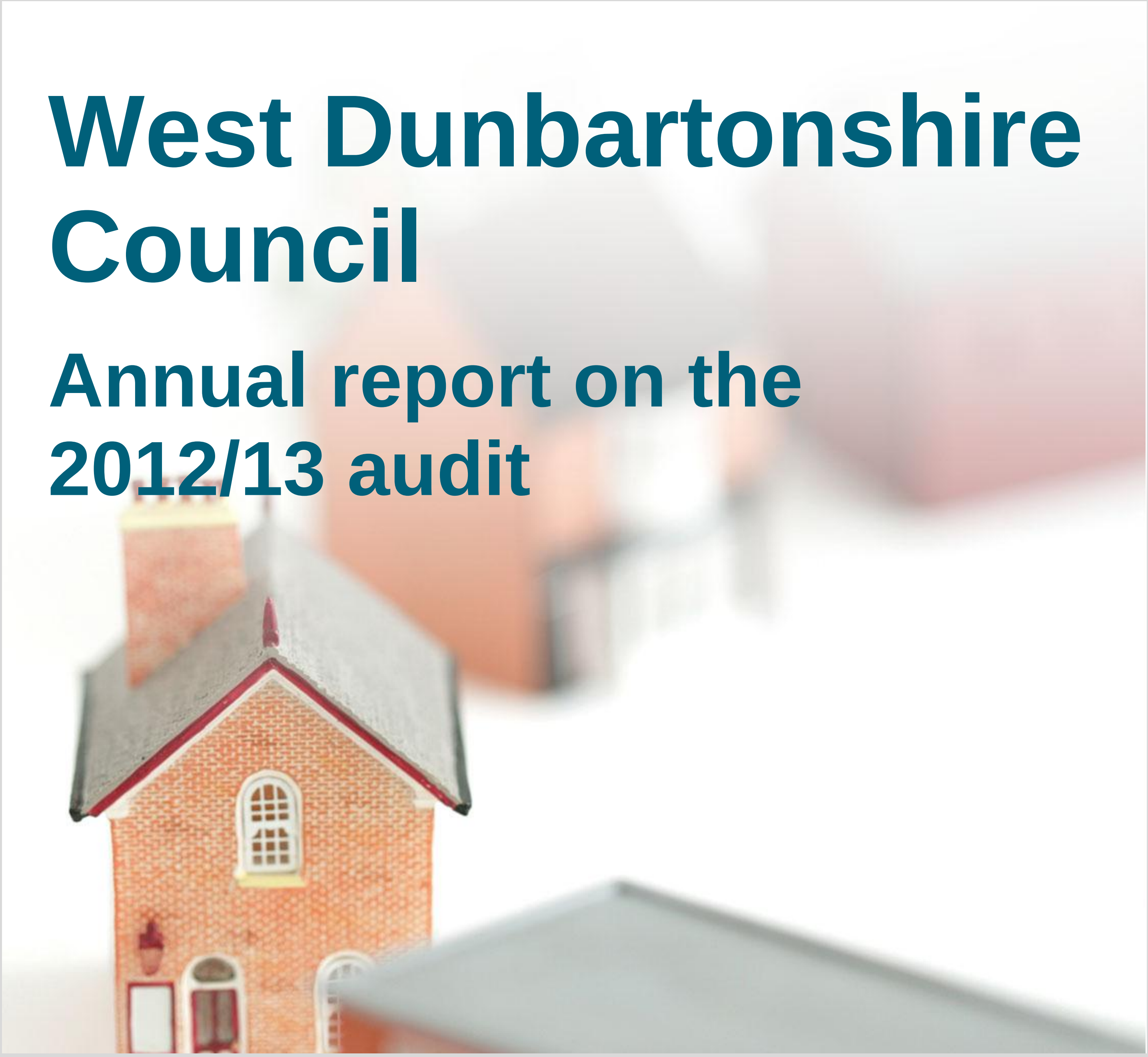
West Dunbartonshire Council

Annual report on the 2012/13 audit



Audit Scotland

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

October 2013

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

2012/13

This report summarises the findings from our 2012/13 audit of West Dunbartonshire Council (the 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.

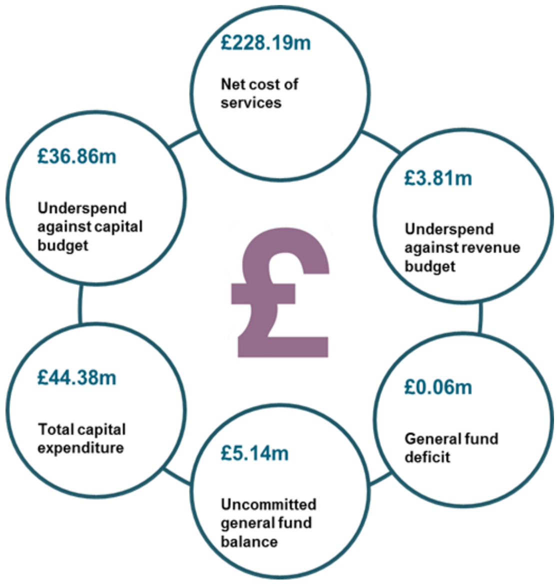
Financial statements

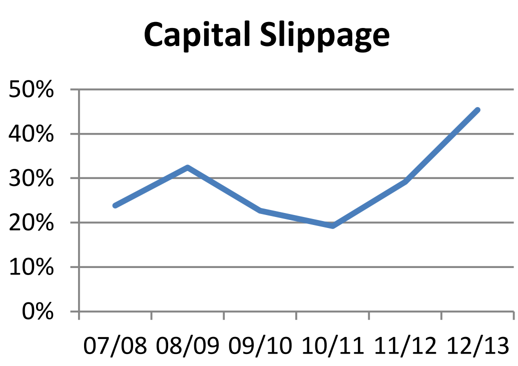
We have given an unqualified opinion on the financial statements of the Council and its group for 2012/13. In our opinion they give a true and fair view of the financial transactions for the year to 31 March 2013 and the financial position at that date. We also certify that the accounts have been prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements.

Financial position

The general fund recorded a net deficit for 2012/13 of £0.06 million, decreasing the balance to £14.77 million as at 31 March 2013. This balance includes earmarked commitments of £9.63 million and an unallocated general fund balance of £5.14 million,

The housing revenue account (HRA) recorded an overall deficit of £0.06 million decreasing the balance on the account to £4.18 million. Of this balance £3.46 million is earmarked leaving an unallocated balance of £0.72 million.





Capital slippage in 2012/13 totalled £36.86 million against a budgeted capital programme of £81.24 million (45.4% slippage). Capital slippage has been an on-going area of concern for the Council with it varying between 19% and 45% over the past six years. In February 2013 the Council approved a 10 year capital plan covering 2013/14 to 2022/23. It is hoped that this will create flexibility around delivery of longer-term capital projects and help address the issue of capital slippage.

Overall the Council have maintained a stable financial position. However, we note that across the 32 Scottish local authorities, the Council has the sixth lowest usable reserves as a percentage of net revenue spend. The Council needs to ensure it is adequately protected against future commitments and/or reductions in funding.

Governance and accountability

Overall the Council's governance arrangements in 2012/13 were adequate. No material weaknesses in the accounting and internal control systems were identified during the audit although we agreed some areas for improvement in our *Review of Governance Arrangements and Main Financial Systems Report* issued in June 2013.

Best Value, use of resources and performance

The Council has continued to make good progress to address issues highlighted by the Shared Risk Assessment (SRA) process.

A new Strategic Planning & Performance Framework is in the process of being launched and will replace the current Performance Management Framework and Joint Planning & Budget Guidance. The Council has implemented a strategic programme framework and new governance structures to help deliver its ambitious transformation programme. Whilst it is too early to assess the impact of these new arrangements we welcome the introduction of strategic formalised programme management arrangements.

Outlook

Scotland's public bodies will continue to face increasing demand and cost pressures for their services in the foreseeable future. The Council, as with other councils, will need to continue to review its priorities and make difficult decisions in order to deliver balanced budgets in future years.

Further financial pressure is resulting from the public reform agenda, particularly Welfare Reform, which is resulting in the biggest shake up in the UK welfare system in 60 years. There are early indications that welfare reform is resulting in increased rent arrears while research groups such as the Rowntree Foundation are warning of increasing poverty and homelessness amongst the poorer sections of society.

These developments are planned at a time when the Council is faced with a significant funding gap forecast at £21.68 million cumulatively by 2016/17. The Council recognise this and are progressing a major transformation programme focused on delivering savings through delivery of efficient and effective services.

