

# Inverclyde Council

**Report to Members and the Controller of Audit  
on the 2008/09 Audit**

October 2009



 AUDIT SCOTLAND



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# Key Messages

## Background

Since mid 2008, Scotland's economy has been in recession. The public sector is coming under the greatest financial pressure since devolution ten years ago and it will be very challenging to sustain current levels of services and meet new demands when resources are tight.

## Financial statements

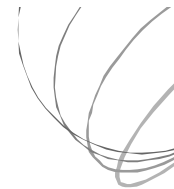
We have given an unqualified opinion on the 2008/09 financial statements of Inverclyde Council (the Council). The Council produced its annual accounts within statutory deadlines and the co-operation received from Council officers was appreciated. Care will be required to ensure that accounting developments associated with the adoption of International Financial Reporting Standards and other initiatives are implemented smoothly.

## Use of resources

In overall terms, the Council managed its resources well with an increase in general fund balance of £2.63 million against a budgeted breakeven position. As explained by the Chief Financial Officer in the Foreword to the Accounts, the main factors associated with this surplus were a £1.4 million reduction in budgeted loan charges, a £0.8 million transfer from the former Housing Revenue Account to general reserves (earmarked for Strategic Housing purposes) and £0.4 million for contingencies not utilised in the year. At 31 March 2009 the Council has a general fund balance of £20.66 million (£18.03 million at 31 March 2008). This includes an earmarked balance of £16.02 million and an unallocated balance amounting to £4.64 million which is in accordance with the Council's reserves strategy.

The Council reacted quickly and positively to the economic downturn by identifying the potential risks. An action plan was agreed to manage the downturn and prepare for recovery. The Council has also taken action to alleviate the pressure the downturn has placed on the local community through capital investment agreed in the 2009/11 budget and the identification of support measures for local businesses.

As part of the Council's two year 2009-2011 revenue budget targeted efficiency savings of £6.43 million (£1.6 million in 2009/10 and £4.83 million in 2010/11) were agreed. This is predominantly driven by efficiencies identified within services and £0.24 million from the Future Operating Model. From 2011/12, and beyond, ongoing service efficiencies will be supplemented by savings driven out of the successful implementation of the Modernisation and Efficiency Programme, Future Operating Model, Property Asset Management Plan and Strategic Procurement Framework. These four programmes present a significant agenda and strong leadership will be required to manage the challenges the Council will face.



In particular the Council has much to do to improve its asset management and procurement on a corporate basis. Currently less than 50% of Council properties are considered to be in good or satisfactory condition. A strategic procurement framework was only recently agreed and this needs to be fully implemented. We first reported on the need to improve procurement practices in the 2005 Audit of Best Value and Community Planning report.

The Council's schools estate strategy has reached a number of major project milestones. Three schools were opened and work has commenced on two new primary and two new secondary schools. The funding model for the Schools Estate Management Plan has been revised and the Council still consider it affordable although it is noted that this is based on an assumption that revenue and capital budget contributions will remain at previously approved levels.

The Council is reviewing its organisational structure to identify the necessary workforce, skills and capacity requirements to deliver their corporate plans. This is likely to alter the configuration of service delivery across the Council.

## **Performance management and improvement**

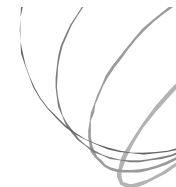
The Council's approach to performance management is an established and integral part of how the Council operates. The strategic planning and performance management framework integrates planning and performance management to facilitate the delivery of corporate and service initiatives. The Council are progressing the implementation of the Public Service Improvement Framework, a self assessment process, across all its services.

The Future Operating Model involves the development of a new customer service centre which will allow customers to access a range of Council services in a single location. Funding has been approved for the first three phases of the project and progress has been made with the design, build and implementation work of phase one. Full implementation of the model is likely to significantly change the way services are delivered by the Council.

Continued focus on improving service delivery was evidenced by the 2008/09 statutory performance indicators highlighting increases in performance levels in over 50% of the indicators. Although 27% of the indicators showed a decline in performance it is noted that none of them experienced a significant decline.

## **Outlook**

Inverclyde continues to experience population decline with the 2024 population projected to be 71,191. This represents a decrease of 18,912 (21%) from the level in 1991. This presents a major risk to the sustainability of the area and service delivery. The Council has recognised this with depopulation being a key strategic issue in their Single Outcome Agreement.



The current economic forecasts suggest that public finances are likely to face growing constraints over the foreseeable future and this will therefore be a very challenging time for the Council and its community planning partners. In this climate the Council is conscious of the need for effective financial management and planning arrangements with an emphasis on budget monitoring. Care will be required however to ensure that the impact on services to the public is also actively monitored.

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

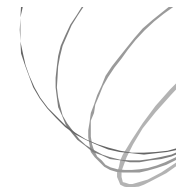


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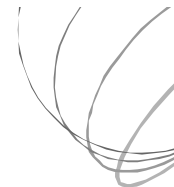
# Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of the Council and other relevant work carried out by Audit Scotland. Reports were issued in the course of the year in which we make recommendations for improvements (see Appendix A). We do not repeat all of the findings in this report. Instead we focus on the financial statements and any significant findings that have arisen from our review of the management of strategic risks.
2. The report uses the headings of the new corporate assessment framework, which is being developed for Best Value 2 (BV2) and for joint scrutiny work. The framework is founded on the characteristics of a best value council. Using evidence gathered in the course of the audit, supplemented by other work by Audit Scotland and other scrutiny bodies, we comment on the Council's position this year.
3. It must be stressed that our comments are made on the basis of information made available in the course of the annual audit. We do not offer an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time and for that to form the basis of a proportionate best value audit. This report is the first step towards that goal.
4. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the Council are:
  - the impact of the race equality duty on council services
  - improving energy efficiency
  - asset management in councils
  - overview of drug and alcohol services
  - mental health overview
  - civil contingencies planning
  - strategic procurement.
5. We mention the key findings from these reports and the implications for Inverclyde in the performance and use of resources sections of this report. Full copies of the studies can be obtained from Audit Scotland's web page at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



6. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and have agreed to take the specific steps set out in the column headed Planned Management Action. We do not expect all risks to be eliminated or even minimised. What we are expecting to see is that the Council understands its risks and has in place mechanisms to manage them. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to be duly assured that the proposed action has been implemented.
  
7. This report is addressed to members and the Controller of Audit. It will be published on our website after consideration by the Council. The Controller of Audit may use the information in this report for her annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and it is also presented to the Local Government and Communities Committee of the Scottish Parliament.





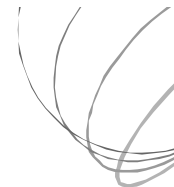
# Financial statements

## Introduction

8. In this section we summarise key outcomes from our audit of the Council's financial statements for 2008/09, comment on the significant accounting issues faced, and provide an outlook on future financial reporting issues.

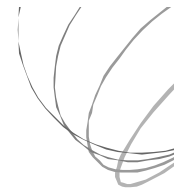
## Audit opinion

9. We have given an **unqualified** opinion that the financial statements of Inverclyde Council for 2008/09 give a true and fair view of the financial position, expenditure and income of the Council and its group for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
10. We were satisfied with disclosures made in the Statement on the System of Internal Financial Control (SSIFC) and the adequacy of the process put in place by the Council to obtain assurances on systems of control. In 2007/08 we highlighted a need for further work to be carried out to improve the quality and timeliness of assurances received from group bodies. We are pleased to report that, in 2008/09, the Council performed a comprehensive review of their approach to the SSIFC. This resulted in the implementation of a much improved process for obtaining assurance from group members and the effectiveness of the Council's own systems of internal financial control.
11. We worked with members of the finance team throughout the year to clarify our requirements and the efforts of the finance team resulted in the unaudited financial statements being submitted to the Controller of Audit in advance of the 30 June deadline. They were presented to the Council's Audit Committee on 25 June and this version fully incorporated both the single entity and group financial statements.
12. In our 2007/08 Annual Report to Members we commented that whilst there had been significant improvement in the quality of supporting working papers there were still areas where improvement was required. We also raised some concern about the capacity of finance staff to respond to queries and clear matters arising due to reliance on individual members of staff. Finance implemented actions to rectify these issues and we are pleased to report that the quality of the working papers provided to support the 2008/09 financial statements were of a high standard and, throughout the audit, responses to our queries and matters arising were provided swiftly and comprehensively.
13. The accounts were presented to, and certified at, the Audit Committee on 23 September 2009 meeting the 30 September deadline. They are now available for presentation to members and for publication. The financial statements are an essential means by which the Council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.



## Accounting issues

14. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). No major changes were introduced by the 2008 SORP with the exception of amended disclosures for pension costs. We were satisfied that the Council prepared the accounts in accordance with the 2008 SORP.
15. The Council adjusted the financial statements to reflect our audit findings. There were no unadjusted errors. Significant accounting issues have been reported to the Chief Financial Officer (CFO) and the Audit Committee in our letter issued in line with the International Standard on Auditing 260 (ISA 260) communication of audit matters with those charged with governance. These are summarised below.
16. **Objection:** on 17 August 2009 we received an objection to the accounts under section 101(2)(a) of the Local Government (Scotland) Act 1973. We have considered the objection and enquiries are ongoing on the issues raised in relation to common good assets. As we do not consider the issues to be material to our audit opinion we will report any significant matters arising from these enquiries in our 2009/10 final report.
17. **Common Good title deeds checks:** the ISA260 letter for 2007/08 identified that the Council was working toward compliance with CIPFA/LASAAC guidance to establish where all of its heritable properties are, who holds title to them and what their values are. During 2008/09 the Council commenced a project to conduct an examination of the title to the Council's heritable property within Inverclyde. We have received adequate assurances from the Council that, as at September 2009, the project has made satisfactory progress and that, upon completion, a common good asset register will be produced.
18. **Group financial statements:** within the group financial statements Strathclyde Joint Police Board and Strathclyde Fire and Rescue are consolidated as associates. Proper accounting practice requires a charge to be made to the income and expenditure account for pension costs based on FRS17 Retirement Benefits. The Local Government Pension Reserve Fund (Scotland) Regulations 2003 provides the statutory basis for removing the FRS17 charge from the general fund so that only the actual pension payments are charged. However, this legislation does not cover the new pension schemes established with effect from 6 April 2006, by the Police Pensions (Scotland) Regulations 2007 and the Fire-fighters Pension Scheme (Scotland) Order 2007. Strathclyde Fire and Rescue has amended their accounts to reflect this however Strathclyde Joint Police Board has opted not to make any adjustment and their auditors will qualify their audit opinions in relation to this issue. The Council has agreed to include a disclosure note within the group accounts concerning the qualification in the audit certificate of the Strathclyde Joint Police Board.



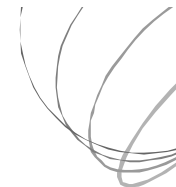
19. **Removal of ring fenced funding:** the introduction of the Concordat with the Scottish Government resulted in the consolidation of some separate funding grants within the revenue support grant in 2008/09. When compared to the previous year, this has the effect of increasing the funding from revenue support grant and also increasing service net expenditure. This change in the basis / nature of funding has a significant impact on the comparability of income and expenditure with the previous year. The CFO has added a note in his Foreword to the Accounts to make reference to the change in the funding of local government.
20. **Equal pay and single status costs:** actual and potential claims in relation to equal pay legislation have been reviewed and £1.03 million recognised as a provision. While there remain uncertainties over the actual costs that will be incurred to settle these cases, we are satisfied that this is a reasonable approach. The Council sought to limit its exposure to the financial risk associated with equal pay claims by agreeing to offer equal pay compensation payments to specific groups of employees as part of a compensation package. Similarly, a specific earmarked balance of £0.81 million has been set aside to cover costs incurred for single status.

## Audit testing

21. As part of our work, we took assurances from key controls within a number of the Council's main financial systems. The results of our review of key controls were reported to the Council in our 'Review of Main Financial Systems' letter in August 2009. We assessed the following financial systems as having a satisfactory level of control for our purposes:
  - Payroll
  - Budgetary control
  - Main accounting system
  - Debtors
  - Creditors
  - Council tax (Billing & Collection)
  - Non-domestic rates (Billing & Collection)
22. The review did highlight some areas where improvements to internal controls could be made and these were highlighted in our letter. None of these weaknesses were deemed to constitute a material weakness and we note that the Council has expressed a willingness to rectify the issues raised.

## Prevention and detection of fraud and irregularities

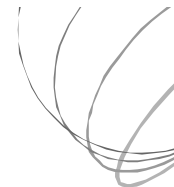
23. At a corporate level, the Council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include an anti-fraud and corruption policy and response plan, a whistle blowing policy, codes of conduct for elected members and staff, and defined remits for relevant regulatory committees. It is noted that the whistle blowing policy is currently being reviewed as part of the wider review of the Code of Conduct for staff.



24. Complaints received from the public about members are generally dealt with by the relevant group leader. If this approach is not acceptable to the complainant they can refer the complaint to the Standards Commission. In the period April 2008 to September 2009 two complaints were lodged with the Standards Commission against elected members. In both cases the Chief Investigating Officer took the view that there was no evidence of a breach and they were subsequently dismissed.

## **NFI in Scotland**

25. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£40 million to 2008). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
26. The most recent data matching exercise was carried out in October 2008 and national findings will be published by Audit Scotland in May 2010. As at October 2009, the Council had investigated a total of 1,643 matches (out of the 2,030 received in February 2009). Seven frauds and eight errors have been identified with combined overpayments identified of £29,101. A further 124 cases are currently under investigation. All fraudulent claims related to benefit claims and were highlighted through matches against payroll and pensions records.
27. Progress to date against all matches involving benefit claimants has been good, however the NFI online application indicates that no progress has been made against matches between blue badge parking permits and DWP deceased records. The previous NFI exercise highlighted a number of blue badges which had not been returned following the death of the badge holder. For the current exercise the Council are to investigate the possibility of reporting unreturned badges to the relevant officer within the Police with responsibility for traffic wardens.
28. The 2008/09 NFI exercise in Scotland involved authorities submitting types of information which were split into two categories; mandatory and risk-based (incorporating information such as accounts payable and taxi driver licence records). It is noted that the Council took a decision not to provide any of the optional risk-based datasets. This was based on an assessment of the required resource input compared to the perceived risks associated with the datasets. We recommend that consideration is given to expanding information submitted for NFI purposes to maximise the prevention and detection of fraud.

