

Renfrewshire Council

Annual report on the 2011/12 audit



Prepared for Members of Renfrewshire Council and the Controller of Audit
October 2012

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

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Key messages

2011/12 audit findings

We have given an unqualified opinion that the financial statements of Renfrewshire Council for 2011/12 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. There were two changes to local government financial statements this year: the introduction of heritage asset valuations and new disclosures on exit packages in the remuneration report.

The Council achieved an accounting net surplus of £29 million. After statutory adjustments this translates to an £8 million increase in the general fund position. This exceeded the £1 million surplus identified in the 2011/12 revenue estimates.

The Council's financial position is stable and its activities are financially sustainable at this point in time. The in-year outturn was achieved after planned charges to services this year for "capital funded from current revenue" (CFCR) and planned principal debt repayments. The second of these transactions arises directly from the Council's ongoing debt smoothing strategy. This has enabled the Council to reduce significantly its borrowing levels associated with its capital investment programme and plan for the delivery of long term sustainable savings in its financing cost charged to the revenue account each year as part of its medium term financial planning arrangements.

A comparison to all other Scottish councils supports our conclusion on the financial position of the Council. Renfrewshire Council has adopted deliberate medium and longer term financial planning strategies to ensure it has a range of specific earmarked useable reserves for funding approved capital investment programmes and as part of approved long term funding arrangements for specific strategic projects. In addition, and reflecting the impact of the Council's ongoing debt smoothing strategy, it has one of the lowest relative levels of borrowing.

Workforce reductions and financial pressures could have an impact on service delivery. This is a wider risk which we will continue to discuss with other scrutiny bodies, more closely monitoring service delivery and performance (Care Inspectorate, Scottish Housing Regulator, Education Scotland etc) as part of the 2012/13 Shared Risk Assessment process.

In overall governance terms, the Council is reviewing current board structures and we consider that this is an opportunity to address some specific financial audit scrutiny issues we believe exist.

Outlook

The Council approved a budget in January 2012 of £408 million with an estimated surplus of £3 million, which members have allocated to various programmes including £1.5m to improving community safety and £1 million for ICT in education and leisure services.

However, for 2013/14 and 2014/15 the Council has assessed that it is facing an estimated budget deficit of £16 million over these two years. The Scottish Government grant for 2013/14 – 2014/15 is expected to include reductions in the Council's grant of £2.0 million (0.6%) and £1.6million (0.5%) respectively, with council tax freezes expected to continue for the foreseeable future. The Council has in place a medium term financial strategy over this period which commits to various planning principles including: maintaining service modernisation and delivery of debt smoothing strategy; focus spend on core services, early intervention and preventative measures; and reserves are maintained at levels to provide financial resilience.

The community and council business plans are currently being revised and due to be completed by the end of the year for publication by the start of 2013/14 financial year.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Renfrewshire Council. The nature and scope of the audit were outlined in the Audit Plan presented to the Scrutiny and Petitions Board on the 16th of April 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements ([Appendix A](#)). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of Renfrewshire Council.
3. [Appendix B](#) is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that Renfrewshire Council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members and the Controller of Audit and should form a key part of discussions with audit committees, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. This report should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. The management of Renfrewshire Council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

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

Audit opinion

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

Legality

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

Annual governance statement

12. We are satisfied with the disclosures made in the annual governance statement and the adequacy of the process put in place by the council to obtain the necessary assurances. The statement reflects weaknesses in the approval processes. These weaknesses did not impact on the financial statements and the council responded appropriately to these issues and has action plans in place to secure the necessary improvements. We will monitor the effectiveness of the improvement actions proposed.

Remuneration Report

13. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011.

The disclosures within the 2011/12 financial statements include all eligible remuneration for the relevant council officers and elected members.

Accounting issues

14. Renfrewshire Council is required to follow the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and we can confirm that the financial statements have been properly prepared in accordance with the Code. The two main changes for 2011/12 were the introduction of heritage assets, as described below, and the new disclosures on exit packages for the remuneration report.

Accounts submission

15. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. A comprehensive working papers package was also available to us by this date and we received good support from officers in dealing with queries. This enabled us to conclude the audit and certify the financial statements by the target date of 30 September 2012. The financial statements are now available for presentation to members and arrangements are being made for their publication.

Presentational and monetary adjustments to the unaudited accounts

16. A number of presentational changes were required to the annual report and accounts as a result of our review. Although not impacting in any material way upon the financial position of the Council we also identified some monetary changes including:
 - £18 million movement between impairment and revaluation figures contained within the Property, Plant and Equipment note
 - a reduction in the value of preference share capital held for Cart Corridor Joint Venture from £2.4m to £1m. This affected both the long term receivables and provisions balances
 - changes in the categorisation between short term and long term payables and receivables.

Prior year adjustments

17. The introduction of Financial Reporting Standard 30 (FRS30) covering heritage assets resulted in a change in accounting policy and consequently a prior year adjustment. This standard requires heritage assets to be carried in the balance sheet at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the balance sheet or were omitted as it was not possible to obtain cost information on the assets. The adoption of FRS30 increased the net asset value at 31 March 2011 by £41 million, this included £0.2m of assets that were previously recognised as community assets. The Council has restated Comparative figures to reflect this change.