The Council's long term financial strategy is updated on a six monthly basis and takes account of the challenging economic circumstances. Regular review and updating of the strategy helps ensure the Council target the available financial resources at achieving the Council's strategic objectives.

The co-operation and assistance given to us by officers during the audit is gratefully acknowledged.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of West Dunbartonshire Council. 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 high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management 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 with the Audit & Performance Review Committee (A&PRC), either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the 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 annual governance statement and the remuneration report. 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 West Dunbartonshire Council for 2012/13 give a true and fair view of the state of affairs of the Council and its group as at 31 March 2013 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 Corporate Management Team (CMT), the financial transactions of the Council were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Going concern and group accounts

12. The Council has prepared the financial statements on the assumption that both the Council and its group can continue to operate as a going concern in future. Local authorities are required to prepare group accounts in addition to their own Council's accounts where they have a material interest in other organisations.

13. For the purpose of consolidation and incorporation within the group accounts the Council has six associates (Strathclyde Police Joint Board, Strathclyde Fire and Rescue Joint Board, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme, Dunbartonshire and Argyll Valuation Joint Board, West Dunbartonshire Leisure Trust) and the Dumbarton Common Good and Sundry Trust Funds.

14. The overall effect of inclusion of all these bodies on the group balance sheet is to reduce both reserves and net assets by £317.49 million. The group balance sheet as at 31 March 2013 discloses a net asset of £4.86 million (2011/12 £86.43 million). The material reduction in net assets is due to the accrual of pension liabilities in accordance with International Accounting Standards. Police and Fire functions transferred to the Scottish Police Authority and the Scottish Fire and Rescue Service on 1 April 2013. The group balance sheet position will improve, in future years, as the Council will no longer be required to accrue the pension liabilities of Police and Fire into its group accounts.

Annual Governance Statement

15. In 2012/13 the Council adopted the more comprehensive Annual Governance Statement disclosure rather than maintaining the Statement on the Systems of Internal Financial Control (SSIFC). We welcome this development and, as part of our annual audit, reviewed the disclosures made in the Annual Governance Statement and the process for obtaining sufficient assurances to inform the content of the statement.

16. We are satisfied that the disclosures in the Annual Governance Statement are in line with the guidance contained in the CIPFA publication *Delivering Good Governance in Local Government* and with the adequacy of the process put in place to obtain the necessary assurances for the statement.

17. The Annual Governance Statement refers in outline to a number of areas where improvements are being progressed:
    - Enhanced control over allocation of transactions between the Council and West Dunbartonshire Leisure Trust in the financial ledger.
    - Identifying actions to further improve levels of compliance with the Council's Code of Good Governance.
    - Exploring additional opportunities for benchmarking in addition to the introduction of the new SOLACE indicators.

Remuneration report

18. We are satisfied that the remuneration report has been prepared in accordance with relevant legislation. The disclosures within the 2012/13 financial statements include all eligible remuneration for the relevant Council officers and elected members.

Accounting issues

19. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code). We are satisfied that the Council prepared the 2012/13 financial statements in accordance with the 2012/13 Code.

Accounts submission

20. The Council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June 2013. Comprehensive working papers to support the financial statements were also provided considerably earlier than the agreed deadline and were of a high quality. This improved the efficiency of our audit and enabled us conclude the audit and certify the financial statements prior to the target date of 30 September 2013. The financial statements are now available for presentation to members and publication.

Presentational and monetary adjustments to the unaudited accounts

21. A number of presentational and monetary adjustments have been made to the 2012/13 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:

- £1.00 million decrease in the Council's net worth, predominantly due to an identified impairment charge for incurred demolition costs (£0.78 million) and an adjustment to the valuation of the Clyde Shopping Centre (£0.46 million).
- £1.20 million decrease in the surplus on the provision of services mainly due to the same impairment charge and a technical change regarding the presentation of costs relating to the loans fund.
- £0.08 million increase in the general fund balance due to a post year-end decision to refund funds by the Valuation Joint Board.

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

- Removal of the SSIFC and adoption of an Annual Governance Statement.
- Reallocation of cash inflows and outflows in the Cash Flow Statement which affected current and prior year figures.

23. An accounting error during the reallocation of central support costs in 2011/12 resulted in both gross income and gross expenditure for Roads & Transportation Services being overstated in that year by £4.27 million. It should be noted that the 2011/12 net expenditure figure was not affected and there was no impact on the Council's general fund. As the error exceeded our materiality threshold it was necessary to process a prior year adjustment in the 2012/13 financial statements.

24. As is normal practice, the effect of the monetary adjustments were reported to the Head of Finance and Resources, and included within our *ISA260 - Report to Those Charged with Governance on the 2012/13 Audit*, reported to A&PRC on 25 September 2013. As a result, there were no unadjusted misstatements requiring to be brought to the attention of the A&PRC.

Pension costs

25. The Council is a member of the Strathclyde Pension Fund which is a multi-employer defined benefit scheme. In accordance with pension 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.

26. The overall impact on the balance sheet of these defined benefit schemes is based on the 31 March 2013 valuation provided by the actuaries. The valuation at 31 March 2013 provided by the scheme's actuaries increased the Council's share of those net liabilities from £113.98 million last year to £146.70 million this year, reflecting unfavourable movements in investment markets.

27. It is important to note that this additional liability does not have any immediate impact on the Council's financing requirements. The Council will continue to make annual contributions to the Pension Fund, through employer contributions, in accordance with triennial valuations carried out by the actuaries. 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.

Whole of government accounts

28. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The Council submitted the consolidation pack to support its 2012/13 WGA return to the Scottish Government prior to the deadline of 7 August 2013. This has now been audited and the audited return submitted.

The Charities Accounts (Scotland) Regulations 2006

29. The Charities Accounts (Scotland) Regulations 2006 as amended (the 2006 Regulations) set out the accounting and auditing rules for Scottish registered charities. These apply to all local authority registered charities. These require an audit of a registered charity's financial statements where the local authority is sole trustee and where certain thresholds apply (i.e. income of £0.5 million or above or gross assets of £3.26 million). An independent examination is required for the financial statements of charities below aforementioned threshold values.

30. The Council administer eight charitable trust funds which may be used for purposes consistent with the terms of the Trust. Each of these is below the aforementioned thresholds and, in 2012/13, were subject to independent examination through a reciprocal arrangement in place with East Renfrewshire Council and East Dunbartonshire Council. OSCR’s feedback on the 2011/12 submissions from each local authority allocates councils to one of four categories,

fully compliant (two councils), above average (21 councils), average (2 councils) and below average (4 councils). The Council's submission fell into the 'above average' category.

Carbon trading

31. In April 2010 a complex system of charging for carbon emissions was introduced by the EU. The Council is now required to purchase and account for carbon credits to cover all of its non-transport related energy usage. Incentives and penalties are built into the system to encourage a reduction in carbon emissions. The Council has a Carbon Management Plan which was approved by the Corporate & Efficient Governance Committee in November 2009. The primary focus of the plan is to reduce emissions from energy consumption, vehicle fleets, street lighting and waste disposal. Progress against the plan is now monitored by the Housing, Environmental and Economic Development (HEED) Committee.

32. The provision at 31 March 2013 was calculated as £0.19 million (£0.25 million at 31 March 2012) based on a 2013/14 forecast annual carbon footprint of 14,516 tonnes CO2 (19,210 tonnes in 2011/12). This reduction is consistent with prior years which have seen the Council's total carbon emissions fall by 14% between 2006/07 and 2011/12.

Asset decommissioning costs

33. In April 2013, Scottish Coal Company Limited which operated a number of open cast mine sites across Scotland went into liquidation. On 11 July 2013, the Court of Session in Edinburgh ruled that the liquidated company could abandon the sites and therefore was not liable for the cost of restoring these sites to their original condition. As a result of this ruling, potential costs may eventually fall to the relevant public sector bodies including Scottish Environmental Protection Agency, Scottish Natural Heritage, East Ayrshire Council and South Lanarkshire Council. The estimated cost of restoration of the sites at September 2013 was £161 million.

34. There is a landfill site within West Dunbartonshire which is operated and owned by a private limited company. Although the site is located in West Dunbartonshire it is used by other local authorities, public bodies and multiple commercial users. The Council are of the opinion that they would not be responsible for any decommissioning costs. We would encourage the Council to review this in light of the recent Court of Session decision.

Outlook

35. The Assistant Auditor General (AAG) wrote out to Local Government Directors of Finance in June 2013 advising them of these new arrangements and the Accounts Commission's decision to appoint the auditor of each council as the auditor of their relevant charities. This is likely to result in an increase in audit costs and will form part of the audit fee discussions as part of the 2013/14 audit planning process.

