West Dunbartonshire Council

Annual report on the 2013/14 audit

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

October 2014

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Key messages

Financial statements	• Unqualified auditor's report on the 2013/14 financial statements.
Financial position	• An underspend of £1.2m (0.55%) against service budgets. • Usable reserves have decreased by £5.4m to £18.6m. • The General Fund balance has reduced by £4.7m to £10.1m, of which £4.9m is unallocated. • Financial management remains strong with a robust budget setting process in place.
Governance & accountability	• The council has sound governance arrangements in place. • Systems of internal control operated effectively. • The council has an effective internal audit function.
Best Value, use of resources & performance	• The council has a well developed framework in place for monitoring and reporting performance against strategic priorities. • In 2013/14 the council met or exceeded 58% of its strategic performance targets and 53% of its statutory performance indicators.
Outlook	• Councils face rising demands for services and continued funding pressures alongside managing major reforms in welfare and health and social care. Effective partnership working will be essential to make the best use of available resources.

Financial Statements

1. We have given an unqualified audit opinion that the financial statements of West Dunbartonshire Council (the council) for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2014 and of the income and expenditure for the year then ended.
2. We have also given an unqualified audit opinion on the 2013/14 financial statements of those charities registered by the council and audited under the provisions of The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations).
3. As recorded in the 2013/14 comprehensive income and expenditure statement, the council spent £351.2 million on the provision of public services, resulting in an accounting surplus of £16.8 million. However, this includes certain elements of income and expenditure that are accounted for to comply with the Code of Practice on Local Authority Accounting, which are then adjusted to show their impact on statutory council reserves. When these are adjusted the general fund balance shows a decrease of £4.7 million.
4. The council recorded an underspend of £1.2 million against service budgets in the year, representing 0.5% of net service expenditure.

Financial position

5. The closing balance at the year end on usable reserves was £18.6 million representing a net decrease of £5.4 million from 2012/13.
6. The net movement in the general fund for 2013/14 was £4.7 million, reducing the fund balance to £10.1 million as at 31 March 2014. This balance is made up of earmarked commitments of £4.9 million, £0.3 million applied to the 2014/15 budget and an unallocated balance of £4.9 million.
7. The introduction of a 10 year capital plan has helped the council reduce capital slippage from 45.3% in 2012/13 to 26.6% in 2013/14. This is a significant improvement however further progress is required to ensure more timely delivery of capital projects.
8. The council's long term financial strategy, last refreshed in August 2014, identifies a cumulative funding gap of £20.6 million by 2017/18. A series of workshops involving the wider senior leadership team have been held to identify ways of closing the gap. The strategic framework for delivering for the future will be set out at the council meeting on 29 October 2014. The council are also looking to bring targeted 2015/16 management adjustments forward and deliver them in 2014/15.

Governance and accountability

9. In 2013/14 we concluded that the council has adequate

governance arrangements and internal control systems including having an effective internal audit function. Our Review of Governance Arrangements and Main Financial System Report issued in May 2014 highlighted areas for improvement including a review of the management of the council's various bank imprest accounts.

10. Integration of adult health and social care is a key challenge for all local authorities. The Council is working with NHS Greater Glasgow and Clyde to progress these developments. A high level transitional work plan to manage the delivery of the new Health and Social Care Partnership was approved by the jointly developed Shadow Integration Joint Board in May 2014. The new arrangements are to be activated by April 2015.

Best Value, use of resources and performance

11. The council has a sound strategic planning and performance framework in place which facilitates the monitoring and reporting of performance against the council's priorities.

12. The council balance the management of operational performance and consideration of the six longer term strategic risks identified in their Strategic Plan 2012/17. This is reflected in the council's positive Assurance & Improvement Plan (AIP) finalised in June 2014 with the Local Area Network (LAN).

Outlook

13. Demands on services and resources continue to increase and these need to be managed alongside major reforms in the welfare system and health and social care. This underlines the need for strong governance, leadership and decision making based on good cost and performance information. Effective working with partners will be required to make the best use of available resources as well as innovation and vision to design and deliver the services needed to serve the future needs of citizens.

14. The public reform agenda, particularly Welfare Reform, is resulting in the most significant changes in the UK welfare system for decades. We are already seeing increasing levels of rent arrears as a direct impact of welfare reform. In 2013/14 the value of rent arrears for all Scottish councils was £35.1 million, an increase of 24% on 2012/13 levels. The council's current tenant rent arrears increased by 6% over the same period however it is noted that the council used £0.8 million of Discretionary Housing Payments to assist with rent arrears. Future reforms such as Universal Credit and direct payments to claimants are likely to make rent collection even more challenging.

Introduction

15. This report is a summary of our findings arising from the 2013/14 audit of the council. The purpose of the annual audit report is to summarise the auditor's opinions and conclusions, and to report any significant issues arising from the audit. The report is divided into sections which reflect our public sector audit model.

16. Our responsibility, as the external auditor of the council, is to undertake our audit in accordance with International Standards on Auditing (UK and Ireland) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

17. The management of the council is responsible for:

- preparing financial statements which give a true and fair view
- implementing appropriate internal control systems
- putting in place proper arrangements for the conduct of its affairs
- ensuring that the financial position is soundly based.

18. This report is addressed to the members of the council and the Controller of Audit and should form the basis of discussions with the Audit & Performance Review Committee (A&PRC) as soon as possible after it has been issued. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.

19. This report will be published on our website after it has been considered by the council. The information in this report may be used for the Account's 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.

20. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, shown at Appendices I and II, include recommendations for improvements. 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.

21. The concept of audit risk is of key importance to the audit process. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements. We set out in our annual audit plan the related source of assurances and the audit work we proposed to undertake to secure appropriate levels of assurance. Appendix III sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

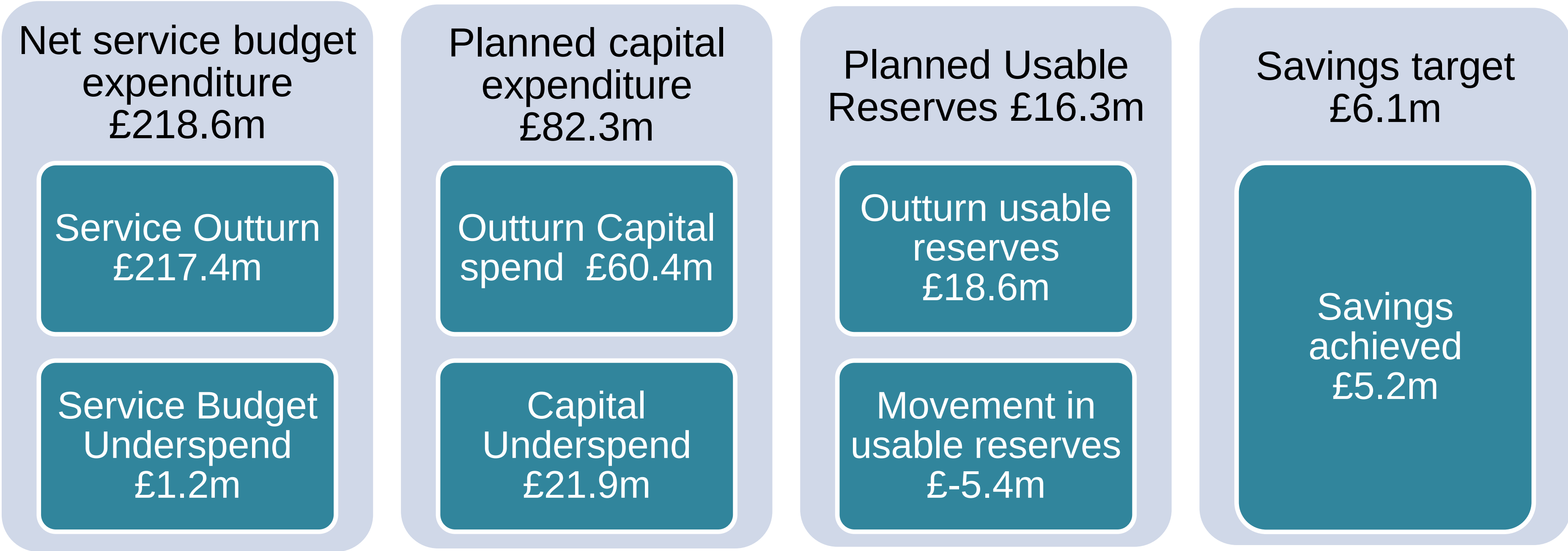
22. Appendix IV is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response".