Pension costs

18. Renfrewshire Council is a member of Strathclyde Pension Fund, a multi-employer defined benefit scheme. The council's share of net liabilities within the scheme as at 31 March 2012 totalled £160m (31 March 2011 £84m). The significant increase in the council's liability is attributable to lower than expected investment performance and a decrease in the discount rate. The liability is based on actuarial valuations and reflects on the triennial valuation results as at 31 March 2011.

Whole of government accounts.

19. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidated pack to the Scottish Government on 10 August 2012, slightly later than planned submission date of 29 July. The audited return was however certified and submitted to the Scottish Government by the audit deadline of 5 October 2012.

Group Financial Statements

20. The council does not have any subsidiaries, but it does have a number of associates and joint venture arrangements, which are consolidated within the Council's group financial statements. All bodies within the group received unqualified audit opinions from their external auditors in 2011/12 and in accordance with recommended accounting practice, key policies for component bodies have been aligned with the council's. The financial effect of consolidating key partners is to reduce the net assets of the group to £599 million, a reduction of £339 million over the council's net assets of £938 million. This reduction is mainly due to the council's share of the pension fund liabilities of the Strathclyde Joint Police board and the Strathclyde Fire and Rescue Board.
21. As part of our financial statements audit of the Group Accounts we reviewed the treatment of Renfrewshire Leisure Limited (RLL) as an associate to ensure that this remains the correct accounting treatment. Our opinion is that the inclusion of RLL within the group accounts as an associate is correct.

Outlook

Accounting Developments

22. As part of the CIPFA code of Practice on Transport Infrastructure assets, a change in valuation methodology for infrastructure assets is to be implemented in 2014/15 for WGA purposes. This change will see infrastructure assets valued at direct replacement cost instead of the current valuation of historical cost. However there will be a requirement for an opening balance figure from April 2013 and the Council should be planning ahead for these changes.

Financial position

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

Financial results

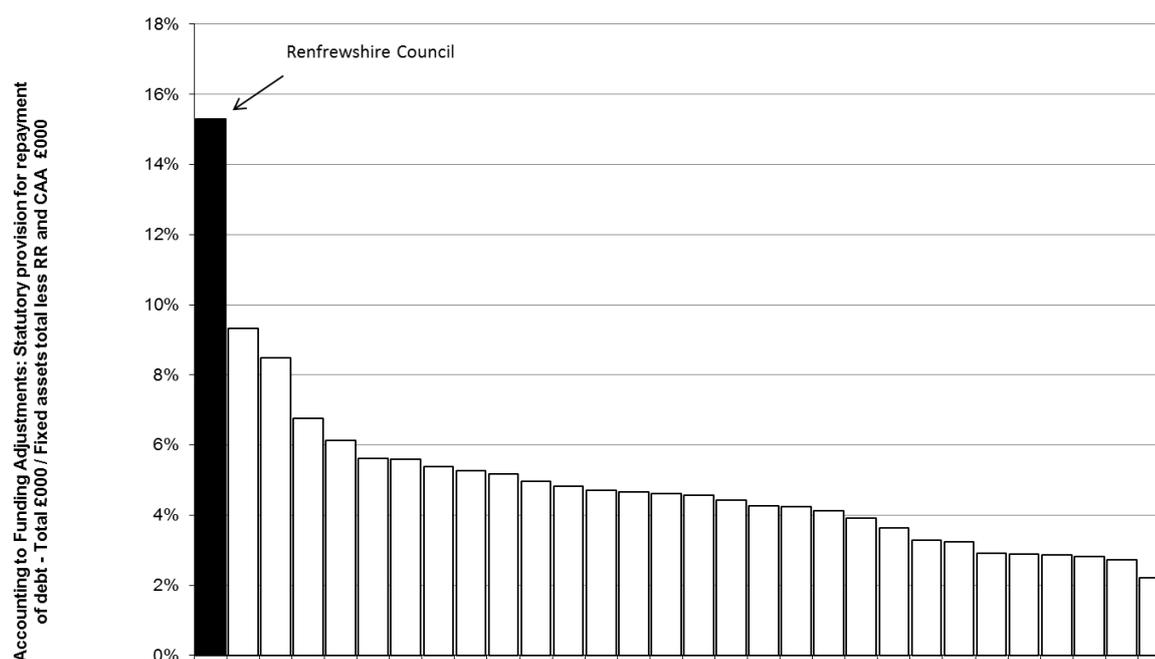
26. In 2011/12, the Council spent £583 million on services. This appears to be an increase of £56 million (11%) on the previous year. However the 2010/11 "Non-distributed costs" included a pension gain of £75 million (due to the change from RPI to CPI assumption). Excluding the effect of this the Council's gross expenditure has reduced by £19 million
27. The council's net cost of services was £380 million, which was funded by central government and local taxation of £409 million, leaving an accounting surplus of £29 million.
28. There are two main areas of accounting adjustments that are made to translate the accounting surplus to the statutory or general fund position. These are:
 - Capital charges - depreciation is removed and an internal repayment of debt from services is substituted (see paragraph 30 for the significance of this adjustment).
 - Actuarial pension charges are removed and employer pension contributions substituted.
29. Taking the above adjustments into account, the statutory General Fund position has increased too - by £8.3 million. The budgeted surplus was £1.1m. Of the £7.2m under-spend £1m was a planned annual contribution to the PPP reserve and of the remaining surplus most has been earmarked for specific purposes including £2.5m to Invest in Renfrewshire programme and £2.5m to Waste Management Strategy.
30. A key element of this year's statutory general fund position has been the Council's debt smoothing, developed in 2010/11. As part of this strategy the Council has planned in its budget to increase its statutory write off of debt charged to the General Fund. The objective of the strategy is to maximise the flexibility available to the Council in order to deliver significant reductions in its outstanding debt levels whilst releasing over the medium term smoothed recurring budget savings in financing costs as part of supporting a managed medium term financial plan to reduce the Council's revenue cost base.

