are completed on time overall. The effectiveness of this approach will be monitored and considered by management.	Executive Director Housing, Environmental and Economic Development	30 June 2013
			The HRA has in place an agreed and costed capital investment plan covering the next 25 years. This will remain under review on a regular basis and will feed directly into the revenue planning process for the HRA.	Executive Director Housing, Environmental and Economic Development / Head of Finance & Resources	Ongoing
			A long term capital plan is under development for General Services spend. This aims to identify scoped demand for investment over the next 10 years, together with more finite plans for the next 3 years. The 10 year plan will link directly to the General Fund revenue plans and the Council's long term financial strategy, and as such will remain under review at regular intervals.	Executive Director Housing, Environmental and Economic Development / Head of Finance & Resources	February 2013 and ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			CMT will review the 2012/13 capital plan to identify options for maximising in-year spend. The Strategic Asset Management Group will consider options to generate framework arrangements aligned to the General Services capital works going forward.	CMT Executive Director Housing, Environmental and Economic Development / Head of Finance & Resources	31 December 2012 31 January 2013
3	56-57	**Common Good - Existence and Ownership of Heritable Properties** The Council have not performed an exercise to establish the existence and ownership of its heritable properties. This is important to ensure that both the Council's and any common good fixed assets are fairly stated. ***Risk: The common good asset register might not include all material heritable properties. Furthermore the Council and common good balance sheet may not be fairly stated.***	Officers will consider options available to clarify ownership of heritable properties between the Council and the Common Good.	Executive Director Corporate Services	31 March 2013
4	58-61	**Debt Levels**	The Council’s Treasury	Head of Finance	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		A comparative review of the draft financial statements of all 32 local authorities highlighted that the Council has some of the highest levels of debt per head of population, as a proportion of fixed assets and as a proportion of net spend. ***Risk: Servicing the debt may not represent value for money and may have a detrimental impact on service delivery.***	Policy is reviewed on an annual basis to ensure that the Council operates within Prudential limits and that the debt repayments are affordable. The Council retains an HRA debt (around 45% of all debt) which a number of other Councils do not have. The analysis of debt within the audit report does not take account of this issue. Debt in relation to the HRA will increase over the next few years in order to improve the Council's housing stock. A financial plan has been developed identifying required rent increases in order to service the debt. The financial plan will remain under review in order to consider the ongoing affordability of the plan. The Council's rent levels remain in the lower end of the range of Council rent charges. The General Fund debt includes future payments for PPP schools which a	& Resources Executive Director Housing, Environmental and Economic Development / Head of Finance & Resources Head of Finance & Resources Head of Finance & Resources	Ongoing Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			number of other Councils do not have. The cost of servicing these repayments will continue to be planned within the Council's financial strategy. Future options for new capital investment are under consideration in the long term capital plan and means of funding these which minimise effect on the revenue account are under consideration.		Ongoing
5	63	**Financial Pressures** The Council have identified £5.8 million of efficiency savings to help meet the financial challenges brought about by reduced local government settlements. A number of savings options are dependent on service and job redesign and potential staff reductions if they are to be achieved ***Risk: Achievement of these targets will present significant challenges to the Council in terms of capacity to deliver services and planned improvements****.*	A range of options have been developed by the CMT in order to close the identified gap for 2013/14. Further options will be developed for the remaining gap to 2014/15. There may be options taken which include reducing staffing numbers, however these will only be taken following consideration of potential effects on service delivery. Options will include opportunities for service and job redesign efficiencies. The ongoing development of the financial strategy will	CMT CMT All Directors and Elected Members Head of Finance & Resources	6 February 2013 February 2014 Ongoing Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			include the effects of planned improvements (e.g. effect of capital investment decisions). The CMT and Elected Members will continue to review performance and financial pressures and make decisions about how to manage appropriate service delivery within the confines of the financial pressures.	CMT and Elected Members	Ongoing