23. We recognise that not all risks can be eliminated or even minimised. What is important is that the council understands its risks and has arrangements in place to manage these risks. The council and the appropriate officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.

24. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

25. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Financial statements



26. The savings achieved figure of £5.2 million in the diagram above is the projection to the year end as at 31 October 2013 (reported in December 2013). This is because, beyond that date, expectations of savings to be achieved are incorporated into the council's probable outturn which is monitored via budgetary control reporting. Actual progress against savings targets do continue to be monitored by the corporate management team but not reported to council. Consideration should be given to reporting savings across the full year and not just for the first half of the financial year.

27. The capital underspend of £21.9 million is a combination of slippage of £21.0 million, underspend of £4.0 million and overspend of £3.1 million.

Audit opinion

28. We have given an unqualified opinion that the financial statements of West Dunbartonshire Council for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March and of the income and expenditure for the year then ended.

Other information published with the financial statements

29. Auditors review and report on other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

Legality

30. Through our planned audit work we consider the legality of the council's financial transactions. This includes obtaining written assurances from the Head of Finance & Resources. There are no legality issues arising from our audit which require to be reported.

The audit of charities' financial statements

31. The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) sets out the accounting and auditing rules for Scottish charities. These required, for the first time in 2013/14, a full audit of all registered charities accounts where a local authority or some members are the sole trustees.

32. The council had eight funds which were subject to the full charities financial statements audit for 2013/14.

33. We have given an unqualified opinion on the 2013/14 financial statements of the relevant charities registered by the council.

Group accounts

34. 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.

35. The council has accounted for the financial results four associates, the Common Good Fund and sundry trusts in its group accounts for 2013/14. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £9.4 million.

36. The net assets of the group at 31 March 2014 totalled £251.3 million, compared to a net asset position of £4.9 million in 2012/13. The positive movement in the closing net worth balance is mainly due to the transfer of Police and Fire functions to the new authorities from 1 April 2013 and the removal of the pension liabilities of Police and Fire from the group accounts.

Accounting issues arising

Presentational and monetary adjustments

37. A number of presentational and monetary adjustments were identified in the financial statements during the course of our audit. These were discussed with management who agreed to amend the unaudited financial statements. The net effect of all monetary adjustments identified during the audit process was:

- £35.9 million decrease in the Council's net worth, predominantly due to the council's housing stock being over valued (refer to paragraph 40).
- £2.1 million decrease in the surplus on the provision of services mainly due to errors in the calculation of the holiday pay accrual (refer to paragraph 44) and a correction in the net book value of land associated with Dumbarton Academy.
- £0.06 million decrease in the general fund balance with an equal increase in the HRA balance.

Whole of government accounts

38. 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 for audit by the deadline. This has been audited and the audited return submitted to the Scottish Government.

Report to those charged with governance

39. We presented our report to those charged with governance (ISA 260) to the A&PRC, on 24 September 2014. The primary purpose of that report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report. The main points are set out in the following paragraphs.

40. **Capital Revaluation:** our audit of non current assets identified that the council's housing stock was over valued by £37.7 million due to capital expenditure housing improvements not being removed when the stock was revalued. This had no net revenue impact as the adjustment was offset by a reduction in the revaluation reserve.

41. **Cash Flow Statement:** In 2012/13 we highlighted concerns about the preparation of the cash flow statement. The Council agreed to revise the methodology adopted to prepare the 2013/14 statement and a revised methodology was developed to correct the 2012/13 cash flow statement. However there remained some issues with this revised methodology and consequently material adjustments were required to correct errors in the draft 2013/14 statement.

42. **Capital Slippage:** Capital slippage in 2013/14 totalled £21.0 million, against budgeted capital expenditure of £82.2 million

(25.5%). This is a significant improvement on the 2012/13 slippage of £36.8 million against a budgeted £81.2 million (45.3%) thus providing evidence that the Council's management of the capital programme is improving.

43. **Housing Rent Reconciliation:** In our 2012/13 report to those charged with governance we highlighted a £54,078 unreconciled difference between the financial ledger and the housing rents system. The Council agreed to implement a process ensuring regular reconciliations of the HRA rental income system however this has not been carried out. Our 2013/14 audit highlighted an unreconciled difference of £16,965.

44. **Holiday Pay Accrual:** Our review of the Council's holiday pay accrual identified various errors in the spreadsheet used to calculate it. This resulted in £1.4 million being over accrued in the draft financial statements. It should be noted that this did not impact on the council's general fund balance.

45. **Holiday Pay Contingent Liability:** UK employers are bound by employment law in relation to what constitutes the definition of paid holiday entitlement. Recently case law has clarified that all pay elements intrinsically linked to the performance of a contract of employment should be included in the calculation of holiday pay, including overtime payments. The Council has made a payment in relation to the current year 2014/15 and has made provision for ongoing costs within the recently approved updated long term financial strategy, however there is potential for retrospective liability. The legal position is yet to be clarified and the accounts disclose an unvalued contingent liability in this respect.

46. **Clydebank Rebuilt:** The Council's draft financial statements disclosed earmarked funds of £0.8 million to purchase Clydebank Property Company. Subsequent to the balance sheet date of 31 March 2014 the Council agreed a reduced purchase price of £171,000 for the shares of the Clydebank Property Company from Clydebank Rebuilt and an additional payment of £93,000 for redundancy costs. The payment was lower as the Council agreed to take on the liability for future pension costs.

47. Where appropriate the Council have adjusted the financial statements for the matters highlighted in the ISA260 and provided assurances that corrective action will be taken.

Outlook

48. The financial statements of the council are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The main new standards adopted in 2014/15 include :

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosures of interests in other entities
- IAS 28 Investments in associates and joint ventures.

49. These standards affect the group financial statements and include a change to the definition of control. This is likely to require a reassessment of the group boundary and potentially further consolidations and disclosures.

50. The revised Local Authority Accounts (Scotland) Regulations 2014 apply for financial years 2014/15 onwards. The regulations set out in more detail what is required in respect of financial management and internal control, and in respect of the annual accounts themselves. Some of the changes include the requirement for the unaudited accounts to be considered by the A&PRC. This can take place following submission to the auditor and up to 31 August if necessary. In addition the audited accounts must be considered and approved for signature by the A&PRC by 30 September with publication on the council's website by 31 October.

51. Highways assets are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis. This represents a change in accounting policy from 1 April 2016 which will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. The council should ensure it is planning ahead to allow full compliance with the Code.

Financial position

52. The council reported a surplus of £16.8 million on the provision of services in 2013/14. Adjusting this balance to remove the accounting entries required by the Code produces the revised position showing that the council decreased its general fund balance by £4.7 million.

53. The explanatory foreword to the 2013/14 financial statements records underspend of £1.2 million against the 2013/14 service budget. Favourable variances as a consequence of initiatives such as saving targets, service restructuring and efficiency reviews were partially offset by an overspend within Social Work Services relating to increases in client numbers and needs.

54. Usable reserves are part of a council's strategic financial management and councils will often have target levels of reserves. As shown in Exhibit 1, the overall level of usable reserves held by the council decreased by £5.5 million compared to the previous year and totalled £18.6 million.

55. From an analysis of Scottish councils' unaudited 2013/14 accounts, over half of all councils utilised reserves brought forward, with around half of all councils ending 2013/14 with lower levels of reserves than they had at the start of 2012/13. This was in part due to the retention of certain reserves associated with police and fire joint boards and the consequent reduction in general revenue grant from the Scottish Government in 2013/14.