Exhibit 1: Annual principal debt repayments charged to services (incl. HRA) (£ million)

2011/12	2010/11	2009/10	2008/09
54.6	13.2	10.7	28.2

Source Renfrewshire Council Annual Accounts 2011/12 and 2009/10

31. In 2011/12, the Council's debt smoothing strategy provided for a significant increase in the budgeted debt principal charge to the General Fund as part of a planned reduction in outstanding debt levels to support the release of recurring revenue budget savings over the medium term. As a consequence of the strategy this enabled the Council to avoid any requirement for in-year external borrowing to fund its capital investment programme. The Council's plan anticipates that this strategy will be continued to maximise flexibility available to the Council to manage its financial challenges. As a direct consequence of this planned strategy the Council has made the highest relative write down of outstanding debt principal across Scotland this year.

Exhibit 2: Repayment of debt as a proportion of fixed assets yet to be funded from revenue

Source: Audit Scotland; Local Government in Scotland; Analytical Review 2012 (excl. Shetland and Orkney)

32. Revenue resources applied to the in-year funding of capital directly is referred to as "capital funded from current revenue" or "CFCR". This is also an area that has been increased this year as shown at Exhibit 3. The increase is primarily due to £8m being applied to support the significant investment to deliver the housing programme to meet the Scottish Housing Quality Standards (SHQS).

Exhibit 3: Annual CFCR charged to services (incl. HRA) (£ million)

2011/12	2010/11	2009/10	2008/09
10.2	0.9	3.3	1.8

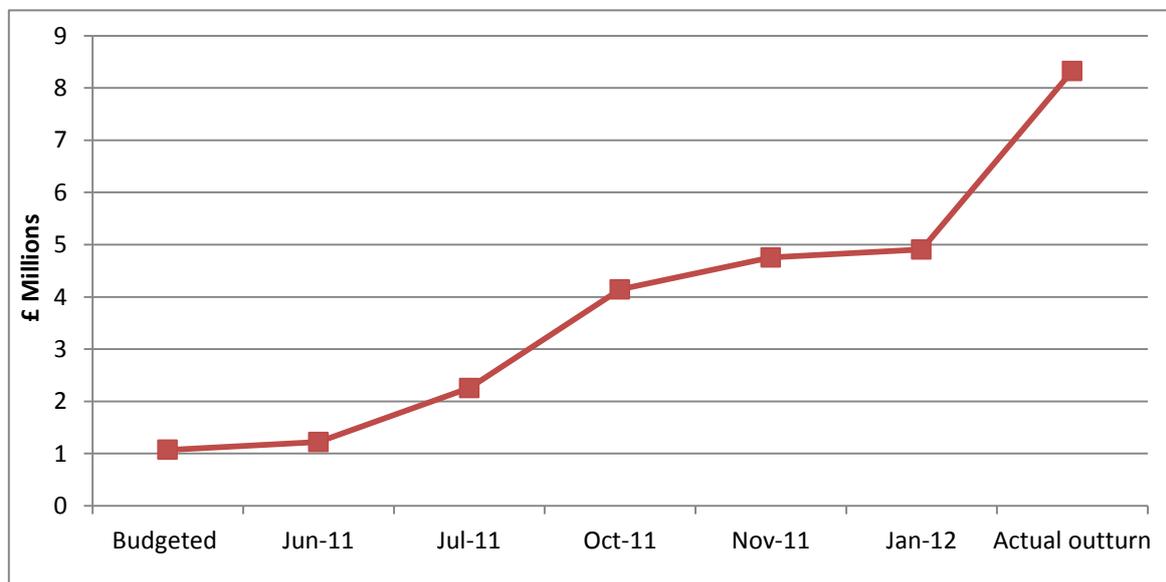
Source Renfrewshire Council Annual Accounts 2011/12 and 2009/10

33. The approach adopted by the Council as part of its debt smoothing strategy and increased use of CFCR as part of mitigating borrowing requirements to deliver the SHQS are important elements which are relevant to our conclusions on the current financial position of the Council.