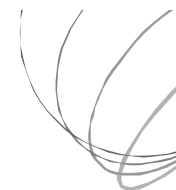


## Housing benefit

29. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team have carried out a programme of risk assessments of benefits services in all councils over a two year period.
30. The risks to the Council's benefits service were assessed in June 2008 and a detailed report was issued which concluded that sound arrangements were in place to minimise risks in the benefit function. It also identified a number of areas for improvement which the Council consolidated into an action plan. Internal Audit's follow-up process has confirmed that all the actions have now been implemented. We believe these actions will make a positive contribution to improving the benefits service and we will monitor progress in the next inspection cycle, which starts in 2010.

## Group accounts

31. Councils use a diverse range of service delivery vehicles and, where material, are required to prepare a full set of financial statements that give a true and fair view of the financial performance and position of the council's group.
32. The Council has interests in a total of seven associates which have been included in group accounts in accordance with the SORP. Those bodies are:
  - Strathclyde Joint Police Board.
  - Strathclyde Fire & Rescue Joint Board.
  - Strathclyde Partnership for Transport (SPT).
  - Strathclyde Concessionary Travel Scheme Joint Board.
  - Renfrewshire Valuation Joint Board.
  - Inverclyde Leisure Limited.
  - Riverside Inverclyde Limited.
33. The overall effect of inclusion of all of the Council's associates on the group balance sheet is to reduce net assets by £132.9 million, substantially as a result of pension liabilities. The group accounts have been prepared on a 'going concern' basis as it is considered that funding will continue to provide sufficient resources and there are statutory arrangements in place with the Scottish Government for the funding of the Joint Police Board deficit and with the constituent local authorities for the Fire and Rescue Board deficit.



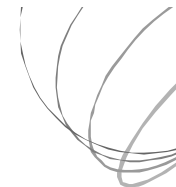
34. The Council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. Two of these boards (Strathclyde Police and Strathclyde Fire and Rescue) had an excess of liabilities over assets at 31 March 2009 due to the accrual of pension liabilities. In total these deficits amounted to £141.35 million, with Inverclyde's proportion around 5%.
35. We would like to highlight the following issue:
- With the exception of the Strathclyde Joint Police Board all bodies within the group received unqualified audit opinions from their external auditors. Details of Strathclyde Joint Police Board's qualification are provided at paragraph 18 however it should be noted that the qualification has no effect on the figures in the Council's group statements.

## **Trust funds**

36. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund. However the Office of the Scottish Charity Regulator (OSCR) has deferred the date of full implementation until 2010/11. This means that reliance can be placed on the existing disclosures for trust funds in the Council's financial statements, supplemented by appropriate working papers.
37. The Council has made considerable progress towards compliance with the regulations. OSCR, in a letter to the Chair of Local Authority (Scotland) Accounts Advisory Committee (LASAAC) dated 15 April 2009, recognised this progress by naming the Council as one of only ten Scottish councils to be classified as above average in meeting the requirements for the 2007/08 year. Full compliance is likely to be compulsory in the near future and therefore the Council need to maintain, and further progress, the standard they have already achieved.
38. During 2008/09 the trusts received income of £0.18 million (2007/08 - £0.04 million), principally dividends from external investments and interest earned on balances invested in the Council's loans fund. The increase in income is largely due to £0.15 million arising from the Council creating a new education trust fund. This has been offset by a fall in investment income from falling interest rates due to the current economic climate. Disbursements to beneficiaries totalled £0.15 million (2007/08 - £0.38 million). The net assets of the trusts at 31 March 2009 amounted to £0.48 million.

## **Common good fund**

39. In December 2007, LASAAC issued a guidance note for practitioners. The guidance requires the common good fund to be disclosed within the financial statements and a separate common good asset register to be in place by March 2009.



40. In accordance with the LASAAC guidance, a register of the assets held by the Common Good Fund is maintained. However, in common with a number of other councils, there are concerns about whether it represents a complete record of common good assets.
41. To help address these concerns, the Council are undertaking a review of all property assets. The aim of the project is to conduct a comprehensive examination of the title to the Council's heritable property lying within the burghs of Gourrock, Greenock and Port Glasgow. It is anticipated this will identify any property falling within the Common Good and produce a comprehensive asset register for each of these burghs. As stated in paragraph 17 we are satisfied with the current level of progress made by the Council toward the completion of this review and will continue to monitor further progress and compliance with LASAAC guidance during the 2009/10 audit year.

#### **Action plan no. 1**

42. A separate account for the Common Good fund is disclosed in the Council's financial statements, in compliance with LASAAC guidance. During 2008/09 the funds received income of £0.31 million (2007/08 - £0.33 million) whilst incurring expenditure of £0.35 million (2007/08 - £0.27 million). As at 31 March 2009 the funds had net assets of £2.1 million.

### **Pension fund**

43. From April 2009, the rates of contributions made by employers and the calculation of benefits payable on retirement changed. The rate of contribution payable for the period 1 April 2009 to 31 March 2012 is 20.6% of pensionable pay however this required contribution rate has been phased in over a period of four years. Minimum contribution rates, expressed as a percentage of pensionable pay, have been established for each financial year up to, and including, the year ending 31 March 2012. The Council's minimum contribution rates have been set at:
- 17.3% in the year ending 31 March 2010
  - 18.2% in the year ending 31 March 2011
  - 19.3% in the year ending 31 March 2012.
44. As part of the implementation process the pension fund issued compliance certificates which the Council completed prior to the 31 July 2009 deadline. The Council will need to review its payroll standing data to ensure that accurate deductions are being made and remitted.

### **Legality**

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



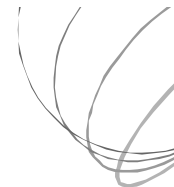
## Financial reporting outlook

### IFRS adoption

46. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. Because local government has already adopted some aspects of IFRS, we expect the transition to be fairly smooth. Indeed, next year, councils will be expected to account for Private Finance Initiative (PFI) projects on an IFRS basis. But it is important that the Council starts the transition period in 2009/10. A comparative balance sheet as at 1 April 2009 will be required and whole of government accounts will also be required on an IFRS basis from 2009/10.
47. The Council has recognised the importance of being prepared for the implementation of IFRS and established a formal project team to ensure the successful transition. A timeline has been created which details each significant step towards implementation and the dates by which these milestones should be achieved. In addition to the IFRS project team, other Council departments will need to engage in the IFRS adoption process to address the key areas such as asset management and human resources.
48. The project team will report to the Audit Committee and Policy and Resources Committee at regular intervals on progress towards implementation.
49. An issue that has been identified is the need to involve organisations included with the group accounts in the development of clear guidance on the timing of IFRS introduction and the expected impact on financial statements for consolidation processes.

**Action plan no. 2**





# Use of resources

## Current financial climate

50. Scotland's economy is in recession and the public sector is coming under the greatest financial pressure since devolution ten years ago. It will be very challenging to sustain current levels of public services and meet new demands when resources are tight.
51. The Institute for Fiscal Studies (IFS) predicts that real term reductions across all UK Government Departmental Expenditure Limits (DEL) will be around 2.3% each year between 2011 and 2014. It is also predicting that real term growth will continue to be constrained between 2014 and 2018. At this stage, it is unclear what the actual reduction in budgets will be. This will depend on the depth of the recession and the length of time the economy takes to recover. It also depends on UK Government policy on reducing debt levels.
52. This financial squeeze will have a significant impact on the amount of money available to the public sector in Scotland. The Centre of Public Policy for Regions (CPPR) has predicted that by 2013/14 the Scottish budget could be between 7% and 13% lower in real terms. Reductions of this size will present a significant challenge for the Scottish public sector in sustaining and improving services.
53. There may be limited room for manoeuvre in adjusting the budgets, at least in the short term. This is because most costs are of a fixed nature – such as the costs of salaries and pensions, running costs of buildings, costs of capital and essential supplies. In addition, the ageing population and the effects of the recession are likely to increase the demand for some services. The Scottish Government expects that by 2011, the Efficient Government Programme for the public sector will generate a total of £1.6 billion of cash-releasing savings, based on two per cent of 2007/08 expenditure levels.

## Financial results

54. In 2008/09, the Council spent £284.3 million on the provision of public services and £24.5 million on capital projects. The Council's net operating expenditure in 2008/09 was £214.1 million. This was met by central government and local taxation of £194.7 million, resulting in a deficit of £19.4 million, 9.1% of the net operating expenditure for the year.
55. The budget set for 2008/09 was based on a Band D council tax level of £1,198. After taking account of statutory adjustments, £2.6 million was added to the general fund during the year. The main factors contributing to this net surplus are a £1.4 million reduction in budgeted loan charges, a £0.8 million transfer from the former Housing Revenue Account (which has been earmarked for strategic housing purposes) and £0.4m for contingencies which were not utilised during the year (predominantly to provide for volatile energy costs).



56. The Council's trading operations met their statutory duty to return a surplus over a three year period in 2008/09. However, the February 2007 and January 2009 Audit of Best Value and Community Planning follow-up reports and our 2007/08 Annual Report to Members highlighted the Council's need to undertake a full review of trading activities to ensure trading operations are correctly identified and represent value for money and competitiveness. In May 2009, an updated position was reported to the Policy and Resources Committee. Following this meeting, it was agreed that a further report on the development of an assessment of competitiveness for all Council services be prepared. We will continue to monitor progress of this review during the 2009/10 audit.

**Action plan no. 3**

## **Budgetary control**

57. This year, because of the heightened importance of good budgetary control, we paid particular attention to how the Council manages its revenue budgets. In 2008/09 the Council took measures to raise the profile of budget monitoring at a corporate management level and introduced improved policies and procedures at an operational level.
58. The Corporate Management Team (CMT) introduced a monthly finance meeting with a standard agenda which discusses, amongst other things, projected employee costs, key budget risks, progression on identified savings, earmarked reserves, key budget actions and budget pressures & priorities. The CFO is in attendance at these monthly meetings and provides feedback to relevant officers in the service accountancy team.
59. At an operational level the Accountancy Manager introduced revised revenue budget monitoring policies and procedures. Standard templates have been introduced for monitoring reports with documented explanations required for material movements in projections between one period and the next. Service budget monitoring reports are prepared by Principal Accountants and reviewed by the Accountancy Manager. The CFO and relevant Corporate Director sign off the reports as being agreed.
60. The Financial Capacity Development Plan (approved by the Policy and Resources Committee in September 2009) was produced as a response to the Financial Capacity Review carried out by the Institute of Public Finance between January and March 2009. This plan identifies further areas for improvement in relation to budget monitoring including the development of a formal scheme of budget delegation, with defined roles and responsibilities, between service departments and the central finance team.
61. Revenue budget monitoring reports are submitted to the relevant committee in accordance with the committee cycle timetable. In addition a consolidated general fund revenue budget monitoring report is submitted to the Policy and Resources Committee which meets bi-monthly. These reports cover all services and, as such, provide members with an authority-wide view of the current financial position. It is, however, noted that, whilst out-turn is reported to individual service committees, a consolidated general fund annual out-turn is not reported to the Policy and Resources Committee.



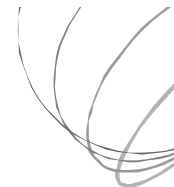
62. Our review of a sample of 2008/09 revenue budget monitoring reports submitted to committees indicated that there are a considerable number of budget transfers taking place without comprehensive explanations. We have received assurances that an ongoing exercise to improve the quality of virement explanations was introduced in the second half of 2008/09 and we will continue to monitor this as part of our 2009/10 audit programme.
63. Exhibit 1 shows, at committee and consolidated Council level, the projected year end under or over spend as at periods 4, 6, 8 and 10. This analysis demonstrates the extent to which the projected year end position fluctuated at individual committee level and for the overall Council. It is noted that the predominant reasons for the overall fluctuations relate to the impact of the economic downturn on areas such as utility costs and the cost of borrowing. As per the audited financial statements the Council made a surplus in the year of £2.6 million. Exhibit 1 demonstrates that 67% of this surplus was due to the savings made through the reduced cost of borrowing.

## Exhibit 1

### Summary of (Under) / Overspend by Committee

Committee	2008/09 Financial Period			
	4 £,000	6 £,000	8 £,000	10 £,000
Policy and Resources	(475)	(280)	(354)	(376)
Safe, Sustainable Communities	272	131	0	(172)
Regeneration	94	(38)	(78)	(41)
Education and Lifelong Learning	473	134	0	0
Health and Social Care	270	200	(3)	111
Electricity / Gas Overspend	0	520	520	520
<b>Committee Sub-Total</b>	<b>634</b>	<b>667</b>	<b>85</b>	<b>42</b>
Loan Charges	0	(1,741)	(1,741)	(1,741)
Council Tax	0	52	52	52
<b>Total (Under) / Overspend</b>	<b>634</b>	<b>(1,022)</b>	<b>(1,604)</b>	<b>(1,647)</b>

64. On 12 February 2009 the Council agreed a two year revenue budget covering the financial years 2009/10 and 2010/11. As at 31 July 2009 the Council is projecting a year end underspend of £1 million against the 2008/09 portion of the two year budget. £0.7million of this projected underspend is due to savings in loan charges generated by debt restructuring.
65. Given the current financial pressures, and the level of uncertainty over future funding levels, we welcome the escalation of budget monitoring to a corporate management level, the operational improvements in budget monitoring and the plans to better incorporate service personnel in the budget monitoring process.



## Reserves and balances

66. Exhibit 2 shows the balance in the Council's funds at 31 March 2009 compared to the previous year. At 31 March 2009 the Council had total cash backed funds of £28.05 million, an increase of £4.54 million on the previous year.