Financial position

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

37. 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.

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

Financial results

39. In 2012/13, as recorded in the comprehensive income and expenditure statement, the Council spent £361.01 million on the provision of public services, resulting in an accounting surplus of £7.42 million. This represents a £0.90 million reduction in gross expenditure on public services when compared to 2011/12. The accounting surplus includes certain elements of income and expenditure that are accounted for to comply with the 2012/13 Code. These require to be adjusted for to show their impact on statutory Council reserves. Following these adjustments there is a decrease in the Council's general fund balance of £0.06 million.

Budgetary control

40. In January 2012 the Council agreed a net general fund revenue budget of £243.25 million. This comprises £211.60 million for service expenditure & loan charges and £31.65 million for requisitions.

41. In January 2012 the Council agreed a balanced HRA expenditure budget of £33.74 million. This budget was set with an agreed average weekly rent increase of not less than 4.5%.

42. Both the general fund and HRA budgets are 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.

43. The 2012/13 outturn report shows that net service expenditure across the Council was £239.44 million, representing an underspend of £3.81 million (1.6%) against the budget.

44. Favourable savings were predominantly due to control of vacancies, restructuring of service delivery, implementation of savings targets and Scottish Government funding. Exhibit 1 provides further details.

Exhibit 1: Service variances

Service	Variance (£ m)	Reason
Chief Executive / Corporate Services	(0.09)	Higher than anticipated expenditure on housing benefits.
Education	1.35	Lower employee costs due to reduced cover required within schools and vacancies and lower than anticipated utility costs and property recharges.
CHCP	0.78	Delays in client uptake of mental health services and vacancies across range of services.
HEED	2.10	Additional income to the Housing Maintenance Trading Account and delays to securitisation.
Miscellaneous Services	(1.74)	Additional costs for new insurance contract, death in service and an accounting adjustment.
Loan Charges	0.18	Debt restructuring.
Non GAE Allocation	0.88	Allocation from each central service to other services reflects a change in estimated time spent by services in different areas.
Requisitions	1.34	One-off return of reserves from both police and fire boards following the reform.
Other	(0.99)	Predominantly due to additional in-year earmarked balances.

Source: West Dunbartonshire Council 2012/13 financial statements

Financial position

General services

45. The general fund reported a net deficit for 2012/13 of £0.06 million, decreasing the general fund balance to £14.77 million as at 31 March 2013. Of this balance £2.16 million was applied to the 2013/14 budget, £7.47 million is earmarked, leaving an unallocated general fund balance of £5.14 million.

46. There are a number of key financial ratios which can be considered as measures of the financial health of the Council in relation to other councils in Scotland.

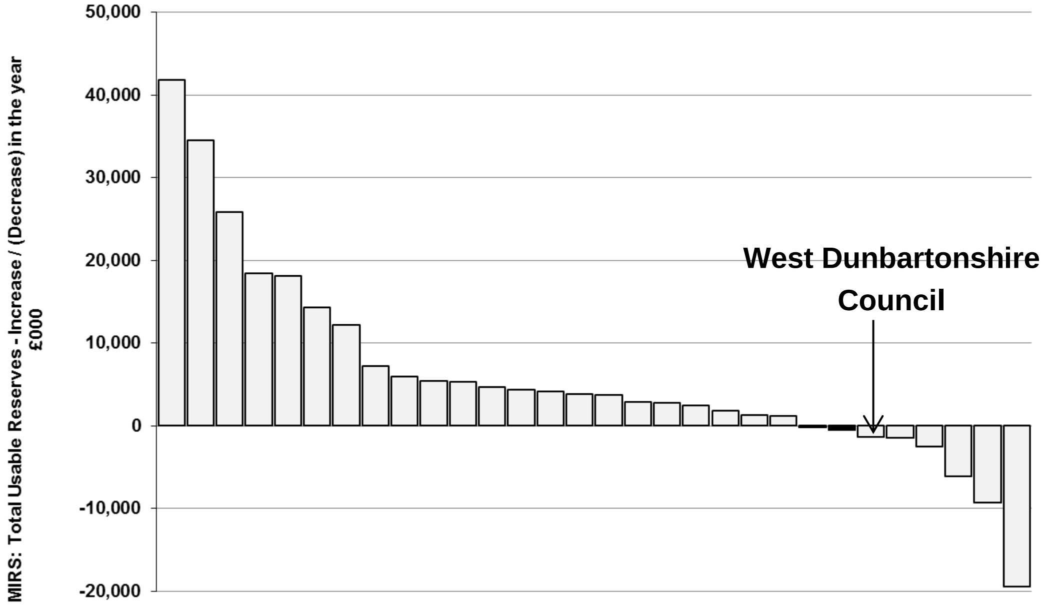
47. Exhibit 2 shows a breakdown of the Council's £24.04 million useable funds at 31 March 2013 compared to the previous year. The slight decrease in total usable reserves in 2012/13 is inconsistent with the picture across the majority of Scottish local authorities, as demonstrated in Exhibit 3. However we note that the Council's un-earmarked reserve position has increased from £4.20 million at 31 March 2012 to £5.14 million at 31 March 2013.

Exhibit 2: Usable reserves

Description	31 March 2012 £ million	31 March 2013 £ million
General Fund	14.829	14.766
HRA	4.234	4.175
Capital Receipts	0.546	0.000
Capital Grants Unapplied	0.168	0.400
Capital	4.548	4.378
Other	0.158	0.316
Total Usable Reserves	**24.483**	**24.035**

Source: West Dunbartonshire Council 2012/13 financial statements

Exhibit 3: Movement in total usable reserves

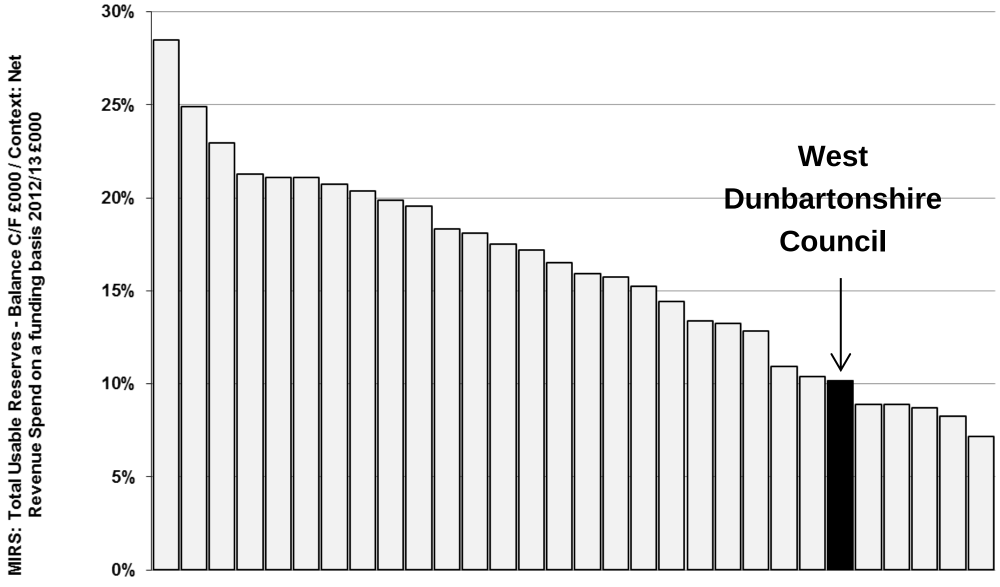


Source: Scottish councils unaudited 2012/13 financial statements

48. Exhibit 4 presents the Council's usable reserves position as a proportion of net revenue spend for the year in comparison to other Scottish local authorities. The graph demonstrates that, out of the 32 Scottish local authorities. The Council is towards the lower end of the range. The Council should continue to keep its reserves position under review to ensure their appropriateness to its financial plans and risks.

Action Plan 1

Exhibit 4: Total usable reserves carried forward as a proportion of net revenue spend



Source: Scottish councils unaudited 2012/13 financial statements

Housing revenue account

49. The HRA recorded an overall deficit for 2012/13 of £0.06 million decreasing the balance on the account to £4.18 million. Of this balance £3.56 million is earmarked for stock regeneration. This leaves an un-earmarked balance of £0.72 million which complies with the Council's target reserves level for the HRA.

Capital investment and performance 2012/13

General services

50. The Council agreed the 2012/13 general services capital plan in June 2012 with the total programme expenditure being £43.30 million. Revisions to the 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 £46.17 million.

Housing revenue account

51. The Council agreed a £32.78 million 2012/13 HRA capital plan in March 2012. Similar to the general services budget, this was revised by Council to reflect changes to available resources (in particular funding from the Community Energy Saving programme). The final budget was set at £35.07 million.