Exhibit 1: Usable reserves

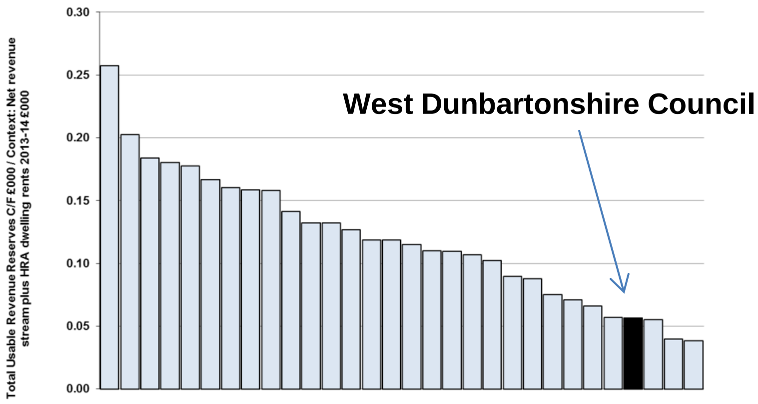
Description	31 March 2013 £ million	31 March 2014 £million
General Fund	14.8	10.1
Housing Revenue Account	4.2	3.6
Capital Grants Unapplied	0.4	0.3
Capital	4.4	4.2
Other	0.3	0.4
Total Usable Reserves	**24.1**	**18.6**

Source: West Dunbartonshire Council 2013/14 financial statements

56. Exhibit 2 highlights that the council has the fourth lowest usable reserves position in relation to net revenue stream for the year in Scotland (net revenue stream being presented as general revenue grant, council tax, non domestic rates and dwelling rents).

57. The general fund balance reduced by £4.7 million during the year reducing the general fund balance to £10.1 million as at 31 March 2014. This balance is made up of earmarked commitments of £4.9 million, £0.3 million applied to the 2014/15 budget and an unallocated balance of £4.9 million, or 2.2% of net cost of services. This complies with the council's policy of holding minimum unallocated reserves of at least 2% of net service cost.

Exhibit 2: Total Usable Reserves as a proportion of net revenue stream



Source: Scottish councils' unaudited accounts 2013/14

58. The council should regularly review its reserves position to ensure long term financial sustainability and ensure that it strikes a balance between meeting current obligations and preparing for future commitments and possible reductions in funding.

Action Plan 1

Capital investment and performance 2013/14

59. Total capital expenditure for 2013/14 was £60.4 million, covering both the housing and general services programmes.

60. The housing programme final outturn of £31.8 million includes:

- £3.4 million on new council house building
- £2.6 million on work undertaken to meet the Scottish Housing Quality Standards (SHQS)
- £10.9 million on structural improvement works.

61. The general services programme final outturn of £28.6 million includes:

- £8.8 million on the new Dumbarton Academy
- £2.6 million on vehicle replacement
- £1.9 million on road improvements
- £1.2 million on flood prevention works
- £1.1 million on ICT modernisation

62. The capital programme was funded as shown in Exhibit 3.

Exhibit 3: Sources of finance for capital expenditure 2010/11 – 2013/14

Description	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Receipts from asset sales	8.9	2.3	2.0	1.7
Revenue contributions	0.0	1.0	1.4	4.9
Government grants / other contributions	7.8	12.6	16.8	14.9
Loans fund borrowing	17.2	17.6	17.8	18.1
Total	**33.9**	**33.5**	**38.0**	**39.6**

Source: West Dunbartonshire Council Annual Accounts 2010/11 to 2013/14

63. The council has reported an underspend against the planned level of capital expenditure of £21.9 million or 26.6% of the total programme for 2013/14. This is split between the general fund and HRA as shown in Exhibit 4:

Exhibit 4: 2013/14 capital slippage

Service	Budget (£m)	Actual Spend (£m)	Slippage (£m)
Corporate services	2.2	1.6	0.6
Housing, Environmental & Economic Development	20.3	14.1	6.2
Education	15.4	11.4	4.1
Community Health & Care Partnership	2.1	1.5	0.6
Total General Services	40.1	28.6	11.5
HRA	42.2	31.8	10.4[1]
Total	**82.3**	**60.4**	**21.9**

64. Capital slippage was predominantly caused by delays in the commencement of capital projects with the budget for these reallocated to 2014/15. Specific projects where slippage exceeded £1.5 million were:

- Non-traditional and traditional improvement works (£3.8 million) – due to delays in low rise upgrade works and

[1] Note that £2.4 million of HRA slippage is actually an underspend for SHQS work that was deemed to be no longer required.

postponement of works whilst council officers assess future viability of key projects.

- New house builds (£2.5 million) – delays agreeing contractual conditions.
- Our Lady & St. Patricks School new build (£3.7 million) – original recommended site rejected by Educational Services Committee following period of public consultation.

65. Capital slippage has been an area of concern for the council for a number of years - averaging 28.8% between 2007/08 and 2012/13 and peaking at 45.3% in 2012/13. The 26.6% slippage in 2013/14 is a significant improvement on the 2012/13 slippage of £36.8 million against a budgeted £81.2 million. Projections as at 30 June 2014 were that 2014/15 slippage will be £7.1 million (17.9% of planned budget). This provides evidence that the Council's management of the capital programme, in particular the implementation of the 10 year general services capital plan, is improving. However further continuous improvement is required to ensure capital programmes are delivered in a timely manner.

Action Plan 2

Treasury Management

66. High levels of debt may reduce a council's budget flexibility going forward as revenue resource has to be set-a-side to service that debt. The impact that debt levels have on net revenue expenditure will be affected by interest rates and repayment periods.

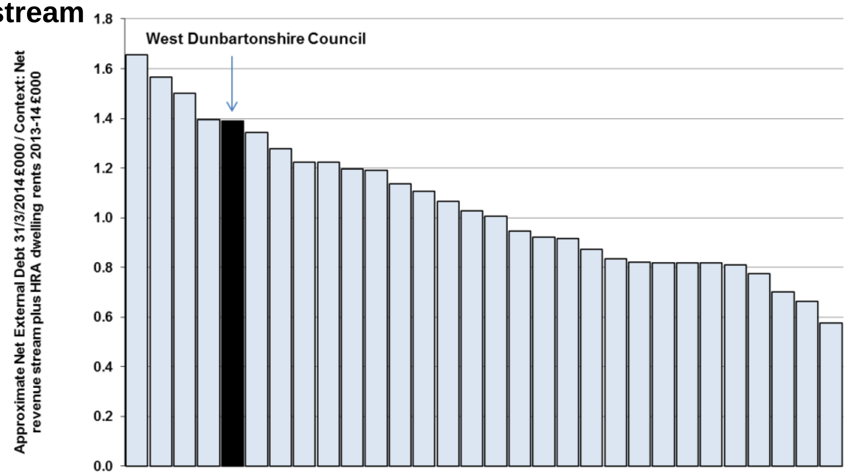
67. In the current financial climate, many councils have relatively high levels of internal borrowing, utilising available cash balances and deferring external borrowing. The council's underlying need to borrow or capital financing requirement (CFR) at 31 March 2014 was £346.2 million while net external borrowing[2] was £2.9 million lower at £343.3 million.

68. As shown at Exhibit 3, almost a half of capital spend in the year was funded through borrowing. The council's level of net external borrowing in 2013/14 has increased by £27.4 million (2012/13: £315.9 million). Exhibit 5 highlights that the council's net debt levels, as a proportion of net revenue stream, continues to be high relative to other Scottish councils.

69. At 31 March 2014 the Council had total borrowings, excluding PPP liability, of £255.2 million (2012/13 £218.2 million), of which 99.8% is at a fixed rate of interest and is repayable over the long term. The council need to ensure it maintains a balance between delivery of the capital programme and strategic objectives with a need to ensure it can service the debt it has incurred.

[2] Net external borrowing is net of external borrowing, PPP liability, cash & cash equivalents balance and non cash accounting adjustments.

Exhibit 5: Net external debt as a proportion of net revenue stream



Source: Scottish councils' unaudited accounts 2013/14

70. The council's 2013/14 treasury management strategy took account of projected interest rates over the financial year which advised that variable or short term borrowing would be preferable to medium to longer term fixed interest rates. Continued uncertainty in the financial markets led the council to adopt a cautious approach to treasury management. This approach, combined with market conditions, has resulted in the council's average interest rate on borrowing held at 31 March 2014 reducing from 5.04% to 4.22%.