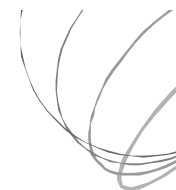
### Exhibit 2 Reserves

Description	31 March 2009 £ Million	31 March 2008 £ Million
General Fund	20.656	18.033
Insurance Fund	5.143	4.747
Education & Equipment Fund	0.176	0.210
Repair and Renewal Fund	0.333	0.000
Capital Fund	1.741	0.000
Housing Revenue Account	0.000	0.517
	<b>28.049</b>	<b>23.507</b>

67. The general fund increased by £2.6 million during the year to a balance of £20.6 million. Of this balance £16 million has been earmarked for specific purposes. This leaves an unallocated balance of £4.6 million, which adheres to the Council's policy to maintain a minimum of £4 million of free reserves. This means the Council is limiting its exposure to financial risk and provides capacity to deal with unforeseen costs or losses.

68. According to the Council's Financial Strategy: For each reserve held, there should be a clear protocol on:

- the reason/purpose of the reserve
- how and when the reserve can be used
- procedures for the reserve's management and control
- a process and timescale for review of the reserve to ensure ongoing relevance and adequacy.



69. During our review of the £16 million of earmarked reserves evidence was obtained of the approval of these reserves by Committee however more detailed supporting papers ensuring that the establishment, and management, of these reserves complied with the Council's Financial Strategy could not be provided.

## Capital performance 2008/09

70. Capital expenditure in 2008/09 totalled £24.49 million, a drop of £23.08 million from 2007/08. 82% of the 2008/09 approved capital programme was delivered with slippage amounting to £5.5 million. Exhibit 3 highlights some of the more significant areas of capital slippage.

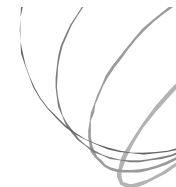
### Exhibit 3

#### Slippage in the capital programme for 2008/09

Directorate / Programme	Project	Slippage (£,000)
Improvement and Performance	Consilium One Off Costs	350
Safe Sustainable Communities	Vehicles Replacement Programme	311
	Community Investment Fund	213
Regeneration	Gourock Transport Interchange	300
	Office Accommodation (2007/08 & 2008/09)	347
	Devol Glen Stabilisation Works	273
Health and Social Care	Inverclyde Centre Phase 3`	223
Schools Estate Management Plan	St Stephen's Refurbishment	1,268 <sup>1</sup>
	Wemyss Bay Primary School Refurbishment	276

<sup>1</sup>: Note that the St. Stephen's refurbishment did not proceed due to a change to a shared campus.

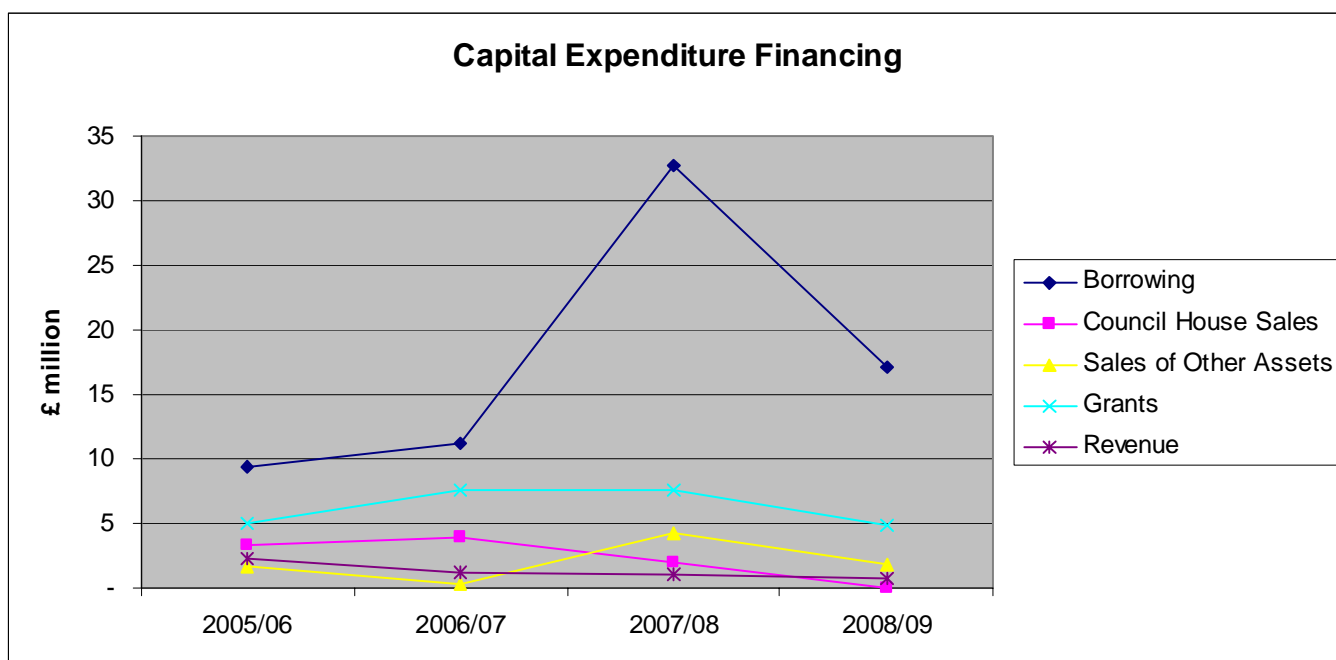
71. During 2008/09 it became apparent that, due to the downturn in the economy, the Council could not rely on capital receipts to provide a contribution toward the funding of the Capital Programme (both the Schools Estates Management Plan (SEMP) and the general capital programme). In February 2009 the Council agreed a three-year Capital Programme which included a significant increase in capital expenditure to be funded from Prudential borrowing. This incorporated the leisure and pitches strategy, a new depot and significant investment in replacement vehicles and plant. A revised funding model for the SEMP was also agreed which removed any reliance on projected capital receipts.



72. Exhibit 4 reflects the trend in the Council's five principal sources of finance to fund capital expenditure between 2005/06 and 2008/09.

#### Exhibit 4

#### Sources of finance for capital expenditure 2005-2009

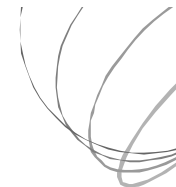


### Treasury management

73. As at 31 March 2009, the Council held cash and temporary investments totalling £42.4 million (£35.7 million at 31 March 2008). It is also noted that in 2008/09 the Council rescheduled £40 million of debt.

74. Borrowing must be justified in its own right as representing the best time for borrowing the amount required and this should be assessed without regard to temporary investment possibilities, otherwise the action may be judged to be unlawful or to have subjected public money to unnecessary speculation risk. We note that all borrowing was carried out with the written approval of the CFO with decision sheets clearly stating that debt restructuring was carried out in the interests of prudent cash management.

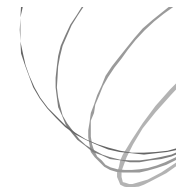
75. The current economic climate means that interest rates on investments are low however the Council received £2.73 million in investment income in 2008/09 compared to £1.39 million in 2007/08. This increase is predominantly due to the fact that in 2008/09 the Council were able to take advantage of favourable fixed investment rates prior to the economic downturn.



76. The Council had no investments with any of the Icelandic banks affected by the economic events occurring in October 2008. In accordance with the Prudential Code the Council has well established Treasury Management Policies in place which restrict investments to approved institutions and establishes upper limits for investments in any single institution. The Council uses Sector ratings to assess financial institutions and credit ratings are monitored on a regular basis.

## Financial planning

77. In 2008 the Concordat between the Scottish Government and local government was introduced bringing with it the Single Outcome Agreement (SOA), the council tax freeze and the rolling up of previously ring-fenced grants into general revenue funding. This means that the Council has had to look at other sources of income and reductions in expenditure to balance its budget.
78. The impact of the economic downturn, subsequent reductions in central government funding and additional factors such as increased National Insurance contributions, and the impact on investment income caused by reductions in interest rates means the Council continues to face difficult financial pressures in 2009/10, and for the foreseeable future.
79. The Scottish Government has made it clear that public expenditure will be constrained for the medium term. This means that councils need to plan now for a future where there is no real growth in funding. Assuming that the Council remains party to the Concordat, there will be no increase in council tax income for at least another year. Savings take time to accrue and the Council needs to take action now to be sure of achieving savings in the future. The Council approved a two year 2009-11 revenue budget in February 2009 which provides greater scope for managing financial resources through the projected periods of financial uncertainty.
80. Within the 2010/11 element of the two year budget was an agreement to develop efficiency savings of 1%. The proposals to meet this 1% target (£1.55 million) were approved by the Policy and Resources Committee in September 2009.
81. In April 2008 the Council approved its first Financial Strategy designed to provide clear direction on how to manage and structure its financial resources to ensure they are utilised effectively and are clearly directed at achieving the Council's corporate objectives in the medium to long term. The strategy is reviewed regularly to identify required amendments to take account of any significant policy or financial developments both at a local, and national, level. It was reviewed after the setting of the 2009/11 budget in February 2009 and the revised strategy was submitted to the Policy and Resources Committee in June 2009. It is intended that a further review will be reported to the Policy and Resources Committee in December 2009 to inform the 2010/12 revenue budget process.



82. Although the Financial Strategy makes reference to other strategic plans (i.e. the SOA, Corporate Plan and Community Plan) there are no clear links to ensure that the Financial Strategy is directing resources to achieving corporate objectives. The Council recognised this in the June 2009 revision of the Financial Strategy stating *'one of the key tasks for the next year is to strengthen the link between the Strategy and our Directorate plans.'*

#### **Action plan no. 4**

83. The Financial Strategy also notes that, at the current time, the financial resources required to deliver the SOA are difficult to predict. Work will be required in conjunction with partner agencies, to establish the most effective deployment of resources.
84. In March 2009 an initial report was submitted to the Policy and Resources Committee outlining the potential risks the Council faced at a corporate and service level as a result of the economic downturn. The Committee agreed that an action plan should be prepared which focused on maintaining investment programmes and services in the medium term, reviewing governance frameworks, policies and delivery arrangements where appropriate and ensuring the Council is able to manage through the economic downturn and prepare for the recovery. The action plan was presented to the Policy and Resources Committee in May 2009 and identifies risks, mitigating actions, assigned responsibility and timescales.

## **Financial capacity**

### **Financial capacity development plan**

85. In our 2007/08 Annual Report to Members (and previous audit reports) we raised concerns regarding the level of financial expertise within the Council to support effective financial management.
86. In November 2008 the Council appointed the Institute of Public Finance (IPF) to review the Council's financial management and capacity. The review was carried out between January and March 2009 with the results presented to the Policy and Resources Committee in June 2009. In September 2009 the Council's Financial Capacity Development Plan was approved by the Policy and Resources Committee.
87. The plan identifies specific actions designed to address the main issues identified in the IPF report with the actions grouped into eight themes:
- finance up skilling – to ensure accountancy staff have the skills to meet the demands of a modern diverse organisation
  - improving accountability and performance within accountancy
  - reducing single person dependencies within finance





- increasing financial management capacity within services
- ensuring accountability for financial management performance
- demonstrating value for money
- improving linkages between the Financial Strategy and strategic plans
- e-Procurement.

88. All actions in the plan have a designated lead officer and associated timescales which cover a period between October 2009 and September 2011. Progress against the plan will be monitored via the Management of Resources Reference Group and ultimately reported to the Policy and Resources Committee via the Corporate Performance Report.

89. The delivery of the Financial Capacity Development Plan, within the timescales documented, will be a challenge for the Council and we will monitor this through our review of committee reports.

#### **Action plan no. 5**

### **Role of the Chief Financial Officer**

90. In June 2009 the Chartered Institute of Public Finance and Accountancy launched a statement on “the role of the Chief Financial Officer in public service organisations.”

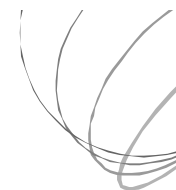
91. The statement emphasises the importance of the role of the CFO in stating that the ‘*CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. While the global financial crisis and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role.*

92. As the Council approaches the challenges of the economic downturn the CFO role will be key in managing financial pressures ahead.

### **Debt recovery**

93. In April 2008 the Council, following a tendering exercise, appointed new debt recovery partners. A report submitted to the Policy and Resources Committee in September 2009 highlighted that 2008/09 collection levels fell by £1.27 million from the level experienced in 2007/08 (representing a 30.6% reduction).

94. It is typical for a change of debt recovery partner to result in an initial reduction in collection levels and it is further recognised that the economic downturn and the introduction of the Bankruptcy and Diligence Act has impacted on collection levels (in particular Council Tax collection levels).



95. The Council recognise that this is an area requiring attention and, in conjunction with their debt partner, have agreed to introduce a number of projects and initiatives to improve the rates in 2009/10.

## Asset management

96. Effective management of Council assets helps the Council achieve its objectives and get best value from its investment in property. Effective management benefits service delivery by making Council buildings work better for staff and service users now and in the future. It also reduces the opportunity cost of money locked up in surplus property and reduces the Council's carbon footprint.
97. In 2009, Audit Scotland published *Asset Management in Councils*. This highlighted that strategic asset management was not well developed in most councils. For Scottish councils as a whole, over a quarter of all properties were in poor condition and slightly less than that were not suitable for the services being delivered from them.
98. Information provided by the Council indicated a considerable amount of development is still required. In particular:
- 48% of the Council's properties were considered to be in good or satisfactory condition with 52% considered to be in poor or bad condition
  - 64% of properties were assessed as having good or satisfactory building suitability with the remaining 36% being assessed as poor or unsuitable
  - 94% of the Council's revenue expenditure on property maintenance in 2007/08 was reactive rather than proactive (a 60:40 split is considered to be good practice benchmark<sup>1</sup>).
99. In March 2009 the Council approved the Council's Corporate Asset Management Strategy: Land, Property and Buildings to cover the period from January 2009 – January 2014. This strategy was designed to provide a strategic vision for future property investment and office rationalisation. The Council is working toward the creation of asset management plans for the outstanding asset types. These are scheduled to be completed by:
- Open Spaces Asset Management Plan – March 2010.
  - Vehicles and Fleet Management Asset Management Plan - March 2010.
  - ICT Asset Management Plan – March 2010.
  - Roads Asset Management Plan - March 2012.