Budgetary control

34. Revenue monitoring reports for services are presented to respective policy boards and finance monitoring reports for total spend are taken to the General Finance and Policy Board meetings. Exhibit 4 below shows how the general fund surplus increase of £1m to £8.3 million developed through the year, with an increase of £3 million from January to the financial statements. Of the £3m, £1m is a planned annual contribution to the PPP Funding Reserve. The variance of £7.2m represents 1.7% of the net £410m budget. Generally, we conclude that budgetary control reports are a reasonably good indicator of final outturn although further reporting of the February and March positions could be considered to help with monitoring.

Exhibit 4: Projected General Fund surplus

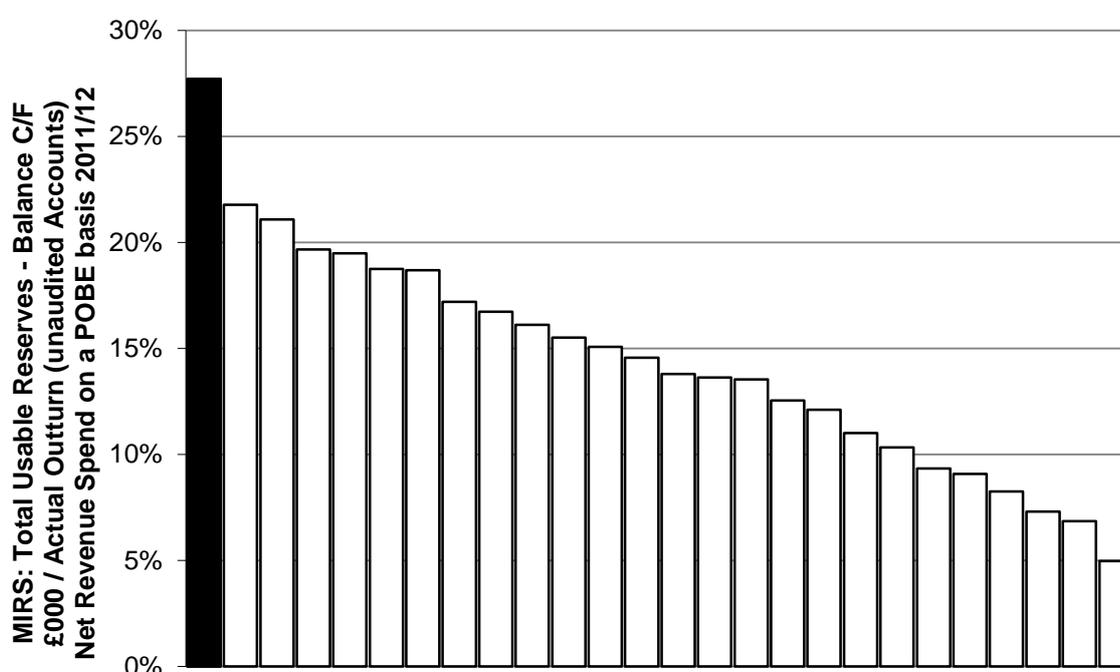


Source: Renfrewshire Council Revenue Budget Monitoring Reports: Council Overview

Financial position

35. Based on the information in this section of the report, we have concluded that, subject to any major change in pension valuations or Scottish Government funding, the financial position of Renfrewshire Council is stable and its activities are currently financial sustainable. The outturn general fund surplus, usable reserves, low borrowing position and the debt smoothing strategy, to reduce future principal debt repayments, means that financially the Council appears to be relatively well placed to address the significant future financial challenges.
36. Renfrewshire Council has made significant use of useable reserves for medium and longer term financial planning purposes and has the highest percentage in Scotland of usable reserves compared to net revenue spend (Exhibit 5).

Exhibit 5: Total usable reserves carried forward as a proportion of net revenue spend (Renfrewshire Council highlighted)



Source: Audit Scotland; Local Government in Scotland; Analytical Review 2012 (excl. Shetland and Orkney)

37. The Council's usable reserves have grown steadily over the last two years (see table below). The total General Fund balance is now £45 million with the other major usable reserve balances represented mainly by capital funds. These include the Building Better Communities capital fund, which represents planned earmarking of funding to support the council's investment programme in schools, leisure and community facilities. This stands at £35 million and is included in the capital statutory funds below. There is an unallocated general fund balance of £7m which equates to 1.7% of the Council's annual running costs. It has increased

slightly from 2009/10 and this is consistent with the Council's medium term financial strategy, as recommended by the Director of Finance and Corporate Finance.