71. The council sets four treasury prudential indicators which are designed to protect the council from material financial impact in the event of adverse movement in interest rates. One of these limits is to cap the level of borrowing due to mature within 12 months to 50% of total borrowing. It is noted that, as at 31 March 2014, the council were temporarily in breach of this prudential limit with borrowing due within 12 months being 53.4%. This was due to a council decision to take advantage of relatively low interest rates for short term borrowing to fund the capital programme. The indicators are internally set and we are content that this temporary breach did not place the council at undue risk and that it was a consequence of a prudent approach to debt restructuring.

72. The council took out 13 temporary loans during the year totalling £59.5 million. These were a combination of short term cash management loans of less than one year and longer term loans up to five years in duration. The council's treasury management policy delegates authority for short term loans to treasury management officers however our audit identified that the authorisation process for longer term loans could be improved through the implementation of more formalised procedures.

Action Plan 3

73. Audit Scotland has, on behalf of the Accounts Commission, recently undertook a national review of borrowing and treasury management in councils. This involved discussions with members and officers as well as audit visits to a number of

selected fieldwork councils. The review focused on the affordability and sustainability of borrowing and governance arrangements and considered how councils demonstrate best value in their treasury management functions. The national report is planned for publication in January 2015.

Outlook

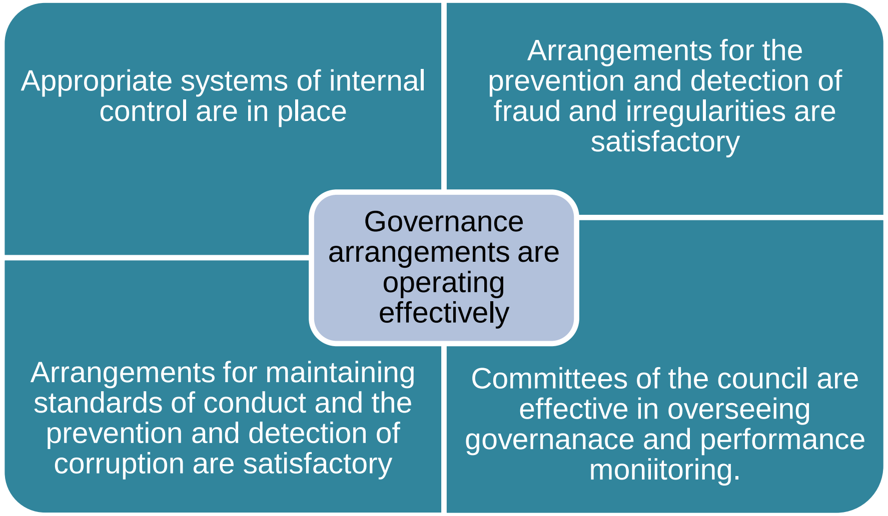
74. In February 2014 the council approved its budget for 2014/15. The net general services revenue expenditure budget set for 2014/15 is £216.7 million and represents a decrease of 0.9% on that set for 2013/14. (£218.6 million).

75. In August 2014, a 2014/15 revenue budget monitoring report presented to the council provided an update on the financial position to 30 June 2014. The report is forecasting a year end adverse variance of £0.7 million (0.3%) for 2014/15 with this predominantly due to a variance in the Community Care & Health Partnership. The report highlights cost pressures in relation to community placements for children in fostering.

76. The council's long term financial strategy, last refreshed in August 2014, identifies a cumulative funding gap of £20.6 million by 2017/18. The council have identified a series of savings and management adjustments for 2014/15 and beyond. £5.8 million have been identified for 2014/15 and, as at 30 June 2014, it is projected that £5.1 million will be delivered (slippage of £0.7 million or 12.1%). A series of workshops involving the wider senior leadership team have been held to identify ways of closing the gap. The strategic framework for delivering for the future will be set out at the council meeting on 29 October 2014. The council are also looking to bring targeted 2015/16 management adjustments forward and deliver them in 2014/15.

77. The council will continue to operate in a funding environment which is subject to sustained pressure to deliver more with less. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years and debt servicing costs. Continuing to deliver vital public services with a reducing budget will remain a significant challenge for the council.

Governance and accountability



78. Members of the council and the relevant accountable officer are responsible for establishing arrangements for ensuring the proper conduct of the affairs the council and for monitoring the adequacy and effectiveness of these arrangements.

Corporate governance

79. The corporate governance framework within the council is centred on the council, supported by six standing committees.

80. Responsibility for specific matters relating to strategic policy or regulatory issues is predominantly reserved to council or the relevant committee. All powers not specifically reserved to either council or committee are delegated to officers including responsibility for day to day operational matters.

81. The remit of the A&PRC is to scrutinise the development of the council's best value and continuous improvement activity, performance management and audit risk management activity and monitor the council's committees. The A&PRC does not have delegated powers. Any recommendations of the A&PRC will be considered by council or by the appropriate committee.

82. Based on our observations and audit work our overall conclusion is that the governance arrangements within the council are operating effectively.

83. In June 2013 two elected members were reported to the Standards Commission by the Chief Executive. Both cases were heard by an appointed panel of the Standards Commission on 3 June 2014 with the panel determining that both members were in breach of the Councillors Code of Conduct. One member was suspended from all council, committee and sub-committee meetings for a period of nine months, the other for a period of two months. Both suspensions commenced on 6 June 2014.

Internal control

84. As part of our audit we reviewed the high level controls in a number of the council's systems that impact on the financial statements. This audit work covered payroll, cash and banking, council tax collection and trade payables which incorporated procurement processes. Our Review of Governance Arrangements and Main Financial System Report issued in May 2014 highlighted areas for improvement including a review of the management of the council's various bank imprest accounts. However our overall conclusion was that the council had appropriate systems of internal control in place during 2013/14.

Internal audit

85. Internal audit provides members of the council and the Head of Finance & Resources with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where appropriate

86. Our review of internal audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place. We placed formal reliance on the work of internal audit for non domestic rates billing, treasury management, council tax recovery and enforcement and main accounting/general ledger.

ICT audit

87. In 2012/13, councils had to apply to connect to the Public Services Network (PSN) to allow the sharing of electronic data with other public bodies, such as the Department of Works and Pensions. This entailed complying with the strict security measures of the PSN Code of Connection which, if fully met, resulted in the issue of the annual compliance certificate. The application and approval process is subject to annual review and could result in a disruption to operations and service delivery if there were any non compliance issues.

88. The ICT department has integrated PSN into the ICT Modernising project, and this will incorporate requirements to meet current PSN guidelines. Future PSN requirements will need to be budgeted for separately.

Arrangements for the prevention and detection of fraud

89. The council's arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.

90. The council participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare

information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

91. The arrangements for the prevention and detection of corruption in the council are satisfactory and we are not aware of any specific issues that we need to record in this report.

Integration of adult health and social care

92. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland. The Act offers some flexibility on the partnership arrangements for the governance and oversight of integrated health and social care services. The integration will be complex and challenging and the council will need to engage at the highest level with the relevant health bodies in its area to ensure that integration is delivered within the required timescales and that the arrangements are functional and fit for purpose.

93. The council have well established integrated community care services for all social work clients. Partnership arrangements with NHS Greater Glasgow and Clyde (NHSGCC) have been in place for a number of years. The Community Health & Care Partnership (CHCP) director and managers reporting to him have employment contracts which support working across both council and NHS services. There is a strong commitment to joint working and providing services in an efficient and effective manner and savings have already been achieved through joint management of services.

94. The November 2013 Community Health & Care Partnership Committee approved the proposals for a Shadow Health & Social Care Partnership (HSCP) ahead of its activation in April 2015. These proposals were approved by full council and the NHSGCC Board in December 2013. A high level transitional work plan to manage the delivery of the new HSCP was approved by the Shadow Integration Joint Board in May 2014.

95. In compliance with the Public Bodies Act the council and NHSGCC are working on their Integration Scheme. This will be submitted to full council and the health board in December 2014 and January 2015 respectively, with it then submitted to the Scottish Government for approval by the end of March 2015. The council are well placed in achieving the deadlines set for integration and have a good track record in delivering joint services.