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<sup>1</sup> *Value for money in public sector corporate services*, Public Audit Forum, 2007.

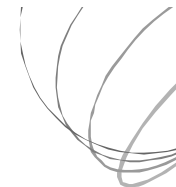


100. In January 2009 the Council installed PAMIS (Property Asset Management Information System). Since January, the Physical Investment Team has focused on populating the Estate Management module with lease and property data. This is a significant task and two members of staff on a part-time basis are providing dedicated support for this element. The Statutory Duties module has also been progressed with the population of asbestos reports, electrical testing and portable appliance testing and all access surveys for Disability Discrimination Act purposes. Fire risk assessments are also being installed as part of this module.
101. The Capital Valuation module has been the subject of liaison with Finance Services. This will provide opportunities to develop the Capital Valuation module to take account of both IFRS requirements (Finance and Operating Leases) and the necessary component valuations for the new accounting standards and also investigate the possibility and benefits in developing an interface with FMS. The Planned Maintenance module is receiving continuing work in order to provide an additional interface with Works Order management. This is necessary to address the Council's strategic objective of reducing reactive maintenance and focusing on future, planned maintenance.
102. The long term intention is for PAMIS to replace Logotech as the Council's asset register however this is not a viable option until PAMIS is fully populated with all assets rather than restricted to land and property assets.

#### **Action plan no. 6**

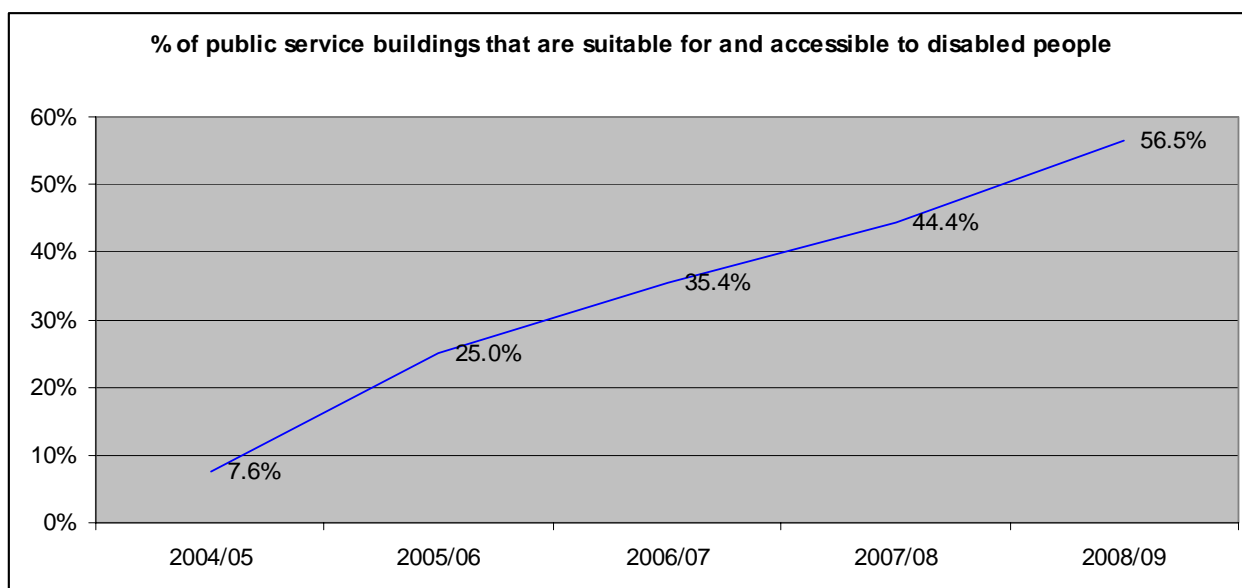
### **Disability discrimination act**

103. Since 2004/05, through the statutory performance indicator, the Council has had to report on the percentage of their service buildings which are suitable for, and accessible to, disabled people. Exhibit 5 illustrates the progress the Council has made over this five year period and we are pleased to report that in 2008/09 they have been able report that over half of their buildings now meet the required minimum standard.
104. The requirement to report on this indicator is being maintained under the new 2009/10 approach and we will continue to monitor the Council's progress.



## Exhibit 5

### Public Access



### Schools estate strategy

105. In June 2008 the Education and Lifelong Learning Committee approved the revised Schools Estate Management Plan (SEMP). The revised plan incorporates all primary, secondary, special schools, pre-five establishments and Additional Support Needs (note that the manner in which Additional Support Needs facilities will be delivered is subject to future consultation).

106. Since the adoption of the revised plan a number of project milestones have been reached including:

- *August 2008* - Newark Primary School was opened as was the refurbished and extended Wemyss Bay Primary School.
- *October 2008* - The schools Public Private Partnership project reached financial close and work on building the two new primary schools commenced. As at September 2009 work is on schedule and completion is projected for February 2010.
- *December 2008* – Inverclyde Academy opened.
- *March 2009* – Proposals for a new Secondary Shared Campus for Port Glasgow approved and Rainbow Nursery opened.
- *July 2009* – Work on the two new secondary schools commenced.



107. In September 2009 a report was submitted to the Education and Lifelong Learning Committee to update them on the status of the SEMP and to review the School Estate Funding Model. Consideration has been given to issues such as the impact of the reduction in the rate of construction inflation, the downturn in the value the Council can expect to obtain for surplus school sites and also updating the funding model to take account of specific changes to the SEMP.
108. The Council consider the revised model to be affordable on the assumption that contributions from revenue and capital budgets remain at the previously approved levels. Cash flow models do anticipate funding shortfalls between 2011/12 and 2015/16 (peaking at £10.7 million in 2013/14). The Council intend to fund these shortfalls via short term borrowing and the cost of borrowing has been factored into the projections for the School Estate earmarked reserve.

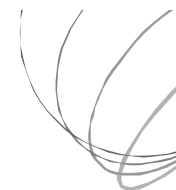
**Action plan no. 7**

## **Carbon management**

109. In 2008/09, the Council approved the Carbon Management Plan 2008/13, following referral from the Sustainability Sub-Committee. The plan outlines how the Council will begin to meet its strategic objective of reducing the carbon emissions and energy costs from its operational activities. The plan proposes to reduce carbon emissions by 15% by 2012/13 from a 2007/08 baseline.
110. The Council has devised its first Green Charter with the aims of reducing energy and waste and promoting the sustainable use of resources in the Council and across the community. A Green Charter Officer/Member Working Group has been created to oversee the implementation of the Green Charter and will receive updates on progress against the Carbon Management Plan 2008/13.
111. In 2008/09, the Council graduated from the Carbon Trust's Carbon Management Programme.

## **Carbon trading commitment**

112. From April 2010, a new and complex system for charging for carbon emissions will be introduced by the European Union. The Carbon Reduction Commitment (CRC) is an emissions trading scheme designed to improve energy efficiency and reduce the amount of carbon dioxide emitted in the UK. The Council must register under CRC if, during the 2008 calendar year, it:
- had at least one half-hourly electricity meter settled on the half-hourly market
  - consumed at least 6,000 MWh of electricity on all half-hourly meters.
113. Although qualification for CRC is based on half-hourly metered electricity, participation in the scheme requires the Council to consider all its energy use.



114. If the Council qualifies for the scheme, it will have to monitor its emissions and purchase allowances for each tonne of CO<sub>2</sub> it emits. Comparative performance in an annual league table provides a strong incentive to the Council to reduce its CO<sub>2</sub> emissions and to protect and improve its corporate reputation. There will also be penalties built into the system to encourage a reduction in carbon emissions.

115. It is not yet clear the extent to which this might affect the Council's financial position. The Council recognise the challenges this presents and have taken cognisance of it within the 2009/11 revenue budget. A report is to be presented to the CMT in October 2009.

## Waste management

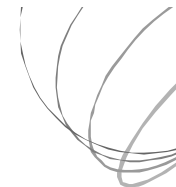
116. In prior years the Council's level of municipal waste sent to landfill could have resulted in fines being imposed by the Scottish Government. The Council has always made a provision for this. The Scottish Government are carrying out a review of the Landfill Allowance Trading Scheme and whilst this review is ongoing all potential penalties have been suspended. Consequently in 2008/09 the Council has written the provision back to the General Fund and have set aside £0.68 million within earmarked reserves for potential landfill penalties.

117. Exhibit 6 shows the progress made by the Council between 2005/06 and 2008/09 toward reducing the tonnage of municipal waste sent to landfill and increasing the tonnage sent for either recycling or composting.

### Exhibit 6

#### Municipal waste management

Description	2005/06	2006/07	2007/08	2008/09	Improvement over 4 Years
Total tonnes of municipal waste	52,354	53,330	49,719	49,348	N/A
Total tonnes of municipal waste landfilled	42,312	42,596	38,372	35,572	15.8%
Percentage of municipal waste landfilled	80.8%	79.9%	77.2%	72.0%	9.8%
Total tonnes of municipal waste recycled or composted	10,042	10,734	11,346	13,821	35.2%
Percentage of municipal waste recycled or composted	19.2%	20.1%	22.8%	28.0%	39.3%



## Procurement

118. It is recognised that in a climate of diminishing resources and challenging economic circumstances, it is essential that all organisations maximise the benefit they get from external spending. This was reflected in Audit Scotland's national report "Improving Public Sector Purchasing" which was published in July 2009. The report found that while the Scottish public sector has made significant savings since 2006 from better purchasing there is still a lot of potential to deliver more, particularly from increasing the use of collaborative contracts. Other high level recommendations highlighted the good purchasing practice that public bodies should adopt to demonstrate Best Value.

**Extract from Audit Scotland report *Improving public sector purchasing***

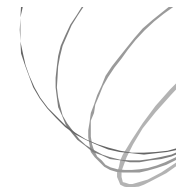
*To demonstrate Best Value when purchasing goods and services public bodies should:*

- Have high-quality purchasing strategies and plans in place, including a plan to meet future workforce needs.
- Have up-to-date information on their purchasing activities such as supplier details, volume of transactions, value and type of spend.
- Ensure all purchasing practices, including control of spending, comply with good practice as set out in national and centre of expertise guidance.
- Work with the Scottish Government and centres of expertise to identify and develop opportunities for collaboration and for improved purchasing practice.
- Use procurement Best Practice Indicators to assess their performance and to continually improve how they buy goods and services.
- Report savings and other benefits on a regular and consistent basis.

119. The Council participates with the national centres of procurement expertise. Audit Scotland surveyed Scottish local authorities in June 2009 to establish the nature of information held by councils on procurement processes. Information was gathered on some key procurement statistics as well as establishing if individual councils had plans to implement the key recommendations from the McClelland report.

120. For the Council, the main points of interest that arose were that:

- the Council did not have a Procurement Strategy in place however they were in the process of developing a Strategic Procurement Framework
- the Council had recently let two contracts on a trial basis on the Public Contracts Scotland Portal
- the Council were unable to provide a breakdown of spend between collaborative and non-collaborative contracts and areas of purchasing where no formal contract exists. Management information around corporate procurement activity is currently limited
- Internal Audit do not conduct an annual review of procurement in accordance with the McClelland report recommendations
- in common with two other councils in Scotland, Inverclyde do not use an e-procurement system
- there is limited procurement expertise across the Council.



121. Previous members' reports and the January 2009 Best Value Follow up Audit Report highlighted weaknesses in procurement practices across the Council. A Corporate Procurement Strategy was due to be complete by April 2009. The Council amended their corporate approach and developed a Strategic Procurement Framework 2009/11 which was approved by the Policy and Resources Committee on 22 September 2009. We have been advised by management that the delay was due to capacity and availability of resources.
122. The Council recognises that improvement is required to achieve efficient and effective procurement practice and to ensure they can demonstrate best practice in its approach to procurement. A clear corporate approach to procurement should be established to drive forward efficient and effective procurement activity across the Council.

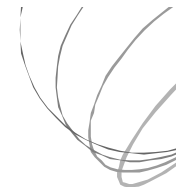
**Action plan no. 8**

## Managing people

123. In our 2006/07 Annual Report to Members we highlighted the need for the Council to develop a workforce plan. The Council has made progress towards the completion of this plan through the creation of a Workforce Development Strategy and Action Plan however the timescales for completion have slipped on a number of occasions. The Workforce Development Strategy and Action Plan was presented to the Policy and Resources Committee in May 2009 and components of the strategy are being piloted within Organisational Development and Human Resources.
124. The Council is reviewing its organisational structure to identify the necessary workforce, skills and capacity requirements to deliver their corporate and organisational priorities. The Corporate Director of Education and Social Care position has been vacant since August 2009. Heads of Service in these areas are currently fulfilling this role on an 'acting up' basis. Consideration will be given to this position during the restructuring exercise which has recently commenced.
125. During the year Council identified a number of Human Resources policies which required review and update. Policies were prioritised and a timeline constructed for completion of the review. It is noted that the timescales for completion have slipped. The Council cited availability of resources as the reason for this delay. As the Council embark on a period of restructure and the implementation of the Future Operating Model (FOM) they need to ensure that appropriate policies are in place to support delivery of organisational development and change.

**Action plan no. 9**





126. A scheme of delegation is important in applying the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. We note the Council has not updated their scheme of delegation for some time. The current review of the organisational structure means any update is likely to be further delayed.

127. It was highlighted in the 2007/08 Annual Report to Members that, there was no Council wide employee appraisal system in place. The Council has identified the need for the introduction of an appraisal system and included this within the Workforce Development Strategy and Action Plan. However limited progress has been made in 2008/09 to implement this.