Exhibit 6: Usable reserves

Description	31 March 2012	31 March 2011	31 March 2010
	£m	£m	£m
General Fund: ring-fenced	38	31	28
General Fund: unallocated	7	6	6
General Fund total	45	37	34
HRA Balance	12	11	7
Insurance Fund	3	3	3
Capital Statutory Funds	40	40	18
Capital Receipts	12	7	7
Total usable reserves	112	98	69

Source: Renfrewshire Council 2011/12 financial statements

38. The increase in usable reserves is a pattern being seen in the majority of Scottish local authorities. Most are increasing their reserves to meet the challenges anticipated from future reductions in funding from central government. We note that the majority of usable reserves above have been earmarked for specific purposes, reflecting the Council's use of useable reserves to earmark funding as part of medium and longer term financial planning arrangements. Exhibit 5 shows Renfrewshire Council has the highest total usable reserves carried forward as a proportion of net revenue spend.

Housing Revenue Account (HRA)

39. In 2011/12 the HRA incurred an accounting deficit of £14m (2010/11 £6m deficit), but after statutory adjustment made a positive contribution to the total useable reserves position of £1.1 million. This arose principally due to depreciation and impairment charges of £31m (2010/11 £16m). The entire surplus from the Council's building services trading operation (£3m) is now included as income in the HRA. This was a change from previous years when 50% of the surplus would be transferred to the HRA.

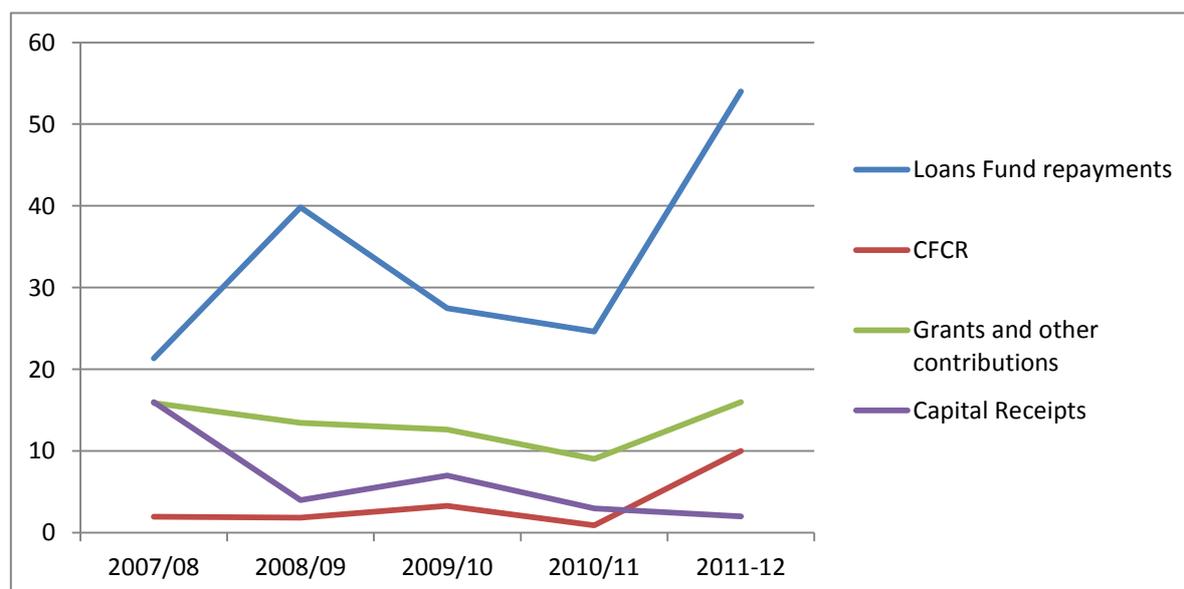
Capital investment and performance 2011/12

40. The Council spent £81million, split between the housing programme (£27 million) and the general services programme (£54 million). The housing programme includes areas such as renovations of kitchens and bathrooms, re-wiring, new heating systems and external

improvements. The general services programme includes items such as the school estates strategy and the community infrastructure programme.

41. The approved capital budget for 2011/12 was £105 million so the outturn is an underspend of £24 million against the capital programme for the year. This underspend is partly due to the reprofiling of spend into future years (£13 million) to match revised spend profiles where there is no change in the programme completion date. The balance of £11 million reflects programme slippage including predominantly Transforming Renfrewshire (£2m), lifecycle maintenance (£3m), ICT programmes (£3m) and Town Centre projects (£2m).
42. The Exhibit below shows the main sources of capital finance set aside by the council over a number of years. In 2011/12 this consisted of £10 million of capital financed from current revenue (CFCR), £15 million of government grants and other contributions and £54 million from loans fund repayments. This again shows there has been a significant increase in loans fund repayments and CFCR reflecting the impact of the Council's debt smoothing strategy.