Welfare Reform

96. The council recognises the impact that the changes to the UK welfare system could have on resources and service provision. 2013/14 was a period of significant change with council tax benefits being replaced by the Council Tax Reduction Scheme and the introduction of the Scottish Welfare Fund. The council has established a Welfare Reform Programme Board (WRPB) which considers the impact of the various welfare reform changes, in terms of the financial impact on individuals affected and the council's finances. The WRPB is also monitoring the effects of welfare reform changes on the council's services, including council tax collection and rent arrears.

97. Total rent arrears have increased in the council. In 2012/13 arrears totalled £2.52 million and these had increased to £2.67 million at 31 March 2014 (an increase of 6%). This is much lower than the average 2013/14 increase across Scotland of approximately 24%. These increases ranged from 5% to 73%. There are various possible reasons for this level of increase including, but not exclusively, the impact of welfare reforms such as reductions in housing benefit due to the removal of the spare room subsidy, the benefit cap, changes to Employment Support Allowance and tax credits.

98. The Discretionary Housing Payment (DHP) Fund can provide additional support to households where a tenant is in receipt of housing benefit but where there is a shortfall between their rent and the amount of housing benefit paid. DHP can be paid to alleviate short term hardship, or to assist those most affected by the welfare reforms, particularly those affected by the size criteria restrictions in the social rented sector.

99. The council used £0.8 million of DHP in 2013/14 to assist with rent arrears in support of a policy to award 100% DHP for cases affected by the spare room subsidy. As a result of welfare reforms the UK government increased DHP funding for DHP for Scottish councils from £4.2 million in 2012/13 to £18.2 million in 2013/14. Furthermore the Scottish Government provided Scottish councils with an additional £20 million of funding in 2013/14 to help mitigate the impact of welfare reforms. It should be further noted that the additional DHP funding provided in 2013/14 is not guaranteed going forward and could revert to levels closer to those in 2012/13. This could create further pressure on tenants and councils relying on DHP funding to assist with rent charges.

100. Councils continue to face uncertainties over the roll out of the Universal Credit and there is the potential for further reforms depending negotiations relating to further devolution of powers to the Scottish Government. These future reforms are likely to make rent collection even more challenging.

Housing and council tax benefits performance audit

101. In June 2014 the Accounts Commission approved the Audit Scotland benefits performance audit annual update report for

2013/14. The report highlights the main areas of risk identified during 2013/14 as well as areas where improvement is being evidenced. The Accounts Commission raised some specific concerns about the performance of benefit services across councils and their capability to deliver improvements going forward including:

- The on-going impact on benefit services from the loss of experienced staff and the difficulty benefit services have in filling vacant positions. This risk is increased by the continuing uncertainty about the timetable for the roll out of Universal Credit.
- The delivery of services to claimants being adversely affected for extended periods during times of change such as the implementation of new systems.

102. The council's benefits service was last subject to a benefits performance audit follow-up risk assessment in July 2013. The overall conclusion of the report was positive. If performance remains satisfactory we will review progress on the council's action plan during the next round of risk assessments in 2015/16.

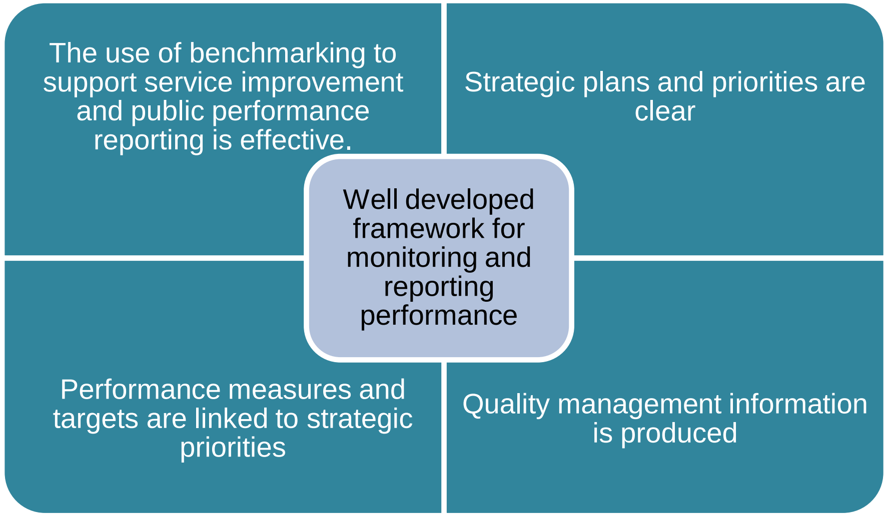
Outlook

103. Councils continue to face rising demands for services alongside managing major reforms in welfare and health and social care. There is now a greater need than ever for strong governance and leadership. The integration of health and social care is a complex and challenging process and the council will need to continue to engage at the highest level with partners to ensure that the unified service is in place by the statutory date of 1 April 2016.

104. There are to be major changes in councils' responsibilities for the investigation of fraud. The new Single Fraud Investigation Service (SFIS) is a national fraud investigation service within the Department for Works and Pensions which will take over the responsibility for the investigation of housing benefit frauds. The investigation of the Local Council Tax Reduction Scheme and corporate frauds will remain within councils. There is a risk that councils' arrangements for the prevention and detection of fraud may be weakened due to the loss of experienced investigators to the SFIS. The council have taken steps to manage this risk by retaining all four posts in the Benefit Fraud Team within a newly established Corporate Fraud Team.

105. The political context in 2014 has been particularly challenging with the referendum on Scottish independence. Whatever the conclusions of the Scotland Devolution Commission, a cross party working group tasked with overseeing the devolution of more powers to Scotland, there is the potential for even further change and discussions are likely on local services, governance and accountability.

Best value, use of resources and performance



106. Local authorities have a statutory duty to provide best value in those services they provide directly as well as those provided through agreements with Arms Length External Organisations. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. There is also the duty to report performance publicly so that local people and other stakeholders know what quality of service is being delivered and what they can expect in the future.

Arrangements for securing Best Value

107. In the 2013-2016 Assurance and Improvement Plan, prepared for the council and issued in April 2013, the reviewing Local Area Network (LAN) confirmed their opinion that any Best Value review should be delayed and reassessed as part of the 2013/14 Shared Risk Assessment (SRA). In May 2014 the LAN remained of the view that there was no requirement for a Best Value review. This reflected the LAN's overall view that the council is continues to make good progress and is taking appropriate action to manage the challenges that it faces.

108. Paragraphs 139-142 provide an update on the issues identified in the AIP update 2014-2017 which was issued in May 2014.

Use of resources

Asset management

109. The council introduced a 10 year capital plan in February 2013 which is subject to an annual refresh and an anticipated full refresh every three years. It was last updated in February 2014. The plan sets out capital projects over the 10 year period with total capital investment of £337.1 million. This will be principally funded by government grants and prudential borrowing.

110. The Council refreshed their capital budget monitoring process

during 2013/14. Feedback received on the new reports highlighted they contained excessive information and, consequently, the quality control process before finalising reports was onerous and not identifying errors. The reports were reformatted to provide a better focus on projects graded red or amber in terms of projected overspend or delay, and highlight identified issues, mitigating action and the anticipated outcome. The new reports were first presented to council in August 2014. Early indications are that the new reports are providing elected members with clearer, more focused information enabling better monitoring of capital projects.

Office Rationalisation Project

111. In June 2014 the council approved an office rationalisation project which included a new office in Dumbarton Town Centre and refurbishment of other existing sites. The capital cost of the project has been estimated at £19.3 million with a projected £1.3 million annual average savings over a 40 year period.

112. The proposed site incorporates a significant amount of common good land which may require an action of declarator to ascertain judicially the council's right to change the use of the site. The council are projecting that this clarification should take place between September 2014 and October 2015. The project timeline highlights that, during this same period, the council intend to carry out the detailed design and approve the final design. There is a risk of incurring costs on the design phase whilst there is uncertainty over the use of the site.

Risk management

113. The revised risk management strategy and framework was approved by the Corporate Services Committee in November 2013. The strategy applies to all risks (i.e. strategic, service, project or partnership) and separate risk registers are available for each of these risk types.

114. The council's Strategic Plan 2012/17, agreed in September 2012, identifies six strategic risks which are subject to review every six months. Each risk is mapped to existing internal controls designed to reduce the risk of crystallisation or the impact should the risk materialise. Department and service risks are embedded into service planning arrangements, and have been developed in line with departmental plans.