Capital slippage

52. The 2012/13 financial statements highlight total capital slippage of £36.86 million (45.4%) with this breaking down as £25.07 million (54.3%) for general services and £11.79 million (33.6%) for the HRA. Exhibit 5 shows that capital slippage has been an area of concern for a number of years.

Exhibit 5: Capital slippage 2007/08 - 2012/13

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Capital Programme (£m)	36.8	47.4	47.5	45.2	44.9	81.2
Capital Expenditure (£m)	28.0	31.9	36.6	36.6	31.8	44.4
Slippage (£m)	8.8	15.5	10.9	8.6	13.1	36.8
Slippage	23.9%	32.4%	22.7%	19.2%	29.2%	45.3%

Source: West Dunbartonshire Council Budget Reports 2007/08 - 2012/13

53. Capital slippage in 2012/13 was predominantly caused by delays in capital projects commencing with capital expenditure reallocated to 2013/14. Specific projects where slippage exceeded £1.5 million were:

- ICT modernisation (£4.05 million) - due to the original budgetary phasing of the projected spend and impact of complex procurement and contract negotiations.
- Knowleburn flooding (£2.72 million) - delay in receiving statutory permissions from SEPA.
- Dumbarton Academy new build (£7.6 million) - delayed due to a requirement to re-tender the contract for the build of the school.
- External fabric upgrades (£2.8 million) - large owner occupier involvement and high initial contractor costs impacting on the agreement to release addresses.
- High rise properties upgrade (£3.3 million) - later site start and inclement weather.
- New house builds (£5.4 million) - initial site was unaffordable. Three alternative sites identified which required demolition and resolution of contractual and legal issues.

54. In January 2013 the Council approved a new 10 year general services capital plan which provides for a longer term view on capital investment and should facilitate more successful and timely delivery of future capital programmes. The Council have implemented a new approach to capital monitoring which not only focuses on financial information but also on progress through the project life cycle. Projects are then allocated a status based on progress toward completion and financial performance against budget. It is noted that, as at period 5 in 2013/14, the slippage against the phased capital budget is less than 1% (£8,000 slippage against a phased budget of £9.35 million.

Action Plan 2

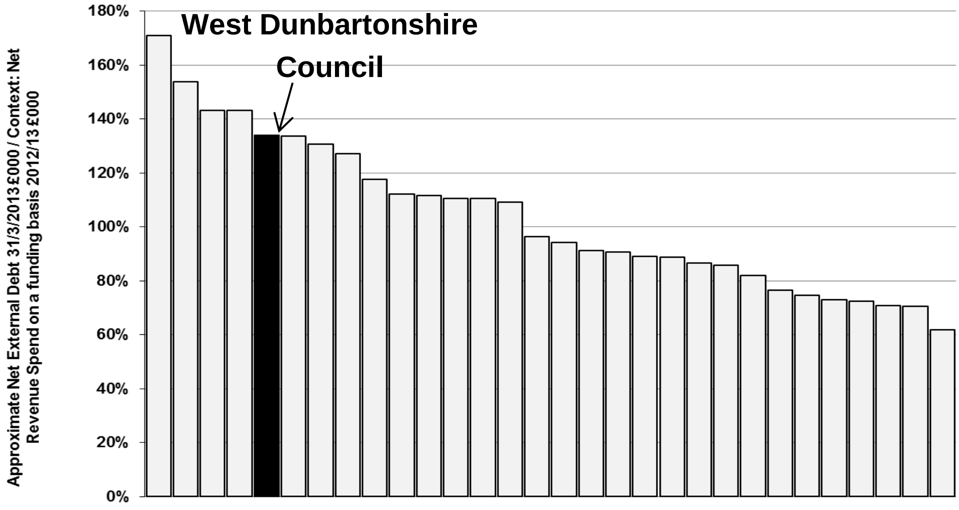
Identification and valuation of common good assets

55. In our 2011/12 *Annual Audit Report* we highlighted that the Council had not performed an exercise to establish the existence, ownership and completeness of its heritable properties. The Council committed to considering the options available to clarify ownership of heritable properties between the Council and the Common Good. A common good Property Register has been created and, when identified, Common Good assets will be added to the register. The Council have considered the options and the impact of undertaking a detailed examination of potential common good assets. They have concluded that the cost to complete the exercise would outweigh the benefits derived from this exercise in comparison to other competing priorities. The Council have accepted the risk of not completing a comprehensive review of title deeds to identify and record and additional common good assets in the financial statements.

Treasury management

56. The Council's level of borrowing has reduced from £317.12 million at 31 March 2012 to £313.87 million at 31 March 2013. Despite this reduction the Council's net external debt as a proportion of net revenue spend continues to remain high relative to other Scottish councils (Exhibit 6). It is recognised that the total debt figure includes debt associated with the HRA and the Council's Public Private Partnership (PPP) assets which not all Scottish local authorities have. High levels of debt may reduce a Council's flexibility going forward as revenue resource has to be set-a-side to service the debt. It is further noted that the Council has the third highest interest payable as a proportion of net revenue spend out of all 32 Scottish local authorities.

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



Source: Scottish councils unaudited 2012/13 financial statements

57. As noted at paragraph 54 the Council has approved a 10 year general services capital plan. It identifies capital projects over the 10 year period with a total capital investment of £320.67 million. This will be principally funded by borrowing, government grants and capital.

58. The prudential borrowing requirement over the 10 year programme is £179.30 million with that split between borrowing to be funded from the revenue budget (£103.91 million) and borrowing to be funded from the revenue savings delivered by the capital projects (£75.39 million). Assuming interest rates of 5%, each £10 million of prudential borrowing has an annual revenue implication of £0.63 million. Therefore, to fund £102.16 million of borrowing, the cumulative impact on the revenue budget will be £6.55 million per annum by 2022/23. However it should be noted that for every 1% interest rates increase over 5% the annual impact on revenue would increase by approximately £0.075 million, making a cumulative impact on the revenue budget of £0.77 million per annum by 2022/23.

59. The plan projects a total of £23.4 million in capital receipts over the period 2013/14 - 2022/23. This included £2 million to be received in 2013/14 however minimal receipts are now anticipated by 31 March 2014. We have received assurances that anticipated capital receipts over the period 2013/14 - 2015/16 still exceed projections in the capital plan.

60. It is further noted that the capital projects will need to deliver cumulative revenue savings of £4.75 million per annum by 2022/23 if they are to support £75.39 million of prudential borrowing. If the capital projects do not deliver the projected cumulative savings there will be additional impact on annual revenue budgets.

Action Plan 3

Financial planning to support priority setting and cost reductions

Efficiency savings

61. The Council is facing a cumulative funding gap of £21.68 million over the period 2014/15 - 2016/17 and needs to identify efficiencies and costs savings to sustain its financial position in the longer-term. Each Director has been tasked with identifying 5% of savings over the period 2013/14 to 2016/17, a financial target of £10.1 million. The CMT are currently developing a set of savings options and refining these in light of Council priorities.

Procurement

62. 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. Since being graded as 'non-conformance' in 2010 with a score of 17% the Council have clearly demonstrated a commitment to improve their approach to purchasing. In 2011 the Council received a revised assessment of 33% and this improvement was continued in 2012 when the Council achieved a PCA score of 44%. This places the Council in the conformance category. The next PCA is due to be carried out on 24 October 2013.

Workforce

63. The Council has recently updated and consolidated workforce planning arrangements into a new strategic workforce framework which is being presented to the Corporate Services committee in November 2013. This will shape and strengthen the future direction of workforce arrangements in the Council. As disclosed in the 2012/13 remuneration report 78 staff left the Council under the voluntary severance scheme during the year. This adds to the 131 who left in 2011/12 and the 91 who left in 2010/11. The total cost to the Council for employees who left over this three year period is £15.04 million (£3.67 million in 2012/13, £6.88 million in 2011/12 and £4.49 million in 2010/11). These costs include the initial in-year-cost plus the expected future annual contributions required, while the actual cost incurred in-year in 2012/13 was £1.295 million. The costs incurred are in line with the agreed budget savings through staffing efficiencies and we have been advised by the Council that significant ongoing revenue savings have been generated, for example in 2012/13 the annual ongoing net savings is around £0.870 million.

64. During a review of staff costs we identified instances where employees were working considerable amounts of overtime at enhanced rates. This was specifically noted in relation to janitors for managing school lets and tradesmen for emergency repairs and additional hours required due to fire and storm damage.

65. We 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. We have been given assurances that the implementation

of the Facilities Management Restructure should reduce the need for janitors to work excessive overtime.