#### **Action plan no. 10**

128. A staff survey was issued to all employees in March 2009. As at September 2009, the output from this survey had not been finalised and published. By not ensuring a timely output there is a risk that information obtained through this exercise is either not utilised or out of date. The lack of a formal response may have a negative impact on staff morale.

129. The Council reviewed the equal pay cases outstanding at the end of March 2009 and included provision of £1.03 million within the annual accounts. Single status was implemented in August 2008; £0.81 million has been set aside to fund the backdated costs of any further claims.

## **Data handling and security**

130. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The Council shares data with a number of organisations such as the Department for Work and Pensions and other government departments. Information security is now a service delivery issue where a significant failure in controls could lead to:

- loss of stakeholder confidence and opt out from services
- higher compliance costs due to enforcement action
- withdrawal of third party services such as payment card processing
- legal fees relating to civil and criminal litigation.

131. We carried out a review of data handling and security and noted that the Council had started to put operational processes in place to ensure effective data handling. Specifically we noted that the Council has an acceptable use policy in place, the role of the Data Protection Officer is split between the Head of Legal Services and the Head of Information Communication Technology & Business Transformation (ICT&BT) and appropriate controls are in place over remote access to the Council's network.



132. We did, however, highlight a number of opportunities to improve controls over data handling including considering the need for information and knowledge strategy and an information asset register and completing the expansion of the existing information security policy to make it Council wide.
133. The Council, in conjunction with external consultants, carried out a Review of Information Governance and Management to assess the information governance and management across the organisation. This review took cognisance of the issues highlighted in our data handling review with the improvement plan generated incorporating the findings from both reviews. The full output from the review has been provided to the Chief Executive with each Corporate Director provided with a copy of the report section relevant to their directorate. A summary of the key findings was reported to CMT and the Audit Committee in August 2009. The overall conclusion of the report was that the control environment requires improvement and an improvement plan was agreed by the CMT to address the key issues identified.

**Action plan no. 11**

## Shared services

134. The Accounts Commission commented on the lack of progress in developing shared services in its overview of the local authority audits 2008 and recommended that councils should give this high priority in the light of financial pressures and the drive for efficiency.
135. The eight councils from the Clyde Valley Community Planning Partnership (Glasgow, East and West Dunbartonshire, North and South Lanarkshire, East Renfrewshire, Renfrewshire and Inverclyde) have commissioned Sir John Arbuthnot to undertake an independent strategic review of joint working and shared services. The councils initiated the review but there is an expectation that it will include consultation and agreement with other Clyde Valley partners such as health, police and enterprise services. The review will not only consider those back office and support services which fit the definition of shared services commonly used in the public sector but consider shared infrastructure and frontline services. The review is time limited and will report by the end of October 2009. It will:
- review existing shared service initiatives and joint working
  - identify opportunities for further development of shared and joint working, creating practical options
  - prioritise areas most likely to deliver improved services and savings
  - identify potential models to deliver shared services
  - develop criteria to assess the potential for sharing and improvement.



136. Each council has nominated a core team member to support the work of the review and also a lead officer to support the review's strategic direction. The team base is at Renfrewshire Council. The core team is working on a number of themes. These include:

Waste Management & Disposal	Social Care Specialist Services
Asset Management (Property)	Education
Asset Management (Fleet/Transport)	Transactional Website
Health – Pressures, Personalisation, Service Standards	Common Charging Framework
From Modernising Government to Shared Services	Governance Models
Workforce Planning	

137. The Council are taking a lead role in the review of fleet and transport arrangements.

138. Progress has been made developing a joint service model to deliver civil contingency arrangements with East Renfrewshire and Renfrewshire Council.

## Outlook

139. Clearly we are in a period of reduced economic growth with significant implications for the Council's resources and the demand for services. The Council needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services. At the same time as the Council tries to support its local economy and provide best value services, it is likely to face a reduction in resources.

140. The Council has produced its Organisational Improvement Plan 2009/12 (OIP) designed to continue and direct its overall improvement efforts in a number of key areas. The OIP is supported by the Council's decision to adopt and implement across the organisation the Public Service Improvement Framework.

141. Although the Council's use of resources shows elements of good practice, it still has scope for improvement. In particular, we would suggest further development of workforce and asset management arrangements and increasing momentum around improving current procurement practice.



# Governance and accountability

## Introduction

142. We believe that an effective council is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers. An effective council is committed to public performance reporting as a key element of public accountability. It clearly sets out service standards which reflect the needs of local people and other stakeholders, and is balanced in its presentation of the council's strengths, weaknesses and challenges for the future.

## Structure and policies

143. Corporate governance is about direction and control of organisations. Councils are large complex organisations and so good governance is critically important. The Council has assessed its own arrangements against the CIPFA/SOLACE guidance: *Delivering Good Governance in Local Government* and have identified a number of areas for improvement. The Council completed a comparison between the SSIFC and the CIPFA/SOLACE guidance and have developed a framework which, though not fully compliant with the guidance, exceeds the minimum requirements of the SSIFC. As Scottish local authorities are not obliged to fully comply with the framework the Council's approach is considered appropriate. The Council has established a reference group chaired by the Chief Executive which is developing a range of improvement actions linked to leadership, governance and management. The group is actively considering all aspects of the Council's corporate governance framework.

144. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The Audit Committee's remit includes risk management, and anti-fraud reporting. The Committee is well attended and in overall terms its remit and working practices are in accordance with the good practice principles. For example, the committee:

- is a formally constituted committee with clear terms of reference which reports directly to Council and usually meets in public
- membership is in line with the political balance of the Council and there is regular attendance by appropriate senior officers of the Council
- considers internal and external audit plans and respective annual reports
- reviews the audit certificate and considers matters arising from the audit of the annual accounts.



145. The Council should seek to identify if there are further learning and development opportunities so that members are appropriately supported and equipped to challenge officers and increase the effectiveness of the Committee's work. In particular, we highlight the following matters as areas of work where the committee need to focus more attention:

- internal and external audit plans are prepared on the basis of risks identified. Officers should ensure that the Committee is advised of any amendments to approved annual audit plans
- over the last year, Council services such as social work and child protection services were inspected by relevant inspection agencies. The detail of these reports will be addressed by the relevant strategic committees. The Council should give consideration to submitting these reports and relevant improvement plans to the Audit Committee.

146. The Internal Audit Annual Report and Assurance Statement 2008/09 reported to Audit Committee in August 2009 highlighted slippage in the delivery of the 2008/09 Internal Audit annual plan. Of the planned 24 internal audit reports, 17 had been issued, two were outstanding and five had been either deferred to 2009/10 or removed from the plan. This level of slippage is consistent with slippage experienced in prior years. A review of progress against the 2009/10 Internal Audit annual plan has identified that, as at September 2009, timescales for the finalisation of three reports have slipped. There is a concern that the 2009/10 Internal Audit annual plan will not be delivered by the scheduled date of 31 March 2010. We note there are currently two vacancies within Internal Audit created by a restructuring exercise designed to improve capacity. The recruitment process to fill them is currently on hold.

147. At the March 2008 Audit Committee, it was agreed that Internal Audit move to a risk assessment approach, with rotational audit coverage. The Council recognise that service risk registers are not yet sufficiently mature and robust to allow full reliance on their content in preparing Internal Audit's annual audit plan.

## **Roles and relationships**

148. The Accounts Commission recommends that councils give priority to the continuous professional development of its members. Personal development plans (PDP) for members were introduced in October 2008. All members had an agreed PDP in place by March 2009. Members' PDP's are currently being refreshed and one to one support is being provided through PDP interviews. Members' training is ongoing and updated regularly. Training scheduled to take place during October to December 2009 includes media training, care of the elderly service provision and health and safety. The take-up of training has varied over the range of training offered to date. Procedures are being developed to monitor member development on an ongoing basis.



## Partnership working

149. The Inverclyde Alliance was established to manage the community planning process to bring together key public, private, community and voluntary representatives together to deliver more joined-up services in Inverclyde. The Council's Community Plan 2008-18 is an overarching plan for Inverclyde that demonstrates the link between local and national priorities. Community planning structures are well developed at Council and local levels with appropriate political, official and community representation on each. The Council revised the Inverclyde Alliance Memorandum of Understanding (MOU) in June 2009 to support delivery of the outcomes in the SOA. The guidance outlines partners' responsibilities in agreeing the SOA.
150. An SOA Programme Board, comprising eight lead officers from partner agencies, has been established to oversee delivery of the SOA and report progress to the Alliance Board. The Board is chaired by the Council's Chief Executive. The community plan is the keystone of the Council's strategic planning framework. The SOA is viewed as a stepping stone to deliver the priorities set out in the community plan, which aims to deliver services in a way that maximises service delivery through joint working with partners.
151. The Council recognise there is a need to develop a streamlined approach to partnership working in delivering the outcomes identified in the SOA, Community Plan and Corporate Plan. Governance arrangements including risk and performance management activity require further development to support effective partnership working and delivery of the eight outcomes in the SOA. Internal Audit has included a review of partnership working in their 2009/10 audit plan.

### **Action plan no. 12**

152. The Council recognise that the termination of Fairer Scotland ring fenced funds in March 2010 will impact on the Inverclyde Alliance's ability to fund existing projects. The Council commissioned consultants during the year to review the procurement and performance of projects funded by the Fairer Scotland Fund. In addition, Council officers reviewed the effectiveness of programmes, impact on the community and linkages with delivery of the SOA. Projects have been evaluated based on the outcomes from these reviews and actions have been developed to take forward future requirements. Where projects are being discontinued it is intended support will be provided to implement an exit strategy. Funding availability will significantly impact on the Alliance's ability to support and deliver projects.



153. Service level agreements (SLAs), funding agreements and lease agreements should be considered and established where appropriate. We note that an up to date SLA is not in place for leisure provision supplied by Inverclyde Leisure Limited although we have received assurances that one will be in place by the end of October 2009. The accounting treatment for leasing arrangements will require consideration during 2009/10 to assess compliance with IFRS. The assessment should include partnership leasing arrangements.

**Action plan no. 13**

## **Community engagement**

154. Inverclyde Alliance developed a Community Engagement Strategy 2008-18 in June 2008. The strategy provides a strategic framework for partners to work within. The framework was influenced by national standards for community engagement.

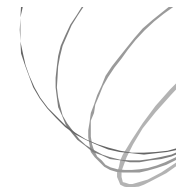
155. The Council are in the process of developing an action plan to support progress in achieving the outcomes outlined in the strategy. This action was scheduled to be completed by 1 April 2009 however slippage has occurred and it is now due to be presented to the Alliance Board in December 2009.

**Action plan no. 14**

156. A third citizens' panel survey (1,000 members) was conducted by the Council in Spring 2009 and the results were reported to the Policy and Resources Committee in September 2009. The survey was expanded to cover the impact of the credit crunch, which will inform action taken by the Council's Economic Downturn Working Group. A response rate of 62% was achieved from panel members. Membership of the panel is being refreshed during September 2009. The summary of results reported includes comments from services on action being taken to address areas of concern highlighted in the survey. This clearly demonstrates the importance being placed by the Council on the views of its citizens. On the whole the results published present positive messages.

## **Public performance reporting**

157. The Council produced its 2007/08 annual public performance report in December 2008. This report highlighted progress made against the five outcomes outlined in the Corporate Plan. The report focused on key achievements in the year and planned activity for the following year. The Council are aiming to produce the 2008/09 report in December 2009 to provide feedback on Council performance to stakeholders.



## Governance and internal control

158. A SSIFC for the Council and its group was included within the financial statements and has been signed by the CFO and the Chief Executive. In accordance with the Code of Practice on Local Authority Accounting, the statement reflects the internal control environment for the group position. Following receipt of a range of assurances from managers across the Council, the Chief Internal Auditor received self-assessment questionnaires from subsidiary and associate companies. The CFO concluded that he was satisfied that reasonable assurance could be placed on the adequacy and effectiveness of the systems of internal financial control operated by the Council and its group.

159. In preparing group financial statements, the Council needs to place reliance on the systems of internal financial control of the individual bodies within the group. These assurances are obtained from the management and Chief Internal Auditors, or equivalent, of the group bodies. Although we are satisfied with the content of the SSIFC, there are some areas where further work is required within the Council, which is recognised in the statement. This includes improving arrangements for the use of corporate purchase cards, the ongoing development of business continuity management and raising awareness around information governance and management.

160. In 2007/08 it was noted that specific exercises were ongoing to develop a robust asset management strategy and plan, improve procurement and tendering procedures, and define and adopt corporate project management principles and practices. Progress is recognised, but further work is necessary to ensure adequate controls continue to operate in these areas.

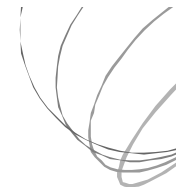
## Risk management

161. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance.

162. The Council has continued to improve on its approach to managing risk. Regular reporting to the Audit Committee keeps members informed and ensures progress is sustained. Internal Audit have been instrumental in developing an inclusive approach to risk management, embedded throughout the organisation.

163. The introduction of a Corporate Risk Management Group, Crisis and Resilience Management Team (CRMT), and approval of a risk assessment and prioritisation framework along with various workshops on business continuity in conjunction with neighbouring authorities, demonstrate real progress. Internal Audit reports to Audit Committee highlight future actions in relation to progressing risk management within the Council. Currently these future actions are not allocated timescales to enable monitoring of progress and completion of actions.





164. The Council recognises that its approach to risk management needs to be further developed and enhanced to ensure strategic and operational risks are correctly aligned and contribute to the delivery of corporate objectives.

**Action plan no. 15**

165. The latest corporate risk register groups risks on the basis of the five corporate objectives. Risks are scored and ranked in accordance with the risk framework. We have reviewed the risk register and all of the risks identified in our 2008/09 strategic audit risk analysis are recognised.

## **Business continuity planning**

166. Internal Audit carried out a review of business continuity management and reported in December 2008. The report concluded there was a lack of consistency in arrangements in place for business continuity management. The recommendations highlighted were agreed by the CMT and responsibility for implementation assigned to the CRMT.