Procurement

115. In 2009 the Scottish Government introduced an annual procurement capability assessment (PCA), to assess all public bodies' purchasing activity and promote improvement. Since scoring 17 per cent and being graded as 'non-conformance' in the 2010 PCA, the council has demonstrated a commitment to improving their approach to procurement. The 2013 assessment scored the council at 58 per cent placing the council in the 'improved performance' category. The next PCA is due in November 2014.

116. The council's procurement manager resigned in September 2014. The council moved quickly to recruit a replacement and

a successful applicant has been offered the post. A start date is currently being finalised.

Partnership working

117. The council has confirmed its intention to participate in the £1.13 billion Glasgow and Clyde Valley City Deal initiative which will be used to fund major infrastructure projects, drive innovation and address challenges in the labour market across eight participating local authorities. The funding, to be provided over a 20 year period, comprises £500 million from both the UK and Scottish Government, and £130 million from the participating councils. The City Deal is made up of 20 named projects including the Glasgow Airport Rail Link and SPT bus improvement linkage projects. West Dunbartonshire's project is the £27.9m development of the EXXON site in Bowling. It is expected that work could start in 2016 with completion in 2022.

118. Due to the multi authority working arrangements sound project management arrangements should be developed to monitor delivery of this complex and large scale project.

Workforce management

119. The Corporate Services Committee approved a Workforce Planning Strategy & Framework in November 2013. The strategy provides a structured framework to facilitate a consistent approach to planning across all departments. It was developed in partnership with the trade unions and was used by departments as part of the 2014/15 planning process.

120. A council wide workforce plan was approved by the Corporate Services Committee in May 2014. The plan provides a link between key council policies and the projected impact these will have on the council's future workforce requirements. It also summarises the key issues that will impact on the council's workforce. These issues are explored further within departmental workforce plans.

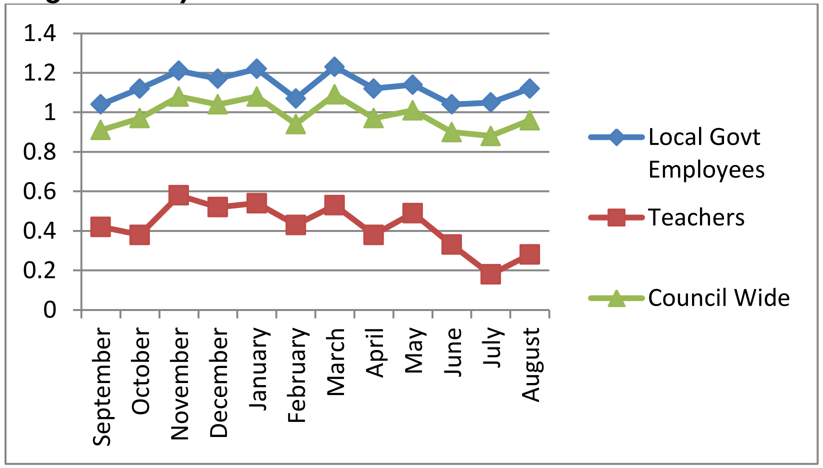
121. Improving attendance at work continues to be an area of significant focus for the council. The council has set challenging targets that, by 2017, days lost for local government employees will have reduced to 7 days full time equivalent (FTE) and to 5.5 days for teachers. An Attendance Working Group has been established and focus groups were arranged in June 2014 to help identify activities aimed at delivering against these targets.

122. Exhibit 6 below shows how the total FTE days lost per FTE employee has varied between September 2013 and August 2014. This highlights a general improvement in teacher attendance from a peak in November 2013 however it is noted that the main period of improvement is during the school summer holidays. There is no clear improvement for local government employees where absence rates have remained broadly in line with an average of 1.1 FTE days lost per FTE employee each month. It is recognised that 2013/14 did see significant improvement in specific areas such as corporate

services and educational services support staff however there are still high absence levels within CHCP and Housing, Environment and Economic Development (HEED).

Action Plan 4

Exhibit 6: Total FTE Days Lost per FTE Employee (Sept 2013-August 2014)



Source: West Dunbartonshire Council absence statistics

Performance management

123. The council has a corporate self-evaluation model in place which is based on the Public Service Improvement Framework (PSIF). It operates in conjunction with more service specific self-evaluation activity in areas such as education (Validated Self Evaluation) community learning & development and the CHCP specific PSIF programme.

124. A pilot programme across four service areas within Corporate Services was carried out between May and December 2013. This was also shadowed by the Strategy team within HEED to facilitate wider application of the self-evaluation process. This identified a range of benefits and also areas where further development would better enable the sharing of best practice and effective processes across the organisation. The following improvement actions have been implemented which are designed to embed self-evaluation across the council:

- integrate self-evaluation within the council's strategic planning process
- refine the questions set to reflect the local context for services
- develop a manager's improvement toolkit
- embed self-evaluation and continuous improvement in manager development programmes.

125. The council's self evaluation model is now supported by the corporate & community planning team which ensures it sits fully within the Strategic Planning & Performance Framework used by all council departments.

126. The council's priorities set out in its strategic plan for 2012-17 are supported by a series of objectives. The council assess progress against these objectives using a range of performance indicators (PIs) which are a combination of PIs established by the Local Government Benchmarking Framework (LGBF) and ones developed by the council. This is

reported in the council's public performance report (PPR) 'Measuring Up?' The council intend to expand 'Measuring Up?' into an annual performance report which details an assessment of performance against targets and the alignment of indicators to the council's strategic priorities.

127. We are satisfied that appropriate performance management arrangements were in place within the council for 2013/14.

Overview of performance targets in 2013/14

128. As described at paragraph 126 the council have established PIs to monitor their progress toward delivering their strategic priorities. There are three overarching priorities, supported by 11 objectives and 38 PIs identified to monitor progress. In 2013/14:

- 22 (58%) of the strategic PIs were met or exceeded target
- 5 (13%) missed targets marginally
- 4 (11%) missed target significantly
- 4 (11%) could not be assessed as year end data was not available at the time of reporting
- 3 (8%) were 'data only indicators' which have no target set.

129. In the majority of cases where targets have been met the council have set more challenging targets in 2016/17. This reflects a culture of seeking continuous improvement.

130. Areas of particularly strong performance include:

- Continued positive inspection reports for educational establishments
- Attendance at indoor sports and leisure facilities
- Positive engagement with local citizens and communities.

131. The four PIs where the target was missed significantly were:

- Number of new build social housing for rent
- Percentage of municipal waste collected that was recycled (and composted)
- Percentage of child protection referrals to case conference within 21 days
- Average number of working days lost per employee though sickness absence for all local government employees.

132. For each of these areas for improvement the council either has ongoing initiatives in place targeting improved performance or are in the process of reviewing performance.

Statutory performance indicators

133. The Accounts Commission has a statutory power to define performance information that councils must publish locally and it does this through its annual Statutory Performance Information Direction. Since its 2008 Direction, the Accounts Commission has moved away from specifying individual indicators and has focused on public performance reporting and councils' requirement to take responsibility for the performance information they report.

134. The audit of Statutory Performance Indicators (SPIs) in 2013/14 is a two stage process. The first stage requires auditors to ascertain and appraise councils' arrangements for public performance reporting and the completion of LGBF indicators. This focuses on three SPIs namely :

- SPI 1: covers areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covers service performance
- SPI 3: relates to the reporting of performance information as required by the LGBF.

135. The second stage involves an assessment of the quality of the information being reported by the council to the public. An evaluation of all Scottish Local Authorities' approaches to PPR has been carried out by Audit Scotland's Performance Audit and Best Value section, the results of which were reported to the Accounts Commission in June 2014. This highlighted the extent to which council's PPR material either fully, partially or did not meet the criteria used in the evaluation. The results for the council were 44% fully, 56% partially and 0% not meeting.

136. The council has was shared the evaluation with their performance staff and are using it to inform the development of the 2013/14 'Measuring Up?' report. A further evaluation of councils' approaches to PPR is due to be carried out by Audit Scotland in spring 2015.