6	80-81	**Workforce Planning** Limited progress has been made to ensure consistency across Council workforce plans and alignment with corporate and service planning frameworks and timescales. ***Risk: The Council's workforce may not be managed efficiently in delivering Council services due to inconsistencies in workforce management plans and alignment with strategic plans.***	The recent Corporate Services restructure has allocated additional resource to lead this area. Progress will be achieved in developing a corporate approach. The CHCP has recently undertaken a revised approach to developing an integrated workforce plan and this will provide a template for Directorates.	Executive Director Corporate Services	Ongoing
7	104-105	**European Working Time Directive (EWTD)** Some employees have worked hours in excess of the limits set by the EWTD without a formal written opt-out agreement as required by the Directive.	A review will be undertaken of specific instances to ensure that current procedures are implemented. Furthermore, as part of modernisation and	Executive Director Corporate Services Executive Director Corporate	1 April 2013 1 April 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		Risk: The Council are in breach of EWTD. Furthermore these payments may not represent value for money.	service review, options in service provision will continue to be identified. CMT at a Departmental and Council wide basis is formally monitoring use of overtime and will continue to do so.	Services CMT	Ongoing
8	154	**Strategic and Departmental Plans** The Council's Strategic Plan 2012-2017 was approved in September 2012 and replaces the Corporate Plan. Departmental plans were prepared in advance of the Strategic Plan and need to be refreshed and clearly aligned with the Strategic Plan. ***Risk: achievement of the Council's strategic objectives may be hampered by a lack of cohesion between them and the departmental plans.***	Departmental Plans will be refreshed to reflect the refreshed Strategic Priorities	All Directors	31 December 2012
9	155-157	**Monitoring of Performance Management** In 2012 the Council have updated strategic plans, developed a public value scorecard and reported on progress in relation to the 2011/14 SOA. The Council has reduced the number of performance indicators	A rationalisation of Performance Indicators has already taken place and will continue. The Strategic Plan rationalised those in use at a corporate level and this practice will be implemented across all planning processes. This process will be	All Directors	31 March 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		however there is scope to further rationalise them to better focus performance management arrangements to support key strategic objectives. ***Risk: Performance management may not be adequately monitored resulting in targets not being met or performance slippage not being highlighted in a timely manner.***	developed in the process of implementing the next planning phase for 2013/17.		
10	176-182	**Scottish Housing Quality Standards** The Council have a duty to ensure 100% of housing stock complies with SHQS by 2015. Retention of the housing stock affords greater control over delivery of SHQS but also creates additional financial pressure on the Council. ***Risk: The Council may fail to meet the SHQS 2015 deadline.***	In agreeing to retain the Council's housing stock, members were presented with details as to the level of investment to fund the achievement of SHQS and the expected levels of rent increases required to pay for the borrowing required to fund the improvements. Progress towards achieving SHQS will be monitored by HEED and the Chief Executive. In addition the HRA capital plan is aligned to the achievement of SHQS on time and linked to the expected performance improvement arising from the use of flexible	Chief Executive / Executive Director Housing, Environmental & Economic Development	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			framework contracts it is expected that SHQS will be attained on time. The capital planning process will be informed by the outcome from the 100% stock condition survey which was approved by Council in June 2012. CMT monitors progress in relation to the capital plan on a regular basis and this is also regularly reported to HEED Committee and Council.	CMT and Elected Members	Ongoing
11	183	**Risk Management Arrangements** Risk management arrangements require updating and strengthening to support delivery of the Strategic Plan and other Council plans. ***Risk: Risks are not appropriately identified and managed.***	Management are currently reviewing the approach taken to risk management. Strategic and operational risk registers are being refreshed in line with new Strategic Plan and Departmental / Service plans.	Executive Director Corporate Services All Directors	31 December 2012 March 2013
12	192	**Project Management**	Management are	All Directors	31 March

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		Arrangements The Council are embarking on a major transformation programme to facilitate the successful delivery of efficient and effective services. Robust project management arrangements require to be developed to support this significant change programme. ***Risk: Lack of adequate project management capacity may increase the risk of the transformation programme not delivering the projected efficiencies.***	aware of the need for robust project management processes and the skills and knowledge required to undertake these tasks, and will ensure appropriate and recognised project management arrangements are implemented for each project		2013