66. Attendance at work is a significant corporate priority. The Council have a major project in place to improve, including set targets that, by 2017, days lost will be reduced to 7 full time equivalent days per employee for local government employees and 5.5 days per employee for teachers. The Council are adopting a range of activities and techniques to work toward achieving these targets and are working in partnership with the Trade Unions. Early indications are that the action being taken by the Council is having a positive impact in 2013. We recognise it is likely to be medium to long term before the effectiveness of the action being taken can be properly measured.

Partnership working

Community planning

67. The Audit Scotland report *Improving community planning in Scotland (March 2013)* concluded that partnerships have not been able to show that they have had a significant impact on delivering improved outcomes across Scotland. The report outlined five areas for improvement. The West Dunbartonshire Community Planning Partnership (CCP) Strategic Board considered this report, along with the June 2011 Christie Commission on the Future Delivery of Public Services report, and, in June 2013, agreed a revised approach to community planning.

68. A new CPP structure is being implemented which will place a greater emphasis on understanding place, planning and delivering outcomes, accountability and prevention. The SOA is the CPP’s development plan and describes governance, process and performance in further detail. Performance against SOA outcomes is monitored and recent progress reports indicate that the SOA is on target.. It is also supported by the delivery of the Council's Economic Development Strategy 2013/16, also refreshed during 2013.

69. Work to design a new three year SOA 2014 -17 has begun. West Dunbartonshire CPP underwent a scrutiny and assurance process recently carried out on behalf of the Scottish Government to assess the status of the CPP's SOA. This process highlighted the significant progress made by the CPP to deliver on the national guidance and the detailed work planned to ensure a deliverable and measurable outcomes focus in future.

70. The refreshed Single Outcome Agreement 2011/14, reflecting the key actions for 2013/14, was submitted to the Scottish Government by the 30 June 2013 deadline. The CCP is working to develop the 2014/17 SOA by April 2014. This three year plan will reflect a longer term ten year vision focused on regeneration and growth which aims to deliver:

- 5,000 new homes
- a major tourist attraction delivering £20 million annual economic benefit
- strategic assets and capability in the provision of Care related services
- 1,000 new jobs (refer to Case Study 1).

Case study 1 - Jobs growth and investment framework

Following the May 2012 elections the Council invested £2.8 million in a 'Jobs Growth and Investment Framework.' A target was set to create 1,000 jobs, apprenticeships and training places during the first 1,000 days of the current administration. As part of the 2013/14 budget a further £0.35 million was invested in the scheme.

The framework focuses on supply initiatives to develop the supply of labour and provide training and job coaching and demand side initiatives to assist businesses to create job opportunities through provision of business support and development grants. As at September 2013 the framework has created 658 employment opportunities.

Community Health & Care Partnership (CHCP)

71. In May 2013 the CHCP Committee considered the 2012/13 performance report for the West Dunbartonshire CHCP which summarised performance in relation to key performance indicators and actions within the CHCP strategic plan. It is a predominantly positive report which highlights good progress against the partnership's priorities. This report formed part of the CHCP's Organisational Performance Review (OPR) carried out in June 2013. The OPR identified a number of areas where there was evidence of good progress and also highlighted a number of areas for further improvement. The feedback from the OPR has been considered by the CHCP senior management team and they have provided assurances that the areas identified for improvement are incorporated in the CHCP Strategic Plan 2013/14.

Outlook

2013/14 budget and beyond

72. In setting its 2013/14 budget the Council agreed to freeze its council tax. The net general services revenue expenditure budget set for 2013/14 of £211.45 million shows a decrease of 13.1% on that set for 2012/13 (£243.25 million). It is recognised that the majority (£29.01 million) of this reduction is due to the removal of the police and fire board costs which are not relevant to the 2013/14 budget.

73. At August 2013 (period 5), the general fund budget is showing an overspend of £0.32 million for 2013/14 (0.36% of phased budget). The budget position of the Housing Revenue Account as at period 5 is an underspend of £0.30 million against a phased expenditure budget of £15.18 million (2.0 %). However it is noted that no variance is currently recognised against the bad debt provision for rental income as the impact of Welfare Reform on rent arrears is uncertain.

Financial forecasts beyond 2013/14

74. At the time of approving the 2013/14 budget, the Council projected a cumulative funding gap of £10.0 million by 2015/16. In order to fund this gap members agreed actions for specific efficiencies, growth and targets for future efficiencies. However the financial position has been reviewed again to take accounts of changes like DWP reform and the introduction of

pension auto-enrolment. The current cumulative funding gap is £21.68 million over the period 2013/14 - 2016/17.

75. The current economic climate is resulting in significant pressures on the overall level of public sector spending. This is likely to lead to reductions in funding for all local government bodies meaning that recurring savings in overall net expenditure will need to be found either from base budget allocations or reserves. The use of reserves in the short term may stem the gap but will only push saving solutions into future years.

76. The Council's transformation programme (refer to paragraphs 134-138) and the targeted savings (refer to paragraph 61) will contribute toward addressing the budget gap however, looking ahead it is clear that the outlook for public spending remains challenging for the foreseeable future. At the same time the demand for public services is rising as the economy feels the effects of uncertainties in the world's financial markets, questions about the sustainability of the Eurozone and Scotland's changing population demographic. Continuing to deliver vital public services with a reducing budget will remain a significant challenge for the Council.

Action Plan 4

Governance and accountability

77. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.

78. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance, including audit committees, in monitoring these arrangements.

79. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:

- corporate governance and systems of internal control
- the prevention and detection of fraud and irregularity
- standards of conduct and arrangements for the prevention and detection of corruption.

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

Corporate governance

Processes, committees and elected members

81. Following the May 2012 elections the Labour administration introduced a new committee structure which reduced council meetings from monthly to quarterly. It was agreed that this change would be subject to review after one year. In June 2013 the Council agreed that there would be a total of six council meetings per year, including the budget setting meeting held in February.

82. The A&PRC is a key part of the Council's governance framework. Its remit includes risk management and consideration of audit plans and reports. It is chaired by the Leader of the Opposition and four lay members are invited to attend. Committee meetings continue to be well attended by elected members and appropriate Council officers.

83. A new Audit & Risk Manager was appointed in December 2012. The Audit & Risk Manager reports to the Head of Finance & Resources who, in turn, reports to the Executive Director of Corporate Services. As the Audit & Risk Manager has responsibility for a number of operational areas which will be routinely subject to audit (ICT security, risk management, health & safety, insurance, business continuity and civil contingencies) there may be a concern that internal audit is not sufficiently independent of line management. The team's new structure provides for improved governance and independence whereby the Audit & Risk Manager for the purposes of Internal Audit, can report directly to the Executive Director of Corporate Services or Chief Executive independently of direct line management.

84. Overall we are of the opinion that there is an appropriate degree of scrutiny and challenge, both through the A&PRC and at service committees.

85. The Council organised 32 member development events throughout the year covering topics such as local government finance, raising attainment and achievement, directorate overviews, procurement and social media strategy. Attendance at these events varies depending on conflicting responsibilities and areas of specific interest. During 2012/13 the average attendance was 6.5 elected members out of a total of 22. Only one event was attended by more than 50% of members and over a third of members attended five or less events in the year. It is recognised that the Council have agreed to adjust the committee timetable to reduce the impact of committee attendance on the opportunity to attend member development sessions.

86. In June 2013 two elected members were reported to the Standards Commission by the Chief Executive. The consideration of this by the Investigating Officer for the Commissioner for Ethical Standards in Public Life is currently on-going.

Internal control

87. 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. The extent of this work is informed by their assessment of risk and the activities of internal audit.

88. 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 in our *Review of governance arrangements and main financial systems report* issued in June 2013. The A&PRC considered this report in September 2013.

89. Our 2011/12 *Review of governance arrangements and main financial systems report* highlighted some weaknesses in the process for reconciling key financial systems. Whilst we recognise that there has been considerable improvement in this area, our 2012/13 highlighted that further improvements are required. However our overall conclusion was that there are adequate governance arrangements and controls operating within the main financial systems and we noted that the Council had made good progress implementing the actions agreed in our 2011/12 report.

Internal audit

90. A key element of our work on internal controls is the extent of reliance that we place on the work of internal audit in terms of International Standards on Auditing 610 (Considering the work of internal audit). The findings from our review of internal audit were reported to the A&PRC in May 2013 and we concluded that the internal audit service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government and has sound documentation standards and reporting procedures in place.

91. Also, we placed formal reliance on aspects of the work of internal audit in several areas, for the purposes of our financial statement audit responsibilities, including payroll, trade receivables and trade payables. This avoided duplication of effort and enabled us to focus on other areas of risk.