137. The council have established procedures and a timetable to collect performance information to cover the 142 SPIs relating to areas of corporate management, service performance and those required by the LGBF. PIs are allocated to relevant departments with personnel nominated within each department to take responsibility for collection of the data and updating the council's performance management system, Covalent. The councils internal audit team have implemented a cyclical audit process which is designed to ensure all PIs are subject to audit over a four year period.

138. A 2013/14 year-end progress report on SPIs 1-3 was presented to full council on 25 June 2014. It highlighted that, of the 142 SPIs

- 75 (53%) met or exceeded target
- 38 (27%) missed targets marginally
- 16 (11%) missed target significantly
- 8 (6%) could not be assessed as year end data was not available at the time of reporting
- 5 (4%) were either a 'data only indicator' or targets were still being developed as 2013/14 was a baseline year.

Assurance and improvement plan 2014-17

139. The AIP covering the period 2014 to 2017 is the fifth AIP for the council prepared by the LAN since the introduction of the SRA process. This was submitted to council in April 2014 and has been published on Audit Scotland's website.

140. No areas within the AIP were risk assessed as requiring

specific scrutiny. The following areas were assessed as requiring further information:

- Housing & Homelessness – the Scottish Housing Regulator wished to monitor progress against the findings of its enquiry carried out in 2013.
- People Management – auditors agreed to monitor development of workforce plans and progress reducing absence levels.
- Efficiency - auditors agreed to monitor the delivery of efficiency savings.

141. The council has progressed all three of these areas through:

- Housing & Homelessness – Taking action to improve rent collection rates, progressing activity to met the Scottish Housing Quality Standard by 2015, refreshing the housing asset management plan and developing the 2015/2020 HRA Capital Plan.
- People Management – Embedding workforce planning and developing strategies to reduce absence levels. Refer to paragraphs 119-122 for more detail.
- Efficiency – Improving reporting of efficiency savings to elected members and updating long term financial strategy. Refer to paragraphs 26 and 76 for more detail.

142. We have highlighted concerns at the rate of progress regarding absenteeism at paragraph 121-122. Otherwise we are satisfied with the progress made to date by the council on these three issues and will revisit these areas as part of the SRA process for 2014/15.

Local performance audit reports

143. In June 2011, Audit Scotland, published a national report entitled '*Arm's-Length External Organisations (ALEOs): Are you getting it right?'* This report set out good practices to be considered by councils when setting up and operating ALEOs.

144. In 2013/14, we carried out a targeted follow-up review to provide the Accounts Commission with a position statement on councils' use of ALEOs and, in particular, assess what progress had been made subsequent to the publication of the 2011 report. This work will inform the Accounts Commission's consideration of ALEOs in the context of the public sector audit model. This work focused predominantly on the establishment of the West Dunbartonshire Leisure Trust (the Trust). We concluded that the council:

- carried out a robust options appraisal process before deciding to create the Trust
- procured external services to create a business case for establishing the Trust
- submitted an options appraisal to the HEED committee
- were clear about its reason for delivering services through the Trust.

145. In March 2013, Audit Scotland, published a national report

entitled '*Major capital investment in councils.'* This was a comprehensive review of major capital projects over £5 million and focused on how well councils direct, manage and deliver capital investments. The report contained 14 recommendations, a good practice guide and a good practice checklist.

146. In 2013/14, we carried out a follow-up to determine whether:

- the recommendations from the report been considered and effectively implemented
- councils have sustainable capital investment plans which reflect strategic priorities
- elected members provided with sufficient information to support effective scrutiny and decision-making.

147. The follow-up also considered the extent to which councils are using the good practice guide and checklist to help improve the management and delivery of their major capital projects and programmes and support effective scrutiny of plans. The work did not cover how capital projects are funded in detail. This will be covered in part by the forthcoming performance audit '*Borrowing and treasury management in local government*.'

148. Our overall conclusion was that, after a period of relative inactivity in terms of forward planning for capital investment, the council are now making good progress to ensure that capital investment is considered on a longer term basis. They responded well to the report, made it available to members, considered their own position against the recommendations made in it and are using it to further improve their processes. We did highlight some areas where further improvements could be made. In particular:

- clearer links between the long term capital plan, investment and outcomes
- development of a capital programme risk register
- more clearly defined project benefits to justify the investment and provide a benchmark against which progress can be measured.

National performance audit reports

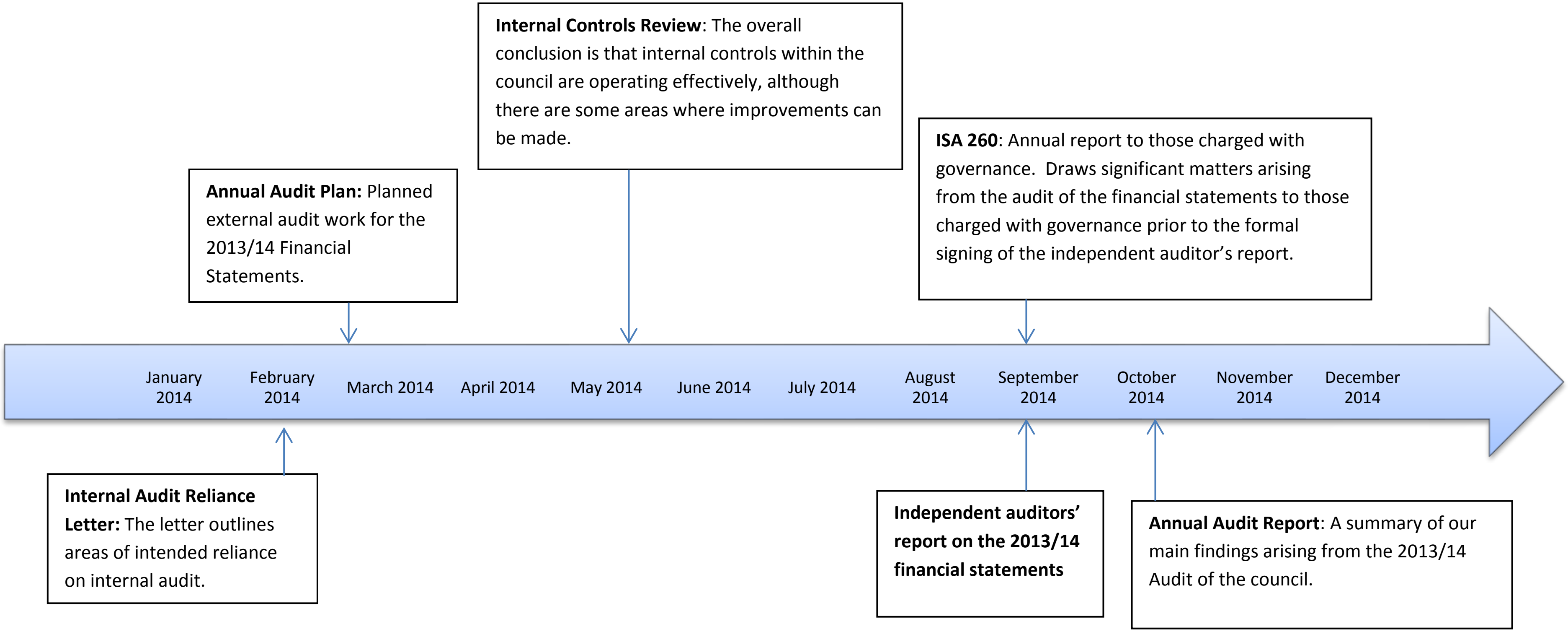
149. The council regularly reports the findings from our national performance audit reports to members including, where appropriate, an assessment of current arrangements against good practices and the agreement of actions to ensure further improvements. We have also been invited to attend Elected Member's briefings to present two reports issued in year. A summary of national performance audit reports, along with local audit reports, is included in Appendices I and II.