Exhibit 7: Capital Adjustment Account funding movements 2007/08 - 2011/12

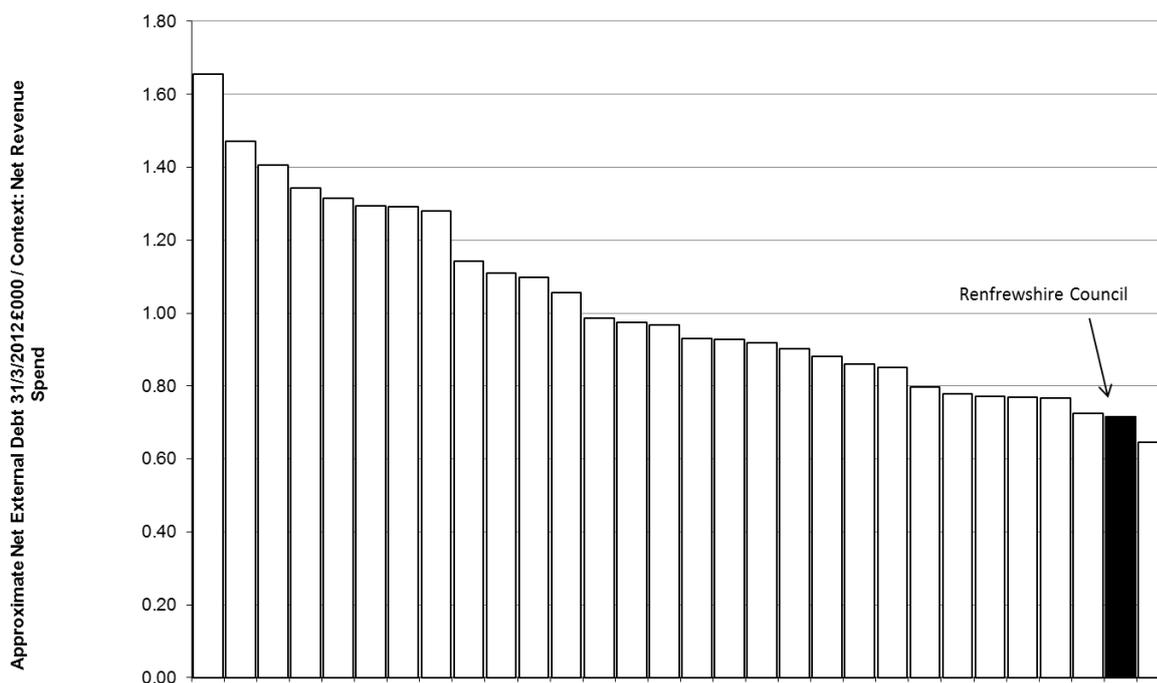


Source: Renfrewshire Council Annual Accounts

Treasury management

43. As at 31 March 2012, Renfrewshire Council held cash and short-term Investments totalling £89m (£94m in 2010/11). These funds largely comprise of fixed term deposits and money market funds. The council's level of external borrowing is currently well within both the authorised and prudential limits and relates mainly to loans from the HM Treasury's Public Works Loan Board. No new external borrowing was made during 2011/12.
44. The Council has one of the lowest levels of net external debt as a proportion of net revenue spend, reflecting the impact of the medium term debt smoothing strategy objective to reduce long term debt, as shown below.

Exhibit 8: Net external debt as a proportion of net revenue spend



Source: Audit Scotland; Local Government in Scotland; Analytical Review 2012 (excludes Shetland and Orkney Councils)

Financial planning to support priority setting and cost reductions

Asset management

- 45. Although the Council has a number of key actions to improve asset management and condition, there has been some delay in implementing these.
- 46. The Corporate Asset Management Strategy 2011-2014 was approved by the General Management and Finance Policy Board in October 2011, which identified a need to strengthen the council's long term strategic planning and asset stewardship, as well as managing and co-ordinating assets. The implementation of CAMIS (the Corporate Asset Management System) has been delayed due to a revision of the project's specification, however, a supplier was appointed in April 2012 and implementation work will begin in 2012/13.
- 47. The council has in place a Standard Delivery Plan (SDP) to ensure that council houses meet the requirements of the Scottish Housing Quality Standards (SHQS). In June 2012, a SHQS financial update reported to the Housing and Community Safety Board noted that £5.4 million of related capital works had been re-profiled into future years; this includes external improvements (£1.5m), multi-storey flats (£1.7m) and common and environmental works (£1.6m).

Workforce reduction

48. The council identified in 2010 that it needed to change the size and shape of the employee base.
49. Over the past two years and as part of managed decisions to downsize the organisation as part of reducing the Council's cost base to match reducing resources, 760 staff left the Council on a voluntary basis, at a total estimated cost of £44 million. This total cost includes amounts paid to individuals and amounts paid to the pension fund for pension strain-on-the-fund costs, which totals £24m and the estimated capitalised cost of added years (the cumulative effect of the Council paying an additional pension amount until someone dies) of £20m. In each case an assessment of the costs and the attributable savings was carried out. For those leaving in 2011/12 the average payback period was 29 months. The workforce planning strategy is being reviewed along with the council plan and in the summer 2012 the Council sought expressions of interest from all staff for another voluntary early retirement and redundancy scheme. The current package is consistent with that offered for previous exercises and will continue to be available to employees from whom expressions of interest are received by the Council up to 31 December 2012. However the package is to be revised for employees who express interest from 1 January 2013 due to long term affordability constraints.