92. The Internal Audit Annual Report presented by the Audit and Risk Manager to the A&PRC in May 2013 concluded that that reasonable assurance can be placed upon the adequacy and effectiveness of the Council’s internal control system in the year to 31 March 2013.

Business continuity plan

93. In our *Review of governance arrangements and main financial systems report* issued in June 2013 we highlighted that the Council's business continuity plan was drafted in 2007 but was still to be completed. The Council committed to completing a revised version by 30 September 2013. Progress has been made with a revised business continuity strategy and corporate business continuity plan having been developed and awaiting Corporate Service committee approval. Work is underway to refresh on a priority basis, Departmental and Service Business Continuity plans across the Council by the end of March 2014.

Risk management

94. New strategic risks were approved by the Council in October 2012 in line with the agreed Council strategic priorities. These have been reviewed and subject to scrutiny at the A&PRC. Department and Service risks are embedded into service planning arrangements, and have been developed in line with the new Department Plans remitted to committees in 2013. The revised risk management framework will be remitted to Corporate Services Committee for approval in November 2013.

ICT service review

95. As part of our 2012/13 audit work we carried out an ICT service review using a standard methodology developed by Audit Scotland. We reported our findings to management in the *Review of governance arrangements and main financial systems report* issued in June 2013.

96. We identified some areas where the Council is exposed to a degree of risk, including

- Use of unsupported and older versions of software.
- Completion of supporting documentation for the ICT Disaster Recovery Plan.
- Implementing a Change Advisory Board to oversee management procedures.
- Reviewing the project management methodology.

97. An action plan of improvements has been agreed with management and is detailed in the June 2013 report.

Public Services Network (PSN)

98. The Council exchanges data with many other public bodies and in so doing makes use of Cabinet Office sponsored arrangements to share electronic data. For example, the Council shares benefit information with the Department of Works and Pensions while social work and education departments exchange information with the police, Criminal Justice Partnership and Children's' Hearings.

99. The Government Secure Intranet (GSi) is the mechanism that allows the Council to share data and services. The Council must re-apply annually to the Cabinet Office to be allowed to connect to the government secure network. This year the government is replacing GSi with the PSN.

100. Since November 2012 all applicants have to apply to connect to PSN which means complying with the stricter PSN Code of Connection. The new code of connection is challenging and uncompromising with a zero tolerance approach to security measures and aims to provide a substantial level of trust between organisations.

101. As with many councils who have applied at this time the Council's initial application was unsuccessful and it continues to work with Cabinet Office assessors to progress the transition to PSN. The Council have included these enhanced security requirements into their ICT Modernisation project. As there is a risk of interruption to the existing data-sharing arrangements, the Council is ensuring business continuity arrangements are in place.

Action Plan 5

Housing and council tax benefits performance audit

102. In October 2010, we issued a report summarising the risk assessment we performed on the Council's benefits service. The report concluded that the Council demonstrated an awareness of what constitutes an effective, efficient and secure benefits service but also highlighted 13 action areas to further improve the performance of the benefits service. Our July 2013 risk assessment confirmed that 10 of these actions were complete, one was partially complete and two were outstanding. The overall conclusion of the report was positive although it did highlight some performance issues relating to claim processing and a need to establish targets for the overpayment recovery team. An action plan has been agreed with the Council.

Prevention and detection of fraud and irregularities

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

104. The Council has arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: a Strategy for the Prevention and Detection of Fraud & Corruption, codes of conduct for elected members and staff; and defined remits for committees. The Council's fraud and corruption strategy was updated in June 2013 however it is noted that it requires further revision to reflect the provisions of the 2010 Bribery Act.

105. The Council also has a Public Interest Disclosure Policy which was approved by the Corporate Services Committee in November 2012. Internal Audit follow up on any claimed breaches of policy and report findings to the A&PRC.

106. Overall, we have concluded that the Council's arrangements are adequate in relation to the prevention and detection of fraud and irregularities, although it should be noted that no system can eliminate the risk of fraud entirely.

NFI in Scotland

107. 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.

108. As at 13 September 2013, 6,945 matched items were provided to the Council with 1,299 of these classified as "recommended filter matches". Two cases of fraud worth £7,510 have been identified. Of these two cases, one has been reported to the Procurator Fiscal with the other having accepted additional penalties. A further 12 overpayments were identified, totalling £60,105. Of these, two related to benefit overpayments, with the other ten relating to creditors 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 and detection of bribery and corruption

109. 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.

Welfare Reform

110. The Welfare Reform Act 2012 represents the biggest reform of the UK welfare system for 60 years. The Council established a Welfare Reform Programme Board (WRPB) with representation from relevant Council areas. The WRPB meets on a monthly basis to discuss progress and determine future action. Sub groups were created with group 'leads'. These sub groups operate as necessary in order to appropriately plan for upcoming changes from the welfare reform agenda aligned to new information coming from the DWP. Currently the most active elements relate to the Local Support Services Group and Universal Credit Group.

111. In early 2013 the Council completed the local authority preparatory checklist which formed part of The Improvement Service welfare reform implementation support programme. The WRPB have continued to update the actions identified in the checklist and use it as a customised action plan.

112. In March 2013 the Council approved a Scottish Welfare Fund (SWF) Policy which was written with reference to the Scottish Government's *'The Scottish Welfare Fund Guidance 2013.' The* SWF provides for crisis grants and community care grants and the Council's policy provides a framework to facilitate consistency in the decision making process. The Scottish Government have allocated £0.83 million to the Council for SWF funding in 2012/13. This money is ring fenced for SWF grant purposes.

113. The WRPB keep the CMT informed of progress through monthly monitoring reports and elected members are kept informed through a combination of committee reports and elected member bulletins. Residents of West Dunbartonshire have been informed of relevant changes through a range of methods including information on the Council website, letters, housing association liaison meetings, attendance at local tenants groups and registered social landlord forums and provision of an information booklet during the annual council tax billing process.

Outlook

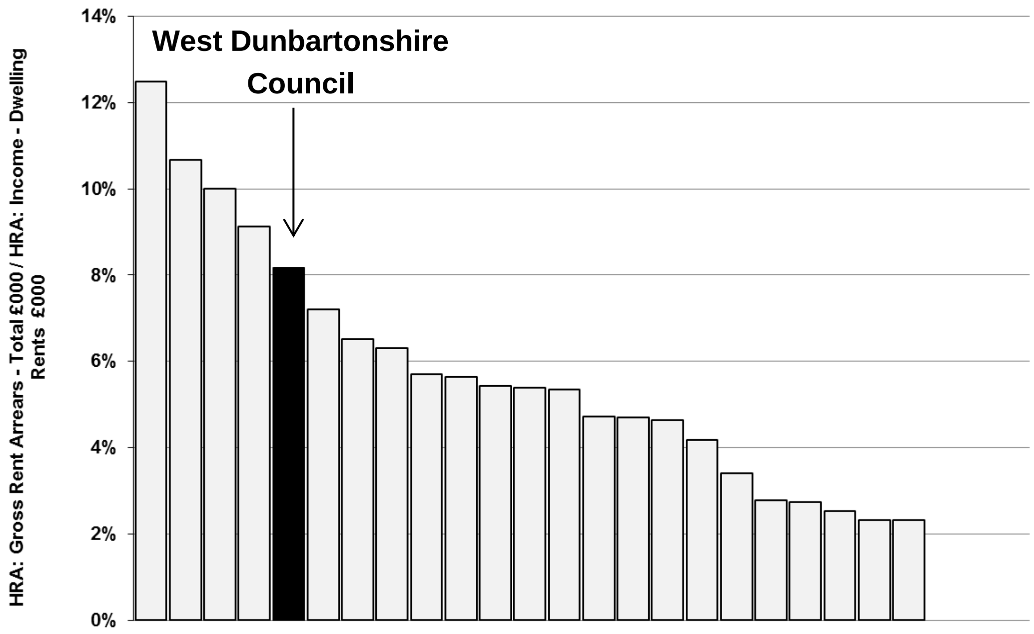
114. Welfare reform will continue for several years to come and from October 2013 Universal Credit will start to be rolled-out nationally. This will replace a range of existing means-tested benefits and tax credits for people of working age.

115. Research by the Rowntree Institute, and others, indicates that welfare reform will increase the number of families in poverty, lead to rising rent and council tax arrears and a growing homelessness problem. This will increase the demand for social work services and put greater pressure on the Council's resources. It is important that the Council continues to monitor the situation closely and develop efficient and effective strategies that address the welfare reform agenda.