167. The CRMT has formed a Business Continuity Management Sub-Group which met in March 2009 to discuss the proposed format for business continuity plans. The strategic business continuity plan has been prepared for the Council based on the output of the business continuity management workshops held in October and November 2008 and will be refined once individual business continuity plans for services have been finalised.

168. A series of service specific facilitated workshops were held in September 2009. Their output will inform service specific action plans designed to identify the necessary work required to finalise service specific business continuity plans. Once finalised the Council will work in conjunction with the Joint Civil Contingencies Unit (Inverclyde Council, East Renfrewshire Council and Renfrewshire Council) to test the plans by means of comprehensive rehearsals. These rehearsals are expected to take place in 2010.

169. Audit Scotland's national report "Improving Civil Contingencies Planning" published in August 2009 highlighted the duty placed on local authorities to provide business continuity management advice and assistance to commercial and voluntary organisations in their area. Only seven local authorities had developed a strategy to describe how this duty would be met. The Council has not yet established a strategy to meet this duty and are one of the six councils in Scotland who have not yet developed ways of sharing business continuity management advice with local partners. It is noted that informal arrangements are in place to engage with local partners and small businesses however these need to be formalised.

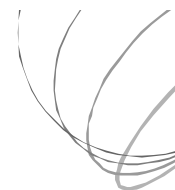


170. The Council currently have no disaster recovery facility to provide for recovery and restoration of critical systems in the event of a major disaster. The Council carried out a Business Continuity and Data Centre Review in April 2009 and this recommended the creation of a detailed proposal for the introduction of a new data centre and also made a number of recommendations identifying mitigating actions to reduce the current risks associated with there being no disaster recovery facility. Agreement has been given in principle to create a new data centre and the expectation is that work on this will commence in 2010/11.

**Action plan no. 16**

## **Outlook**

171. Partnership working is critical to the Council's success. We are developing our approach to the audit of partnerships through the new approach to best value. In future, we shall increasingly be looking at the contribution of partners as well as the Council's own contribution to the delivery of outcomes.



# Performance management and improvement

## Introduction

172. We believe that an effective council has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high quality services and effective outcomes for local people. The vision is effectively promoted by the member and officer leadership of the council and supported by staff and partners. It is backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery. An effective council has a performance management culture which is embedded throughout the organisation.
173. The Council's performance management framework is undergoing further development through the implementation of a Corporate Performance Management System which has recently been procured. The system will facilitate a more focussed and effective approach to presenting and utilising performance management information.
174. The Council's approach to performance reporting is an established and integral part of how the Council operates. The Strategic Planning and Performance Management Framework integrates planning and performance management to facilitate the delivery of corporate and service initiatives. The Council are progressing the implementation of the Public Service Improvement Framework. As at October 2009 six services have completed the self assessment process. Plans are in place to conduct further reviews across the Council over the next two years.

## Vision and strategic direction

175. The SOA, corporate plan and Inverclyde Alliance Community Plan are at the centre of the Council's strategic planning and performance management framework. The plans are supported by an organisational improvement plan, directorate plans and a financial strategy. Further work is required to strengthen links between these plans and available financial and non-financial resources.

### **Action plan no. 4**

176. The Inverclyde Alliance SOA 2009-11 was signed off by the Chair of the Alliance Board and the Minister for Enterprise, Energy, and Tourism on 11 August 2009. An SOA Programme Board comprising eight lead officers from partner agencies has been established to oversee delivery of the SOA and report progress to the Alliance Board. The Board is chaired by the Council's Chief Executive. Each of the lead officers from partner agencies is responsible for progressing their designated area within the outcomes identified in the SOA. Lead officers have compiled delivery plans with associated actions for the majority of outcomes. The position at 4 September 2009 was reported to the Alliance Board on 28 September 2009.



177. Inverclyde has the fastest declining population across Scotland. There is a falling birth rate and an increase in the migration of people of a working age. The decline in the number of younger people is countered by the increase in the over 60's. Continuation of this trend will result in a concentrated elderly and socially and economically deprived population. This will have a significant impact on demand led public services which may become unsustainable within the resources available to meet service needs.
178. The Council has recognised the challenges facing Inverclyde with the predicted fall in the population as a key strategic issue in their SOA. The recent Depopulation Outcome Delivery Group Plan includes proposals to develop a detailed baseline population position statement for Inverclyde to support SOA decisions and outcomes. The Group is also considering developing population impact assessments to ensure the Council and its partners take cognisance of the composition and likely decline in the population and the effect on policies, strategies and decisions taken.
179. A draft SOA Annual Report 2008-09 was presented to the Alliance Board on 28 September 2009. Comments from the Board were considered and the finalised report was submitted to the Scottish Government by the end of September 2009.
180. The Council approved an Organisational Improvement Plan (OIP) 2009/12 in February 2009 to support the delivery of the outcomes in the Corporate Plan, Community Plan and SOA. Workstreams within the OIP were identified through a Public Sector Improvement Framework (PSIF) corporate assessment of the Council by the Strategic Leadership Forum and the extended CMT. The workstreams were also informed by recent Audit Scotland reports and the Accounts Commission Best Value follow up report produced in January 2009. The workstreams include:
- leadership, governance and management
  - organisational transformation and improvement
  - workforce development
  - strategic planning and performance management
  - management of resources.
181. Progress against improvement actions has recently been reported to the September 2009 Policy and Resources Committee. All of the workstreams have been categorised as green with performance on track against targets. The exception to this is workforce development which has amber status indicating that performance is not in line with expectations. A number of milestones have not been achieved within the baseline timescales. The Council are considering a new reporting format to strengthen and update the corporate performance reports. It is hoped that new arrangements will be introduced in November 2009.



182. The Council should continue to monitor and report on progress of improvement actions within the OIP. Where slippage occurs corrective action should be recorded and progressed.

**Action plan no. 17**

183. The Council's Modernisation and Efficiency Programme is a key element of the OIP. The Council has progressed to phase two of the programme which includes designing, building and implementing the Council's FOM. The FOM is based on improvement to both corporate and service level efficiency opportunities through modernisation of current working practices. The development of a new customer service centre which will allow customers to access a range of Council services in a single location is expected to deliver significant improvements to customers over the next two years. The Council consider that implementation of the FOM will result in further opportunities in the future to deliver efficiencies.

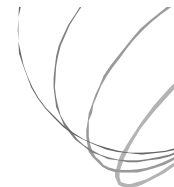
184. Other developments include an integrated human resources and payroll system, e-planning, asset management systems, electronic documents and records management system, e-Procurement and mobile and flexible working. Slippage has arisen in delivering the integrated human resources and payroll system and asset management systems. An e-Procurement system was scheduled to be completed by July 2008 as part of this workstream, the project has not yet commenced and a project plan remains outstanding.

185. A three year timescale has been set to deliver phase two of the Modernisation and Efficiency Programme with infrastructure and supporting technology and a customer service strategy being due for completion by 31 March 2010. Customer training programme is scheduled for year two with a completion date of 31 March 2011. Finally the future operating model has been set a completion date of 31 March 2012.

186. The Council recognise the challenging agenda ahead and have developed programme management arrangements to support delivery of the programme. Delivery of this programme is likely to involve major changes in the way the Council delivers services. The programme aims to improve and streamline service delivery in terms of customer experience and deployment of Council resources in an efficient manner. The Council also recognise that robust monitoring and management arrangements are required to deliver such a large scale and complex project that has a significant impact on services and resources. A programme board has been established to monitor progress and is chaired by the Council's Chief Executive.

**Action plan no. 18**

187. The FOM within the Modernisation and Efficiency Programme is based on improvement to both corporate and service level efficiency opportunities through modernisation of current working practices.



## Performance

188. The Council's approach to performance reporting is an established and integral part of how the Council operates. The Strategic Planning and Performance Management Framework integrates planning and performance management to facilitate the delivery of corporate and service initiatives. The Council are progressing the implementation of the Public Service Improvement Framework. As at October 2009 six services have completed the self assessment process. Plans are in place to conduct further reviews across the Council over the next two years.
189. The Council monitors performance through 39 key performance indicators. These key performance indicators are established across services and are reported in line with the committee cycle to their relevant committee.
190. In November 2008 the Council agreed to procure a performance management system. Following a detailed tendering process the Council is working with the successful supplier to tailor the system to their requirements. The Council are taking steps to ensure the performance management system is aligned to the SOA, Corporate Plan, strategies and the Organisational Improvement Plan.

**Action plan no. 19**

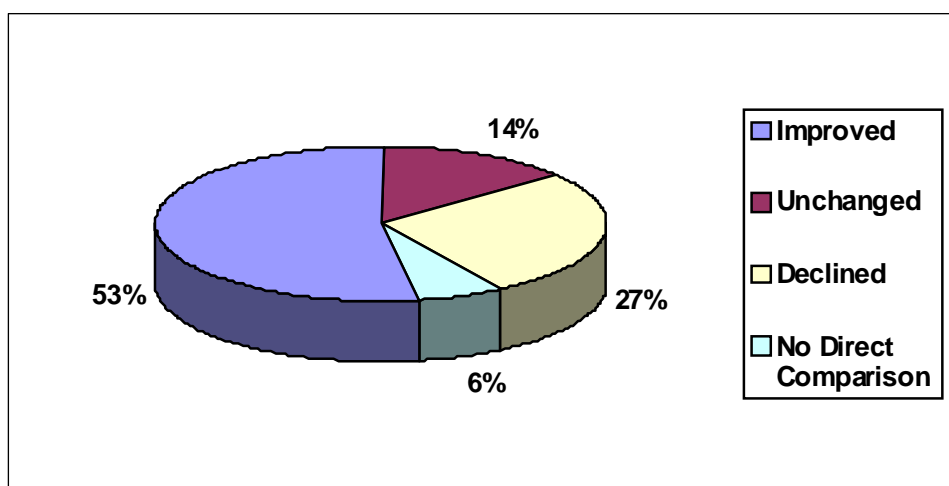
## Statutory performance indicators

191. One of the ways of measuring Council performance is through the Statutory Performance Indicators (SPIs). In 2008/09, the Council were required to report against 49 of the 58 SPIs. This is due to six housing indicators no longer being the Council's responsibility following the 2007 housing stock transfer, two benefits administration indicators which were no longer required following changes to the DWP method of collection and one residential care indicator which does not apply to the Council.
192. The SPIs were published in September 2009 and were submitted to the Council's Policy and Resources Committee. SPIs provide a consistent form of measurement for councils to review their performance over time and to make comparisons with other councils. In overall terms, Exhibit 7 confirms that the Council has made improvement in over 50% of the indicators.



## Exhibit 7

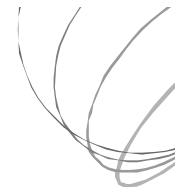
### Improvements demonstrated by SPIs (Total 49 indicators)



193. Each year we review the reliability of the Council's arrangements to prepare SPIs. In 2006/07 we reported the need for improvement in the quality of audit trails provided by SPI co-ordinators to substantiate the submitted figures. In 2007/08 we recognised a considerable improvement in this area and are pleased that this has been maintained in 2008/09.

194. SPIs that have shown a significant improvement include payment of invoices within 30 days, library stock turnover, percentage of municipal waste composted or recycled and trading standards visits. It was pleasing that no individual SPI showed a significant decline in year and that none were subject to audit qualification due to lack of adequate supporting evidence.

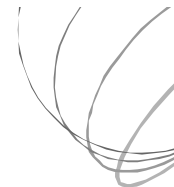
195. For 2009/10 Audit Scotland have changed the SPI Direction. There are now two statutory SPIs which require the Council to publish performance information on a range of corporate issues, revenue and service cost management and delivery of front line services. In order to retain a degree of commonality of reporting across councils the Commission's 2008 Direction has retained a range of 25 specified indicators. In addition, the Council were also required to define a new set of Key Performance Indicators (KPI) to demonstrate that they are delivering best value across services and functions. The Council has defined their 2009/10 indicators and these were approved by the Policy and Resources Committee in September 2009.



## Equality and diversity

196. The Council has individual equality schemes in place for race, gender and disability. Consideration is being given to developing a generic equality policy through the Council's Corporate Equalities Group to cover the three existing equality strands with legislative requirements. This will give further momentum to the equality agenda and will better equip the Council to implement the anticipated requirements of the forthcoming Single Equality Act. The single scheme will also allow better co-ordination of multiple diversity issues in the Council.
197. Training has taken place to develop corporate equality champions across the Council, 86 employees have been trained thus far. The attendees will be promoting equality issues across their respective services. The Council's first annual equalities conference was held in May 2009 to raise awareness of diversity and equalities issues.
198. Equality impact assessments are being conducted for new policies developed. An assessment was carried out on the recently developed SOA. Consideration should be given to extending this process to existing policies to ensure all major policies are subject to an equality impact assessment process. The Council are currently reviewing arrangements to support equalities through the Corporate Equality Group.
199. In 2008, we published a national study examining how councils responded to their race equality duty. This study found that all councils have developed policies and processes on race equality and there are a number of initiatives in place to meet the diverse needs of local communities. However, councils lack information about minority ethnic communities, their needs and experiences. They are also unable to show how race equality is routinely built into the design and delivery of services. A summary of the report was presented to the Council's CMT in November 2008. Recommendations within the report are being progressed by the Council's Corporate Equality Group.