Outlook

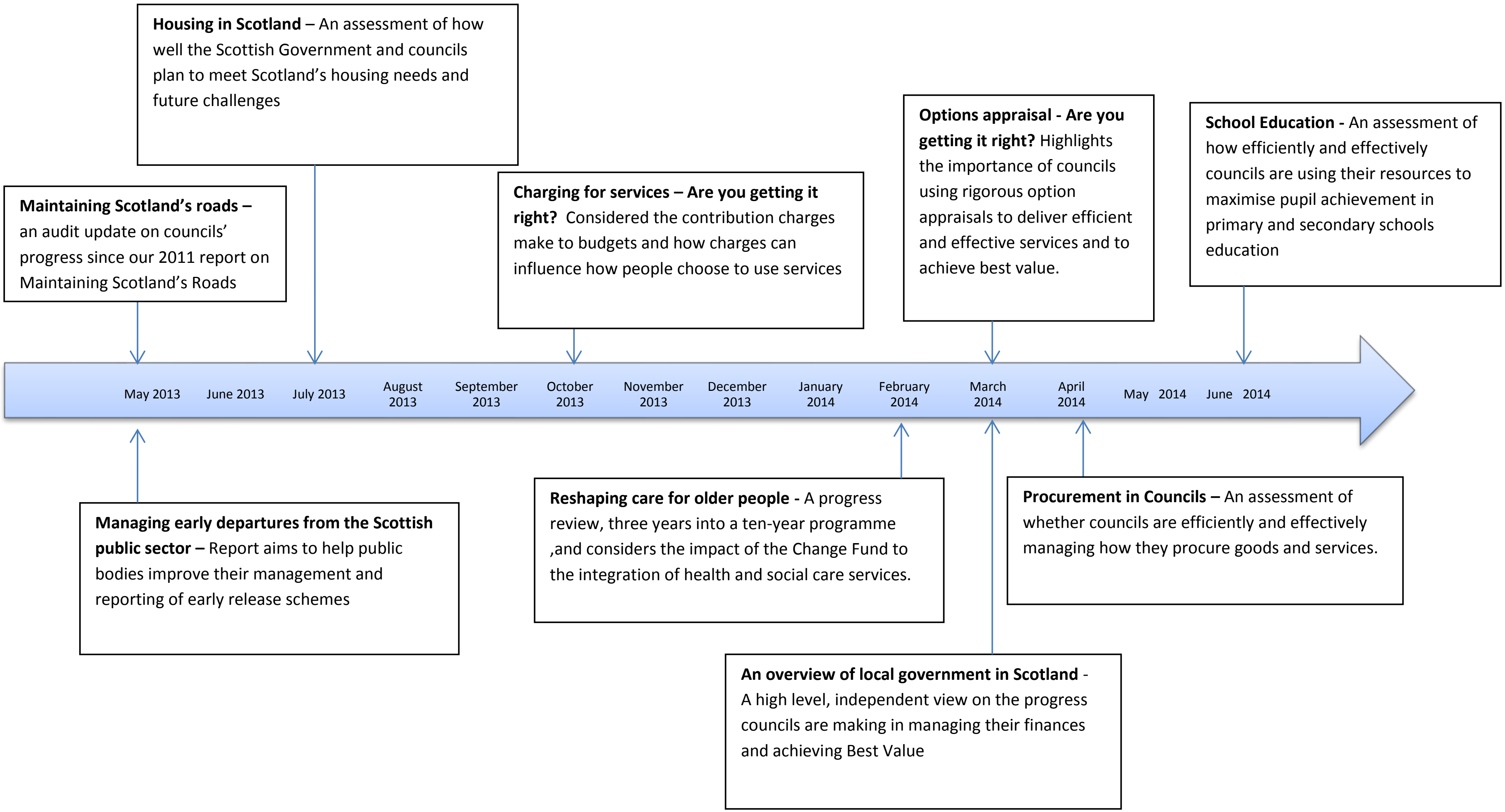
150. In common with other councils, the council faces the key challenges of reducing budgets, an aging population with higher levels of need and the public expectation of high quality services. Savings have been made in recent years largely by reductions in the workforce. However as choices on how to

address funding gaps becomes increasing difficult, councils will have to focus on making the best use of all available resources and to challenge existing ways of doing things. A strong and effective performance management framework will be critical to the success of the council achieving its key priorities.

Appendix I – Summary of West Dunbartonshire Council local audit reports 2013/14



Appendix II – Summary of Audit Scotland national reports 2013/14



Appendix III – Significant audit risks

The table below sets out the key audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure
Managing financial pressures The council may fail to deliver their agreed savings options and close their cumulative budget gap.	We monitored the delivery of savings and the financial position of the council by reviewing the budget monitoring reports presented to members throughout the financial year. Refer to paragraphs 26 and 76.
Clydebank Rebuilt / Clydebank Property Company The council may not achieve best value for the resource invested. The acquisition of the assets might not be appropriately disclosed in the financial statements.	We monitored developments through discussions with relevant council officers and assessed the disclosure of the relevant transactions and council decisions in the 2013/14 financial statements. Refer to paragraph 46.
Welfare reform The Council may not effectively mitigate the impact of Welfare Reform Act 2012 on individuals directly affected and the wider delivery of council services.	We monitored developments through discussions with relevant council officers and review of relevant council minutes. Refer to paragraphs 96-100.

Audit Risk	Assurance procedure
Scottish housing quality standards (SHQS) The Council may fail to meet the SHQS by 2015 and rent increases may lead to a rise in rent arrears.	We monitored progress toward meeting the SHQS through discussions with relevant council officers and review of relevant council minutes. We also reviewed the impact of welfare reform on rent arrears. Refer to paragraph 141.
Net debt High levels of debt servicing may have an adverse impact on the delivery of Council initiatives.	We reviewed the council's net external debt at 31 March 2014 as a proportion of net revenue stream. Refer to paragraph 66-72.

Appendix IV – Action plan

Action plan point/ para ref	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
1/14	**Usable Reserves** The council has the fourth lowest usable reserves position in relation to net revenue stream out of the 32 Scottish local authorities. **Risk** The council may not have sufficient reserves to protect itself against unforeseen events or reductions in future funding. **Recommendation** The council should consider whether its current policy on holding unallocated reserves provides a balance between meeting current obligations and preparing for future commitments.	The revised long term Finance Strategy was reported to Members in August 2014. In setting the budget for 2015/16 and indicative budgets for 2016/17 & 2017/18 Members will have the opportunity to budget to increase reserves.	Head of Finance and Resources	28 February 2015
2/16	**Capital Slippage** The council's management of their capital programme is showing signs of improvement with capital slippage decreasing to 26.6% from a five year peak of 45.3% in 2012/13. However further improvement is required.	The council will review its current capital management process with a view to developing a Capital Risk Register and more defined project benefits.	Strategic Asset Management Group Chair	31 August 2015

Action plan point/ para ref	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
	Risk Capital programmes and associated service improvements may not be delivered in a timely manner. **Recommendation** The council should develop their approach to capital programme management including development of a capital programme risk register and more clearly defined project benefits.			
3/17	**Treasury Management** The council continue to have high levels of debt in comparison with other Scottish local authorities and we note that authorisation procedures for loans in excess of one year could be improved through the implementation of more formalised procedures. **Risk** Servicing of debt may pre-empt the best use of the council's finances.	It should be noted that the council's debt levels include PPP debt, which not all councils have. The council will review its Treasury Management processes for authorising loans in excess of 1 year and develop more formalised processes.	Finance Manager	31 December 2014

Action plan point/ para ref	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
	Recommendation The council should review its processes for authorising loans and ensure a balance is struck between delivering strategic objectives and incurring further debt.			

Action plan point/ para ref	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
4/27	**Sickness Absence** The council are continuing to focus on improvement attendance at work and have set challenging targets to be achieved by 2017. Whilst there has been some improvement in teacher attendance in the past 12 months there has been no clear improvement in local government employee attendance. **Risk** The Council are not achieving best value from the staff resources available to them. **Recommendation** The council should consider the effectiveness of current activity and continue to seek new approaches to decrease absenteeism.	Work is currently ongoing within all council departments to ensure that the attendance management policy is consistently and effectively applied and that good practice in relation to improve levels of attendance is shared. The Attendance Working Group consider the effectiveness of current activity and continue to seek new approaches to support managers and decrease absenteeism Workforce Management System functionality will be enhanced to provide more detailed recording and reporting of absences and of management actions taken. A renewed communications campaign will be launched to increase awareness amongst staff.	Head of People and Transformation	Ongoing Ongoing On a phased basis until March 2017 On a phased basis until March 2017