116. Rent arrears in West Dunbartonshire Council have remained relatively stable between 31 March 2012 and 31 March 2013. However since 31 March 2013 rent arrears have increased and there remains an unquantifiable risk that welfare reform and the general economy might impact on future rental income. Exhibit 7 highlights that the Council have the fifth highest gross rent arrears as a proportion of HRA dwelling rents in Scotland. The rent increases required to fund the HRA capital programme, designed to meet the Scottish Housing Quality Standards (SHQS), are also likely to result in further increases in arrears. We note that in 2013/14 the Council has increased its provision for bad debt relating to unpaid rent by £0.54 million.

Action Plan 6

Exhibit 7: Gross rent arrears as a proportion of HRA dwelling rents



Source: Scottish councils unaudited 2012/13 financial statements

Best Value, use of resources and performance

117. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning.

118. Additionally, auditors of local government bodies 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.

119. Furthermore, as part of their statutory responsibilities, the Auditor General and 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.

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

Management arrangements

Best Value

121. In May 2012 the Local Area Network (LAN), made up of representatives of all the main local government audit and inspection agencies, concluded that the Council had made good progress in relation to the actions in its Assurance and Improvement Action Plan. The Best Value review scheduled for 2012/13 was no longer deemed appropriate and further consideration will take place during the next shared risk assessment process to be reported in the 2014-17 AIP Update.

122. During the Shared Risk Assessment (SRA) process carried out between October 2012 and May 2013 the LAN recognised that the Council had continued to make good progress and demonstrated its commitment to continuous improvement.

123. Paragraph 147-151 provide an update on the issues identified in the Assurance and improvement plan update 2013-16 which was issued in April 2013.

Strategic planning and performance framework

124. The Council are in the process of replacing the current Performance Management Framework and Joint Planning & Budget Guidance with a new Strategic Planning and Performance Framework (SPPF). The framework draws together the work performed by the Council to revise their approach to performance and planning over the past year including setting the new strategic priorities, revising departmental plans and refreshing the approach to self-evaluation and continuous improvement.

125. The SPPF provides the context in which departmental, service and team plans should be developed. This is intended to provide for a consistent approach to planning, and the creation of the plans themselves. Departmental and service plan templates will be implemented with the SPPF identifying the key links required to ensure plans are developed which support the overall delivery of the Council's strategic plan. Departmental plans are to be reported the relevant committee at mid-year (by exception) with a full performance report submitted on an annual basis. Service and team plans are to be reviewed and managed within departmental management teams with performance reporting to be a standing item at team meetings. The draft SPPF is to be reviewed by the Corporate Services committee in November 2013.

Overview of performance in 2012/13

Annual public performance report

126. The Council's Annual Public Performance Report for 2012/13, entitled "*Measuring Up?"* provided a summary of the performance of services provided by the Council in 2012/13. The report describes aspects of performance, achievements and areas for future improvement across each of the Strategic Plan 2012/17 objectives. The report is available on the Council's website and provides a balanced assessment of performance throughout the year.

Self-evaluation framework

127. The recently refreshed corporate Self-evaluation model is modelled on the Public Service Improvement Framework (PSIF). It is a three stage approach which culminates with an agreed improvement plan with the agreed actions then built into service planning and performance management arrangements.

128. The updated framework has been rolled out as a pilot in four support service areas, namely;

- ICT (completed August 2013)
- Legal, Democratic and Regulatory Services (completed August 2013)
- Finance (to be completed November 2013)
- Community Planning Partnership (to be completed November 2013)

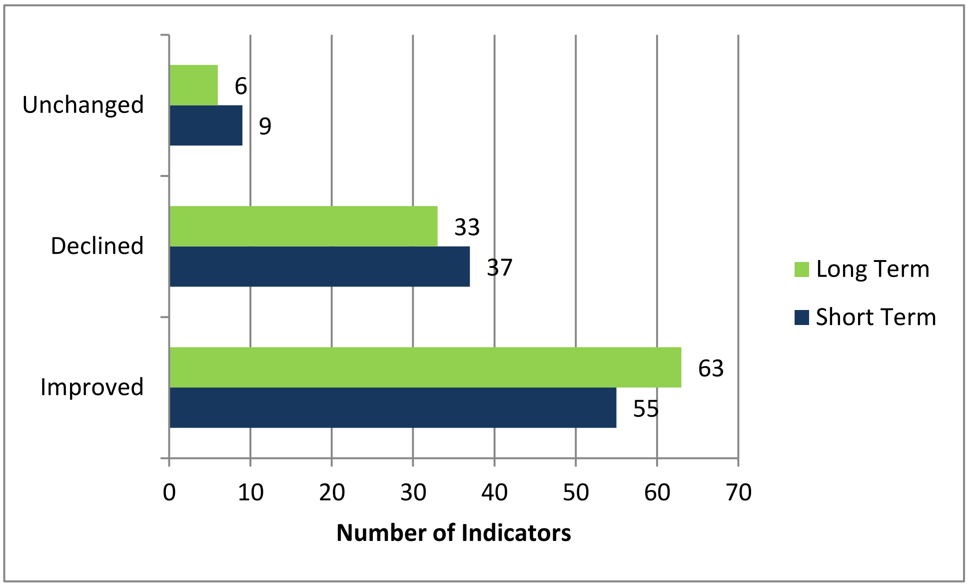
129. The reviews are to be extended to 'client' facing services with a review of 'Strategy and Improvement' areas within Housing, Environmental & Economic Development scheduled to be completed in October 2013

Statutory performance indicators

130. In 2012/13, the Council were required to report against a total of 25 SPIs. These are focused on corporate management and used to demonstrate that the Council is securing Best Value in relation to areas such as revenues and service costs, employees, assets, equalities and diversity and sustainable development. In addition the Council is expected to report a range of information sufficient to demonstrate that it is securing Best Value in providing services such as benefits administration, community care, planning, education, social work, protective services, waste management and roads and lighting.

131. Exhibit 8 shows the Council's comparative performance. Short term refers to comparative information between 2011/12 and 2012/13. Long term is predominantly over a two year period but for a small number of indicators it is over three years.

Exhibit 8: Improvement demonstrated by performance indicators



Source: West Dunbartonshire Council public performance report

132. In comparison to 2011/12 some areas where improved performance was recorded were:

- quality of housing stock
- condition of operational buildings
- accessibility of public buildings for disabled people
- percentage of highest paid 2% of earners who are women.

133. Some areas where performance declined in 2012/13 were:

- number of temporary homeless cases which needed to be reassessed within 12 months
- average time to re-let housing stock
- sickness absence (refer to paragraphs 66)
- cost of collecting council tax per dwelling.

Transformation programme

134. The Council are progressing a major transformation programme focused on delivering efficient and effective services. In our 2011/12 *Annual Audit Report* we highlighted the need for robust project management arrangements to support the delivery of the programme. The Council have taken action to address this. A strategic programme framework and governance arrangements have been implemented which are designed to monitor significant strategic projects and ensure they are financially and operationally viable, focused on service delivery and supported by appropriate capacity and leadership commitment.

135. There are a number of projects each assigned to one of five work streams. Each work stream has a programme champion (at CMT level) and each project has a project lead who is either a member of the CMT, a head of service or manager. Each work stream has identified objectives, key activities, deliverables and allocated resources.

136. A Strategic Programme Board consisting of the CMT met in September 2013 and will meet every two months to monitor progress and ensure the programme continues to be aligned to the Council's strategic direction and priorities. Projects are required to report high level progress to the Strategic Programme Board with these reports detailing progress to date, identified risks or project changes and future action to be taken. More detailed progress management and reporting is carried out by the individual project boards / teams.

137. The work streams and champions are:

Work stream	Programme Champion
Information Management, Communication & Technology	Executive Director of Corporate Services
Development of Property & Infrastructure Assets	Executive Director of Housing, Environmental & Economic Development
Regeneration & Economic Growth	Executive Director of Housing, Environmental & Economic Development
Workforce Development & People Performance	Executive Director of Corporate Services
Customer & Service Improvement	Executive Director of Corporate Services

138. Whilst it is too early to assess the impact of these new arrangements we welcome the introduction of these formalised strategic programme management arrangements. We will continue to monitor progress against the transformation programme as part of our routine audit work.

Action Plan 7

Local performance reporting

139. In July 2013 we issued *Scotland's Public Finances: addressing the challenges a targeted follow-up* report. This report looked at the way that the Council is responding to the challenges of public sector budget constraints and its efforts to achieve financial sustainability.

140. Our report highlighted a number of good practices including the Council's long term financial strategy, public consultation on the draft revenue budget, consideration of finance as a key strategic risk and regular updates of strategic and corporate plans. Also, members regularly scrutinise the Council's financial position through regular budget monitoring reports.