## Efficiency

200. The Council submitted their third Annual Efficiency Statement to the Convention of Scottish Local Authorities (COSLA) in 2009. This details the efficiency gains achieved in 2008/09 and the budgeted efficiencies in 2009/10. In 2008/09 £1.97 million of efficiencies were achieved with £1.25 million of this achieved through a debt restructuring programme carried out as part of the housing stock transfer in December 2007. The two year 2009-2011 budget, approved by the Council in February 2009, includes cumulative efficiency savings of £4.88 million (£1.6 million in 2009/10 and £3.28 million in 2010/11). The 2010/11 budget has also identified a 1% service efficiency target which translates to a further £1.55 million in savings. The key efficiency areas identified in 2009/10 are:

▪ Full year effect of the new insurance tender	£0.38 million
▪ Future operating model	£0.24 million
▪ Social care procurement	£0.22 million
▪ Reconfigure school working week	£0.17 million
▪ Microsoft license agreement holiday	£0.11 million
▪ Facilities management review	£0.08 million

201. The cumulative 2009-2011 targeted efficiency savings of £6.43 million are predominantly driven by efficiencies identified within services and £0.24 million from the Future Operating Model. From 2011/12, and beyond, ongoing service efficiencies will be supplemented by savings driven out of the successful implementation of the Modernisation and Efficiency Programme, Future Operating Model, Property Asset Management Plan and Strategic Procurement Framework. These programmes are currently at different levels of maturity and there is a risk that budgeted efficiency savings will not be attained should any of these programmes experience significant delay.

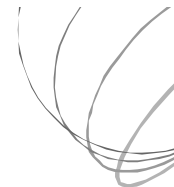
**Action plan no. 20**

## Progress on delivery of the Council's best value improvement plan

202. A full review of best value and community planning was published in 2005. In intervening years four formal statutory reports were requested by the Accounts Commission.

203. The 2009 follow up Best Value Audit reported positively on the progress achieved by the Council. The overall conclusion stated:

*"The Council has made significant progress in delivering its improvement agenda. Many of the building blocks of best value are now in place and provide a solid foundation for further improvement. Since the last progress report, the Council has set a clear strategic direction in new community and corporate plans, improved its medium to long term planning and implemented changes to its political management arrangements and management structures. New systems and processes are starting to become embedded and service performance is improving."*



204. The Accounts Commission have welcomed the progress made by the Council since the initial Best Value report in June 2005 and, in particular, the work on setting a clear strategic direction through community and corporate plans and the changes to political management arrangements and management structures.

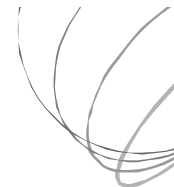
205. Areas highlighted in the 2009 follow up report where progress was limited includes:

- A review of competitiveness across the Council to demonstrate value for money through the use of trading activities has yet to be undertaken. The Council has recently conducted a review of existing trading operations however a Council wide review of competitive trading activity remains outstanding.
- Development of a comprehensive human resources strategy and workforce plan. Rolling out an appraisal scheme to all staff. The pace of progress in this area has been slow and deadlines set have not been achieved.
- Completion of the social care restructure. This has been delayed to take cognisance of the wider Council wide restructure which is under consideration.
- The ability of the Council to demonstrate improved customer satisfaction and outcomes through service development. The Council has recently conducted a third citizen's panel survey. The overall results were positive and the Council has agreed action to be taken by services where improvements were identified.

206. The Council are considering BV2 processes and have taken positive steps to prepare for the next phase of the Best Value audit. A report outlining a forward work programme was presented to the Policy and Resources Committee in September 2009. To date the Council has:

- responded to Audit Scotland's proposals for BV2
- prepared a template to support a BV2 submission which details the likely format to be adopted
- plans in place to pilot four of the 19 Best Value toolkits. The toolkits selected are Vision / Strategic Direction, Planning and Resource Alignment, Competitiveness and Public Performance Reporting
- committed to developing a central scrutiny register to provide a record of all external audit and inspection activity
- assigned all toolkits to lead officers within services to self assess the Council's current position.

207. The Chief Executive and the Corporate Director of Regeneration and Resources are participating in the Best Value review process and will be engaged in peer reviews in forthcoming audits in other local authorities.



## Other scrutiny and inspection reports

208. The Council commissioned an **independent review** of school admissions and placing request policies in May 2009. The report was presented to the Education and Lifelong Learning Committee in August 2009. A number of management weaknesses were highlighted in the report. The recommendations from the report include:

- development of a single policy on admissions and placing requests
- action to be taken to reduce school rolls to match the capacity of newly built and refurbished schools
- adoption of project management and scrutiny procedures to assess strategic management arrangements for the School Estate Management Plan.

209. Good progress has been made in implementing the recommendations.

210. **The Social Work Inspection Agency (SWIA)** carried out a follow-up inspection in November 2007 following a full performance inspection in 2006. The follow-up visit in November 2007 found that nine of the sixteen recommendations had been fully implemented and progress noted in the remaining seven.

211. A report to the Health and Social Care Committee in January 2009 highlighted that progress had been made on all 16 of the recommendations. The Council has recognised that some of the actions will be completed over a longer timescale due to the nature and complexity of the recommendations. The Council are working towards full compliance with the recommendations to continue to improve services provided.

212. It is anticipated that the next SWIA inspection will take place in 2010, the Council are currently preparing for this visit.

213. The **Care Commission** inspected and reported positively on the Council's Adoption, Fostering and Throughcare services during spring 2009. All three services were graded as very good against all categories which are centred on quality of care and support, quality of staffing and quality of management and leadership.

214. **HMIe** provided a joint inspection of services to protect children and young people in the Inverclyde area, the report was published in February 2009. The report gives a positive picture of the quality of the service across partner agencies, with two aspects judged as "excellent", fifteen as "very good" and one as "good" Inspectors found the following key strengths:



- sensitive and effective communication promoting positive relationships between staff, children and families
- a clear focus on early intervention and the provision of flexible support to children and families in their homes, schools and communities
- joint working within and across services, including the voluntary sector
- involvement of children and families in reviewing and developing services
- easily accessible training, support and supervision for staff across services
- the strong vision and commitment to improve children's lives, demonstrated by elected members, chief officers and senior managers, understood by staff at all levels
- robust processes for self-evaluation which directed improvements.

215. HMIe are scheduled to conduct a local authority wide assisted self valuation audit at the request of the council in September 2009.

216. **Scottish Housing Regulator** - The Regulator issued an inspection report on homelessness services in August 2008. The report identified an overall assessment of grade C – 'a fair performance for services to homeless people'. A full report responding to the Regulator is due in August 2010. The inspection report contained eight recommendations, the Council prepared an action plan to respond to the report and have provided updates to the Health and Social Care Committee on progress made. The latest progress report is being presented to the Health and Social Care Committee on 22 October 2009. The report indicates that good progress has been made in delivering the required actions. The Council has recognised within the report that more progress is needed in securing lets to homeless households from partners in the Registered Social Landlord sector. The Council are developing a Homelessness Strategy 2009-11 to further support delivery of homelessness services.

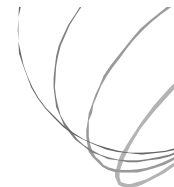
## Outlook

217. We have already mentioned the importance of developing the governance aspects of the SOA; the performance management aspects are also important. The long term and complex nature of many of the outcome targets, pose many challenges for performance management. For example, how can the council tell if its resources are making a difference? We recognise the challenges and whilst we have no plans to audit the outcome progress reports in 2010/11, we will pay attention to the governance arrangements and systems the Council have in place to monitor progress and take remedial action.



218. We are currently developing our approach to BV2 by working with five pathfinder councils. Details of our new approach can be found at <http://www.audit-scotland.gov.uk>. From April 2010, we shall be rolling out the new approach to all Scottish councils. The timing of the Council's best value audit will be determined by a risk assessment. We will report the risk assessment in March 2010.

219. The risk assessment will be carried out in conjunction with other scrutiny bodies. That means that not only will it determine the timing and scope of the Council's BV2 audit, it will also identify the timing and scope of other scrutiny work. Along with the other bodies, we intend to publish a scrutiny plan for each council covering all scrutiny activity over a three year period.



# Appendix A

## External audit reports and audit opinions issued for 2008/09

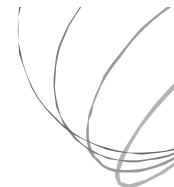
<b>Title of report or opinion</b>	<b>Date of issue</b>	<b>Date presented to Committee</b>
Annual Audit Plan	26/01/09	10/02/09
Strategic Audit Risk Analysis	31/03/09	28/04/09
Review of data handling and security arrangements	22/06/09	25/08/09
Education Maintenance Allowance	31/07/09	Not presented
Governance and Internal Control	06/08/09	23/09/09
Statutory performance indicators	27/08/09	22/09/09
Criminal Justice claim certification	10/09/09	Not presented
Report on financial statements to those charged with governance	23/09/09	23/09/09
Audit opinion on the 2008/09 financial statements	23/09/09	23/09/09



# Appendix B: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p><b>Common Good Assets</b></p> <p>During 2008/09 the Council commenced a project to conduct an examination of the title to the Council's heritable property within Inverclyde to ensure the Council account for these assets appropriately and ensure they comply with LASAAC guidance.</p> <p><b>Risk: the common good assets may not be identified and recorded within an asset register. Furthermore the Council may fail to comply with LASAAC guidance.</b></p>	<p>As part of the 2009/10 budget process, a bid was made for additional funds to allow the exercise to be undertaken more speedily. An additional solicitor has now been recruited to progress this work.</p> <p><i>(Refer to 2008/09 SARA point 17, 2008/09 Annual Audit Plan page 17 and 2007/08 Annual Report to Members point 2)</i></p>	Head of Legal and Administration	31 December 2010
2	<p><b>International Financial Reporting Standards (IFRS)</b></p> <p>The Council has arrangements in place for managing the introduction of IFRS including a dedicated project team and timeline. The Council need to continue to manage progress toward full implementation of IFRS including the creation of a detailed project plan and preparation of restated 1 April 2009 opening balance sheet figures.</p> <p>In addition to the IFRS project team, other Council departments need to engage in the IFRS adoption process to ensure compliance with key requirements.</p> <p>Consideration needs to be given to the impact the implementation will have on group account entities and the possible need to develop appropriate guidelines to manage the consolidation process.</p> <p><b>Risk: the Council may not be prepared for producing IFRS compliant financial statements.</b></p>	<p>The Internal Officer group will continue to take the necessary action to ensure the Council complies fully with IFRS requirements.</p> <p><i>(Refer to 2008/09 SARA point 20 and 2008/09 Annual Audit Plan page 17)</i></p>	Chief Financial Officer	June 2011

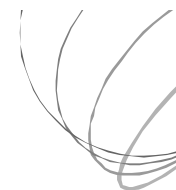


Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	<p><b>Competitiveness</b></p> <p>A comprehensive review of the competitiveness of Council services is outstanding. The Council recognised this in the significant trading operations report presented to the Policy and Resources Committee in May 2009.</p> <p><b><i>Risk: the Council may not be able to demonstrate competitiveness and best value from current arrangements for services provided.</i></b></p>	<p>A prioritised programme of competitiveness reviews will commence in 2010/11 supported by Corporate Guidance and the Directorate Planning Process.</p> <p>Progress will be monitored via the OIP Management of Resources Group.</p> <p><i>(Refer to 2007/08 Annual Report to Members point 4)</i></p>	Chief Executive	From April 2010
4	<p><b>Strategic Plans</b></p> <p>During 2008/09 the Council approved and subsequently revised its first Financial Strategy to provide clear direction on how to manage and structure its financial resources.</p> <p>Although the Financial Strategy makes reference to other corporate plans (i.e. the SOA, Corporate Plan and Community Plan) there are no clear links between these strategic documents to ensure financial resources were clearly directed at achieving the Council's corporate objectives.</p> <p><b><i>Risk: Financial resources are not appropriately targeted at the outcomes identified in the SOA and objectives set out in the Council's key strategic plans.</i></b></p>	<p>The Financial Strategy will be reviewed and submitted to the Full Council in December 2009 and June 2010.</p> <p>The 2010/11 Budget will be recast to show resources allocated to Councils core priorities.</p> <p>The Council will improve linkages between Service Planning &amp; Resources. Proposals will be reflected in revised directorate planning guidance.</p> <p><i>(Refer to 2008/09 SARA point 8 and 2007/08 Annual Report to Members point 7)</i></p>	<p>Chief Financial Officer</p> <p>Chief Financial Officer</p> <p>Head of Performance Management and Procurement</p>	<p>June 2010</p> <p>April 2010</p> <p>March 2010</p>





Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	<p><b>Financial Capacity Development Plan</b></p> <p>The Council submitted their Financial Capacity Development Plan to the Policy and Resources Committee in September 2009. The plan identifies the actions designed to address the main issues identified in the financial management and capacity review carried out by the Institute of Public Finance. The Council face a challenge to deliver the plan within the timescales documented.</p> <p><b>Risk: the Council may not develop the appropriate financial capabilities and capacity to manage the Council's financial resources through, and beyond, the current economic downturn.</b></p>	<p>Resource requirements are being assessed. Progress against timescales will be monitored by the Resources Group of the OIP.</p> <p><i>(Refer to 2008/09 SARA point 19, 2007/08 Annual Report to Members point 10, and 2007/08 SARA point 2.5)</i></p>	Chief Financial Officer	Sept 2011
6	<p><b>Asset Management</b></p> <p>The Council approved their Corporate Asset Management Strategy: Land, Property and Buildings in March 2009. The Council is working toward the creation of asset management plans for the outstanding asset types. These are scheduled to be completed by March 2010 with the exception of the Roads Asset Management Plan which is scheduled for March 2012.</p> <p>The Council has installed PAMIS (Property Asset Management Information System) and attention has been focused on populating PAMIS with accurate data relating to the Council's property assets. Continued focus is required to ensure PAMIS is developed in conjunction with a corporate approach to asset management in order to fully utilise the functionality of the system and maximise the efficiencies it can facilitate in the asset management process.</p> <p><b>Risk: the Council might fail to achieve best value in its utilisation of assets.</b></p>	<p>The development of PAMIS is integral to the corporate approach to asset management.</p> <p>Progress on implementation of the asset management strategy will be monitored via the OIP Management of Resources workstream.</p> <p><i>(Refer to 2008/09 SARA point 29, 2007/08 Annual Report to Members point 13 and 2007/08 SARA point 4.5)</i></p>	Corporate Director Regeneration and Resources	Ongoing