Transforming Renfrewshire

50. Transforming Renfrewshire (TR) was created as a three year programme and is now moving into its third phase. It is a key element of the Council's response to the need to modernise and reform public services. It is also making an important contribution to the financial challenge facing the Council.
51. As at March 2012 the programme had delivered £10.7m of recurring savings, which is in excess of the target set for the whole programme. By April 2013 it is expected that the programme will deliver an additional £0.8m of savings, taking the overall total to £11.5m.
52. In 2011/12 the following outcomes have been achieved:
 - The Customer Contact Centre (telephone contact) and Customer Service Centre (face to face contact) teams were brought together under a single management structure.
 - A new Corporate Business Support Service was formed in April 2011. Officers report this development has brought savings of £2.3 million. A service delivery model is being implemented to ensure that business support requirements are met with fewer staff.
 - The first phase of a property Master Plan was developed, a corporate landlord model has been established and (as noted above) a Corporate Asset Management Information System (CAMIS) was procured to replace the variety of separate information systems.
 - In December 2011, phase 3 of the procurement capability assessment was completed with a score of 66%, which is a significant improvement on previous rounds with scores of 55% (2010) and 21% (2009). Updates to members report that improved procurement has helped deliver more than £3 million savings.

Partnership working

53. Renfrewshire Community Planning Partnership has a structure that is aligned with the five national strategic objectives for Scotland. The community planning partnership working groups are well- established and action plans have been developed for the five thematic partnership working groups and are now monitored at regular intervals.
54. The council works closely with the Renfrewshire Community Health Partnership (CHP). In particular the Social Work department to improve health and wellbeing in local communities.
55. The council continues to be involved in a number of joint initiatives. For example the Business Gateway economic development function and in Scotland Excel. The Council also provides the billing and collection service for East Renfrewshire Council's Non Domestic Rates.
56. Last year we reported that Renfrewshire Council was actively involved in four work-streams as part of the Clyde Valley shared services programme. Progress since then has been mixed:
 - There has been good progress on the waste management workstream with participating councils signing up to an inter-authority agreement and specialist advisers being appointed.
 - The Clyde Valley Health and Social Care collaborative, which is chaired by the Director of Social Work, continues to meet on a monthly basis and has an agreed workplan for the remainder of 2012/13. Recent successes include an award of Scottish Government funding to support the development of a multi-dimensional treatment foster care service across several authorities, and over 1 million euros of European funding to develop telehealthcare services across several health boards and authorities in Scotland. The Regional Child Care Commissioning Initiative (RCCCI), hosted by Renfrewshire Social Work, has been granted an additional year's funding by the Scottish Government. To date, this initiative has identified a number of collaborative commissioning opportunities across the eight councils and two health boards which make up the Clyde Valley Health and Social Care Collaborative. This work has the potential to improve outcomes for children, improve service efficiency and deliver cost savings.
 - Less progress has been made on support services due to a revision of the business case, as only four councils are now participating. This may have a significant impact on the funding of initial set up costs, with fewer contributors. The national changes due to welfare reform add to the uncertainty of this workstream. The group are continuing to look at shared IT opportunities (and potential funding from the Scottish Government).

Outlook

2012/13 budget

57. The Council approved a budget in January 2012 of £408m with an estimated surplus of £3m, which members have allocated to various programmes including £1.5m to improving community safety and £1m for ICT in education and leisure services. Revenue budget monitoring reports as at mid-August 2012 show a projected underspend of £0.3m, 0.1%.

Financial forecasts beyond 2012/13

58. The Council assesses that it is facing an estimated budget deficit of £16m over 2013/14 and 2014/15. The Scottish Government grant for 2013/14 – 2014/15 is expected to include reductions in the Council's grant of £2.0 million (0.6%) and £1.6million (0.5%) respectively, with council tax freezes expected to continue for the foreseeable future.
59. In September 2012, the Council approved a medium-term financial strategy. It assumes that the UK economy will take longer to recover and there will be restrictions on funding from the Scottish Government for the next five years. The debt smoothing strategy will continue with the release of the first tranche of recurring savings at £5m in 2012/13, with further budgeted debt repayments of around £30 million. Looking ahead into 2013/14 and beyond, the Council plans to make further debt repayments of £18m and release smoothed recurring annual savings in financing costs of approximately £24m over the next three to four years.

Governance and accountability

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

Corporate governance

63. We found that overall, corporate governance arrangements operated effectively during 2011/12, with the exception of issues identified in the following paragraphs.