141. We also identified a number of areas where improvements could be made although recognised these were areas of improvement to existing practices rather than material weaknesses in processes. In particular improvements in the budget setting process and cost reduction plans and improving information on the potential impact of efficiency savings and budget reductions were highlighted.

142. We have agreed an action plan of improvements with management and will monitor progress in implementing the action plan at a future date.

National performance reporting

143. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports of direct interest in 2012/13 are outlined in Exhibit 9.

Exhibit 9: A selection of national performance reports 2012/13

- Responding to challenge and change - An overview of local government in Scotland 2013
- Improving community planning in Scotland
- Major capital investment in councils.
- Managing performance: are you getting it right?
- Protecting consumers
- Using cost information to improve performance - are you getting it right?
- Health inequalities in Scotland
- Reducing reoffending in Scotland.

Source: www.audit-scotland.gov.uk

144. Audit Scotland encourages local authorities to review national reports, consider key findings and assess local, performance against them and, identify local improvement actions where appropriate. The national reports are accompanied by checklist which officers can use to carry out a self-assessment of performance. The expectation is that Audit Scotland's performance reports are presented to an audit or scrutiny committee for members to consider and hold management to account for local performance.

145. During 2012/13 intelligence was gathered in relation to the action taken by the Council and the impact of the following Audit Scotland reports:

- *Using cost information to improve performance: are you getting it right?* - The report was presented to the A&PRC in November 2012. It was agreed to note the contents of the report.
- *Managing performance: are you getting it right?* - The report was presented to the A&PRC in November 2012. It was agreed to note the contents of the report.
- *Health inequalities in Scotland* – The report was presented to the CHCP committee in February 2013. The Committee agreed to note the report and re-affirm its commitment to sustained local action to address the determinants of health inequalities across West Dunbartonshire.
- *Protecting consumers* - The report was presented to the Corporate Services committee in May 2013. It was agreed to note the contents of the report.
- *Major capital investment in councils* – The report was presented to the A&PRC in May 2013. It was agreed to note the contents of the report.

146. We are satisfied that, where appropriate, the Council present national reports to the relevant committee.

Assurance and improvement plan update 2013-16

147. The Local Area Network of scrutiny partners for the Council, conducted a Shared Risk Assessment (SRA), and produced an Assurance and Improvement Plan covering the period 2013 to 2016. The AIP update summarised the changes to the LAN's risk assessment. The following paragraphs provide an update on the area which was classified as being of significant risk. This was published on Audit Scotland's website and was submitted to the Audit Committee on 24June 2013 for information and consideration by members.

Housing maintenance and assets

148. The only additional scrutiny planned was in relation to housing maintenance and assets and compliance with the SHQS which require to be met by 2015. There were concerns that the Council were reporting that 68% of housing stock did not meet the 2015 standards required

149. The Scottish Housing Regulator, with support from Audit Scotland, conducted a review in the spring of 2013. The report published in June 2013 concluded that the Council had improved its approach to bringing the housing stock up to SHQS by 2015 and that plans were in place to achieve the targets set. An improved position on compliance was noted with 38% of stock requiring remedial action.

150. Other highlights included the allocation of the first new build council homes in a generation. The report also recognised that the Council still faces a number of risks and challenges but is aware of where it needs to make improvements. The Council have continued to develop and consolidate housing plans with a new Homelessness Strategy and Strategic Investment Plan being presented to the HEED committee in August 2013.

151. The AIP update highlighted risk management, developing affordable & sustainable housing, welfare reform, financial outlook and health & wellbeing as areas where the LAN required further information. We will further assess progress made and risk areas remaining as part of the SRA process commencing in November 2013.

Equality Act 2010

152. 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. One of the key requirements of the legislation is for public bodies to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013.

153. The Council's 'Equalities Mainstreaming Report and Equality Outcomes 2013-2017' was presented to the Corporate Services Committee in February 2013. The report sets out the Council's approach to mainstreaming equality and provides details of the equality outcomes (2013-2017) identified by the Council which incorporate all the protected characteristics.

154. The Council is proactive in promoting the equality agenda and is well placed to mainstream equality within everyday work.

Outlook

155. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. Five councils will receive a CPP audit in 2013/14. , however there is no specific timetable for a CPP audit in West Dunbartonshire.

Appendix A: audit reports

External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to relevant committee
Review of the adequacy of internal audit	27 March 2013	22 May 2013
Annual Audit Plan	14 February 2013	27 February 2013
Assurance and Improvement Plan	25 April 2013	26 June 2013
Review of governance arrangements and main financial systems	21 June 2013	25 September 2013
Scotland's Public Finances - local follow-up audit	27 August 2013	25 September 2013
Report on financial statements to those charged with governance	20 September 2013	25 September 2013
Audit opinion on the 2012/13 financial statements	20 September 2013	25 September 2013
Audit opinion on the 2012/13 Whole of Government accounts consolidation pack	TBC	N/A
Report to Members on the 2012/13 audit	October 2013	30 October 2013

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	48	**Total Usable Reserves** The Council have an unallocated general fund balance of £5.14 million. Whilst this exceeds the policy of maintaining a reserve of 2% of net expenditure the Council's total usable reserves have decreased marginally in 2012/13. ***Risk:*** The Council should continue to keep its reserves position under review to ensure their appropriateness to its financial plans and risks.	The Draft Long Term Finance Strategy will be reported to Members on 30 October 2013. In setting the budget for 2014/15 and indicative budgets for 2015/16 and 2016/17 Members will have the opportunity to budget to increase reserves.	Head of Finance & Resources Head of Finance & Resources	30 October 2013 5 February 2014
2	52-54	**Capital Slippage** Capital slippage continues to be an area of concern with an average of 28.8% per annum since 2007/08. There was 45.3% slippage in 2012/13 amounting to £36.86 million. ***Risk: Capital programmes and associated service improvements may not be delivered in a timely manner.***	Capital monitoring information is provided to Council on a regular basis. Options for quick-spend will be considered by CMT	Head of Finance & Resources Head of Finance & Resources	Ongoing November 2013
3	56-60	**Debt Levels** 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 and interest payments as a proportion of net	The update of the Capital Plan will be presented to Council on 5 February 2014 for consideration of the cost of funding and priorities in relation to any	Head of Finance & Resources	5 February 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		revenue spend. It is further noted that the Council's 10 year capital plan is to be financed by £179.30 million of prudential borrowing which will have further implications for future revenue budgets. ***Risk: Servicing the debt may pre-empt the best use of the council's resources.***	revenue financial implications. Spend to save projects will be monitored on implementation to identify actual financial benefits compared to expected benefits and any over or underachievement will be input to the revenue budget setting process.	Head of Finance & Resources	Ongoing
4	74-76	**Financial Pressure** The Council currently has an assumed cumulative funding gap of £21.68 million over the period 2013/14 - 2016/17 and continues to face an increase in demand for services due to the current economic climate and changes in demography. ***Risk: The Council may not be able to generate efficiencies and savings to bridge the funding gap.***	The Long Term Financial Strategy going to Council on 30 October 2013 asks CMT to identify efficiencies for forward planning to meet the anticipated gap. Updates of the Long Term Financial Strategy will be presented to Council on at least an annual basis to update the projections as new information becomes available.	Head of Finance & Resources Head of Finance & Resources	30 October 2013 5 February 2014 31 August 2014 31 August 2015 31 August 2016
5	98-101	**Public Sector Network Accreditation** The Council has not, as yet,	A submission to the Cabinet Office seeking continued accreditation will be	Executive Director Corporate Services	30 November 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		received accreditation to remain connected to the PSN. ***Risk: The Council may not be able to share data or access data held by other public sector bodies.***	submitted		
6	116	**Rent Arrears** The Council have the fifth highest gross housing rent arrears as a proportion of HRA dwelling rents in Scotland. This is likely to be further impacted by welfare reform and the rent increases required to fund the capital programme designed to meet the SHQS by 2015. ***Risk: Escalation of rent arrears may lead to a significant loss of income and jeopardise delivery of the HRA capital programme.***	The position of rent collection will be monitored and reported as part of the regular budgetary control process. The expected impact of welfare reform will be provided for within new revenue budgets for the HRA	Head of Finance & Resources Head of Finance & Resources	Ongoing 5 February 2014 4 February 2015
7	134-138	**Transformation Programme** The Council have introduced a strategic programme framework and new governance arrangements to monitor the delivery of its transformation programme. It is too early to assess the impact of these new arrangements. ***Risk: The transformation programme may not deliver the projected efficiencies.***	The Strategic Programme Board will meet on a regular basis to monitor progress	Chief Executive	Ongoing