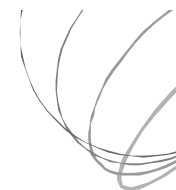
Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
7	<p><b>Schools Estates Strategy</b></p> <p>In September 2009 the Schools Estate Funding Model was revised to take account of the impact of the economic downturn and to update it to reflect specific changes to the Schools Estate Management Plan. The Council consider the revised model to be affordable on the assumption that contributions from revenue and capital budgets remain at previously approved levels.</p> <p>This requires ongoing monitoring and project management to minimise the financial and operational risks inherent in a capital project of this scale and nature. In particular the uncertainty of the current economic climate means that medium to long term projections about available funding cannot be assured.</p> <p><b><i>Risk: there may be slippage in the key project milestones which could result in additional financial pressures and have a detrimental impact on the delivery of education services within Inverclyde.</i></b></p>	<p>A programme Board has been established to oversee the Schools Estate Management Plan.</p> <p>The funding model will be reviewed to ensure the model remains fit for purpose.</p> <p><i>(Refer 2007/08 Annual Report to Members point 18 and 2007/08 SARA point 4.1)</i></p>	<p>Acting Corporate Director Education Services</p>	<p>31 August 2010</p>
8	<p><b>Strategic Procurement Framework</b></p> <p>A Strategic Procurement Framework has recently been compiled and was presented to the September 2009 Policy and Resources Committee.</p> <p>Considerable slippage has arisen in the timescale for developing the framework. The Council will need to increase momentum to significantly develop current procurement practices to achieve and embed the approach outlined in the new framework.</p> <p><b><i>Risk: Procurement decisions across the Council are not made in a consistent fashion and may not achieve best value.</i></b></p>	<p>The Council will make progress against agreed workstreams within the Strategic Procurement Framework in line with timescales agreed by Committee, subject to available capacity.</p> <p><i>(Refer to 2008/09 SARA point 30, 2008/09 Annual Audit Plan page 16, 2007/08 Annual Report to Members point 15, and 2007/08 SARA point 4.9)</i></p>	<p>Head of Performance Management and Procurement</p>	<p>December 2011</p>



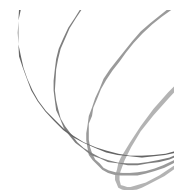
Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
9	<p><b>Workforce Planning and Capacity</b></p> <p>In order for Council to meet its corporate objectives, it is essential that it has the right people in the right jobs at the right time. In May 2009 a Workforce Development Strategy and Action Plan was approved by the Policy and Resources Committee.</p> <p>This strategy is the main driver to the development of a comprehensive workforce plan which remains outstanding. A workforce plan should enable the Council to identify current and future skills and resource gaps and should be clearly linked to the other strategic plans of the Council.</p> <p>The Council is reviewing its organisational structure to identify the necessary workforce, skills and capacity requirements to deliver their corporate plans.</p> <p>The timescale for the completion of a review and revision of key Human Resource Policies has slipped. As the Council embark on a period of restructure and the implementation of the Future Operating Model they need to ensure that appropriate policies are in place to support delivery of organisational development.</p> <p><b><i>Risk: in future years the Council could have skill gaps which have significant impact on its ability to deliver quality services. Furthermore the Council may not be able to provide appropriate governance over the recruitment and management of employees.</i></b></p>	<p>Two officers from Organisational Development and Human Resources have been seconded to the FOM project to ensure that HR support, including policies, change management and structural organisation requirements are fully implemented as the model is introduced in the Council. It is anticipated that the officers will be seconded for a lengthy period of time, at least one year.</p> <p>Progress on the implementation of the workforce development strategy will be monitored via the OIP Workforce Development workstream.</p> <p><i>(Refer to 2008/09 SARA point 23 &amp; 24, 2007/08 Annual Report to Members point 16 and 2007/08 SARA point 1.1)</i></p>	<p>Head of Organisational Development and Human Resources</p> <p>Head of Organisational Development and Human Resources</p>	<p>October 2010</p> <p>Ongoing</p>



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
10	<p><b>Employee Appraisal Scheme</b></p> <p>It is recognised that a performance review and appraisal process has been developed for senior officers and some departments within the Council, however as yet this has not been rolled out to all employees.</p> <p><b>Risk: the Council are unable to measure employee performance and identify associated training needs.</b></p>	<p>A generic employee appraisal scheme has been drafted and is being tested within OD&amp;HR and the Organisational Improvement Plan (OIP) group covering Workforce Development.</p> <p>Once feedback has been obtained and finalised, employee appraisal scheme will be submitted to the CMT with a view to being rolled out down to Team Leader level by 31 March 2010.</p> <p><i>(Refer to 2008/09 SARA point 25, 2007/08 Annual Report to Members point 16 and 2007/08 SARA point 2.4)</i></p>	Head of Organisational Development and Human Resources	31 March 2010
11	<p><b>Information Governance</b></p> <p>An improvement plan to address the key issues identified by the Information Governance and Management Review has been agreed.</p> <p><b>Risk: the Council do not have an effective approach to information governance and management, including appropriate control of sensitive data.</b></p>	<p>The Council will implement the actions in the agreed improvement plan.</p> <p><i>(Refer to 2008/09 SARA point 31)</i></p>	Corporate Director Improvement and Performance	March 2011
12	<p><b>Partnership Management / SOA Delivery</b></p> <p>The Council are members of a number of partnerships designed to work toward the achievement of the strategic objectives detailed in the Community Plan and SOA.</p> <p>In June 2009 the Council revised the Inverclyde Alliance Memorandum of Understanding to support partnership arrangements.</p>	<p>The Council in conjunction with its partners has reviewed governance and management arrangements in the context of the SOA.</p> <p>A Programme Board has been established which reports to the Alliance Board.</p>	Head of Performance Management and Procurement	Ongoing



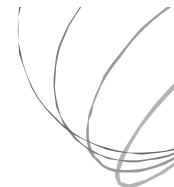
Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
	<p>The Council and its partners must ensure there is a streamlined approach to partnership working in delivering the outcomes identified in the SOA and Community Plan.</p> <p><b>Risk: Outcomes identified in the SOA are not achieved. Without appropriate agreements and assessment in place there is a risk that there is no clarity over key elements such as:</b></p> <ul style="list-style-type: none"> <li>- <b>partnership objectives</b></li> <li>- <b>roles and responsibilities</b></li> <li>- <b>resource commitment</b></li> <li>- <b>accountability</b></li> <li>- <b>performance expectations and monitoring</b></li> <li>- <b>risk management</b></li> </ul>	<p>The Council is having discussions with the Improvement Service on the possible application of PSIF to the Alliance from a governance perspective.</p> <p>(Refer to 2008/09 SARA point 7)</p>		
13	<p><b>Inverclyde Leisure Limited Service Level Agreement (SLA)</b></p> <p>We note that an up to date SLA is not in place for leisure provision supplied by Inverclyde Leisure Limited although we have received assurances that one will be in place by the end of October 2009.</p> <p><b>Risk: there is insufficient clarity over issues such as service definition, performance measurement, duties, warranties and termination of agreement.</b></p>	<p>A signed service level agreement will be put in place.</p>	<p>Corporate Director Regeneration and Resources / Head of Economic and Social Regeneration</p>	<p>November 2009</p>
14	<p><b>Community Engagement Strategy</b></p> <p>A Community Engagement Strategy has been developed and the Alliance Board are in the process of developing an action plan to support the strategy. The strategy needs to be successfully embedded to ensure the Alliance deliver a range of public services designed around the needs of the people of Inverclyde.</p>	<p>The Alliance Community Engagement Implementation Plan was presented to the Regeneration Committee on 3 September.</p>	<p>Corporate Director Regeneration and Resources / Head of Economic and Social Regeneration</p>	<p>December 2009</p>



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
	<p><b>Risk: the Council fail to embed and deliver outcomes identified in the strategy and action plan resulting in services which are not aligned to local needs.</b></p>	<p>The implementation plan will be re-drafted for approval by the Alliance Board in December 2009.</p> <p>(Refer to 2008/09 SARA point 9)</p>		
15	<p><b>Risk Management</b></p> <p>The Council need to further develop and enhance its approach to risk management to ensure strategic and operational risks are correctly aligned and contribute to the achievement of corporate objectives.</p> <p>Consideration should be given to assigning timescales to future actions detailed in the risk management report presented to the Audit Committee.</p> <p><b>Risk: risk management may not make an effective contribution to the achievement of corporate objectives.</b></p>	<p>The Corporate Risk Management Group will monitor the consolidation and alignment of strategic and operational risks on an ongoing basis.</p> <p>(Refer to 2008/09 SARA point 15)</p>	Chief Internal Auditor	Ongoing
16	<p><b>Business Continuity Planning</b></p> <p>The Council are progressing action to finalise service specific business continuity plans. The expectation is that these will be subject to rehearsal testing in 2010.</p> <p>The Council need to consider developing a strategy to facilitate the provision of business continuity management advice and assistance which will formalise existing arrangements to engage with local partners and small businesses.</p> <p>The Council has no disaster recovery facility to provide for recovery and restoration of critical systems in the event of a major disaster.</p> <p><b>Risk: the Council may not be able to restore key services in the event of potential disruptions to service delivery and may fail to meet their duties in relation to provision of civil contingency planning to local organisations.</b></p>	<p>Service Business Continuity Plans will be developed and subject to rehearsal testing where appropriate in conjunction with the Joint Civil Contingencies Service.</p> <p>Arrangements for the provision of business continuity management advice and assistance for local partners and small businesses will be formalised via the Joint Civil Contingencies Service.</p> <p>Agreement has been given in principle to create a new data centre and the expectation is that work on this will commence in 2010/11.</p>	<p>Corporate Director Environment and Community Protection</p> <p>Corporate Director Environment and Community Protection</p> <p>Head of ICT and Business Transformation</p>	<p>June 2010</p> <p>March 2010</p> <p>March 2011</p>

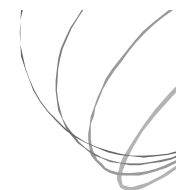


Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>(Refer to 2008/09 SARA point 16, 2007/08 Annual Report to Members point 17 and 2007/08 SARA point 3.7)</i>		
17	<p><b>Organisational Improvement Plan (OIP)</b></p> <p>Progress on the plan is reported to the Policy and Resources Committee on a regular basis. Some slippage has occurred in delivering the plan.</p> <p><b><i>Risk: the improvement actions may not be achieved within the timescale set which could impact on the overall delivery and effectiveness of the OIP.</i></b></p>	<p>The Corporate Performance Report has been revised to provide an overview of progress against the improvement actions contained within the Organisational Improvement Plan.</p> <p><i>(Refer to 2008/09 SARA point 5, 2007/08 Annual Report to Members point 9, and 2007/08 SARA point 2.1)</i></p>	Head of Performance Measurement and Procurement	November 2009
18	<p><b>Modernisation and Efficiency Programme</b></p> <p>Delivery of the programme is expected to radically change the way that the Council provides services to customers.</p> <p><b><i>Risk: the Council may not be able to manage the risks and challenges the programme will present within the resources available to achieve the desired service delivery improvements.</i></b></p>	<p>The Council has robust governance and management arrangements in place for the Modernisation and Efficiency Programme.</p> <p><i>(Refer to 2008/09 SARA point 6, 2007/08 Annual Report to Members point 12 and 2007/08 SARA point 6.1)</i></p>	N/A	N/A
19	<p><b>Performance Management System</b></p> <p>The Council has procured a new performance management system and are currently taking action to embed it and ensure it is tailored to the objectives and outputs detailed in their strategic plans, the SOA and also to the reporting requirements for the 2009/10 statutory performance indicators.</p>	<p>The system will initially focus on corporate performance information including new KPIs. A view will then be taken on the rollout of the system to Directorates.</p>	Head of Performance Management and Procurement	March 2010



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
	<p><b>Risk: the performance management system is not adequately configured to support the delivery of service improvements and the SOA outputs.</b></p>	<p>(Refer to 2008/09 SARA point 12, 2007/08 Annual Report to Members point 8 and 2007/08 SARA point 2.2)</p>		
20	<p><b>Efficiencies</b></p> <p>In their 2008/09 Annual Efficiency Statement the Council has identified £1.6 million of efficiencies in 2009/10 increasing to £4.88 million in 2010/11. The key Council programmes driving the achievement of these efficiencies are at varied stages of maturity. Monitoring of progress and achievement is required to highlight material shortfalls at an early stage.</p> <p><b>Risk: budgeted efficiency savings may not be achieved.</b></p>	<p>The CMT receive monthly detailed reports on progress in delivering all savings including efficiencies. Where any slippage/shortfall is identified then alternative savings are identified.</p>	N/A	N/A





# Appendix C: Glossary of Acronyms

BV2	Best Value 2
CFO	Chief Financial Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
COSLA	Convention of Scottish Local Authorities
CRC	Carbon Reduction Commitment
CRMT	Crisis Resilience Management Team
FOM	Future Operating Model
FRS	Financial Reporting Standard
DWP	Department of Work and Pensions
HMIE	Her Majesty's Inspectorate of Education
ICT	Information Communication Technology
ICT&BT	Information Communication Technology & Business Transformation
IFRS	International Financial Reporting Standards
IPF	Institute of Public Finance
ISA	International Standard on Auditing
KPI	Key Performance Indicator
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
MOU	Memorandum of Understanding
NFI	National Fraud Initiative
OIP	Organisational Improvement Plan
OSCR	Office of the Scottish Charity Regulator
PAMIS	Property Asset Management Information System
PDP	Personal Development Plan
PFI	Private Finance Initiative
SEMP	Schools Estate Management Plan
SLA	Service Level Agreement
SOA	Single Outcome Agreement
SOLACE	The Society of Local Authority Chief Executives and Senior Managers
SORP	Statement of Recommended Practice
SPI	Statutory Performance Indicator
SPT	Strathclyde Passenger Transport
SSIFC	Statement on the System of Internal Financial Control
SWIA	Social Work Inspection Agency