Processes and committees

64. At the May 2012 elections the Council's administration changed from an SNP/Liberal Democrats coalition administration to a Labour majority. There were 14 new members joining the Council for the first time. Training was provided in May across a number of areas including "challenges on local government finance" and "the role of audit".
65. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support improvement programmes. The Council's policy boards have specific remits and are responsible for developing council policies and programmes as well as undertaking a scrutiny role through the monitoring of performance and outcomes. These boards have multi-party representation that are politically balanced.
66. The Scrutiny and Petitions Board is the council's audit committee. The Board reviews the council's internal control and considers reports by internal/ external auditors. The Chief Auditor provides a regular training programme for members of the Board. The combination of the functions of scrutiny, petitions and financial audit into one committee, brings with it some associated governance challenges:

- Our current audit team has been in place now for a year and although our experience of the operation of Scrutiny and Petitions Board is limited, our initial impressions are that the hearing of petitions and wider scrutiny tends to dominate, with the financial audit element of meetings being perhaps out of context. This may not be the experience of members and officers with longer experience of the Board.
 - The Convener of the Scrutiny and Petitions Board is currently a member of the administration of the Council, while the Deputy Convener is an opposition member. This arrangement has been in place for some time and pre-dates the recent change in administration. The current practice is unusual within Scotland, with most convenors or chairs of audit committees being drawn from the opposition. We believe this helps to ensure the independent challenge of the financial audit process.
 - Currently two members of the Scrutiny and Petitions Board are also on the Leadership Board. We understand that this was in put in place to support these two important boards with experienced members. However, the current Council guidelines state that members of the Leadership Board may not be members of the Scrutiny and Petitions Board.
67. In May 2012 a report was presented to the Council highlighting issues such as: police and fire reform, greater integration with the NHS and the development of a new approach to community planning. With these changes the Council considered that current board structures may not reflect priorities moving forward and we understand that members agreed that the decision-making structure be reviewed before the end of December 2012.

Refer Action Plan no. 1

Internal control

68. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
69. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit. Our review established that the quality of internal audit work was good and allowed us to place reliance on a number of areas including payroll, treasury management and non-domestic rates. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.
70. As described in the Annual Governance Statement, the Chief Auditor reported that reasonable assurance could be placed on upon the adequacy and effectiveness of the internal control systems, however, controls over the approval processes needed to improve.
71. We reviewed the high level controls and concluded that overall the system of internal control was operating effectively. The review identified a small number of areas where controls could be strengthened. We adjusted our financial statements approach in light of our findings to ensure additional appropriate coverage of these areas and no further issues were identified.

Use of corporate procurement cards and other credit cards

72. Across the public sector government procurement cards have been used to reduce the costs relating to the purchase of small items and some internet based purchases where a credit card is the most effective way of making payment. A recent significant fraud, in another public body, which in part resulted from misuse of the government procurement card highlighted that bodies need to ensure that their processes for the use of these cards are fit for purpose.
73. Renfrewshire Council currently has 350 government procurement cards. Total expenditure processed by the cards is approximately £2.5 million per annum. The government procurement cards are generally used for low value goods and services (under £2,000) which are not covered by the purchase order processing arrangements already in place.
74. There are procedures in place for use of the cards. Internal audit reviewed credit card arrangements in January 2012. The review found areas for improvement including where corporate purchase card holders were not reconciling their transaction logs to the monthly credit card statements; potential risk of misuse of cards if they are not returned when the cardholder leaves and a lack of value for money where cards are used for retail purchases.

Voluntary severance scheme

75. As part of our review of exit packages for the year we examined the approval procedures followed by the Council in determining which requests for voluntary redundancy/early retirement under the schemes should be accepted. The Council approved the voluntary severance scheme and reports were also provided back to the Council reporting progress. The decisions were made under delegated authority by the Chief Executive assisted by the Director of Finance and Corporate Services and the Head of Human Resources and Organisational Development, in conjunction with the appropriate departmental director. These decisions considered both the up-front costs of voluntary redundancy / early retirement and the associated savings. The Director of Finance has explained that meetings were held with service directors to discuss final number of staff leaving under voluntary severance which included agreement on full costed records and value for money assessments based on deliverable net savings but that these finalised records were not evidenced with signed approval at this stage by the appropriate officers. Our expectation is that there would be explicit formal written approval by Directors for staff leaving under voluntary severance. A further voluntary severance exercise is planned for 2012/13 and the Council had received over 1,300 expressions of interest by September 2012.

Refer Action Plan no. 2

ICT data handling and security

76. Our annual audit plan identified that the Council's ICT function continues to manage operations against a backdrop of potentially significant risks, including generic risks of data loss that are inherent to councils. The Council's BV2 toolkit self assessment review in 2011 identified a number of action points for improvement. Progress in 2012 includes the implementation of more robust disaster recovery arrangements, following an external review.

A Corporate Information asset register is now in place and being populated by the principal information officer, working with services.

77. During 2011/12 we carried out a high level risk-based assessment of ICT across various areas including strategy, business continuity and service delivery.
78. The review found that the current ICT strategy, which was developed in 2008/09 and covers the period 2009 - 2012 is in the process of being refreshed to reflect the Council's revised priorities, including plans under Transforming Renfrewshire, and Scottish Government The strategy review process includes:
 - a review of business continuity plans including a risk-based prioritised recovery list of applications.
 - an update to the back-up process, with the Council's external technical partner
 - a standard and consistent approach to supplier contract management starting with the main supplier of systems.
79. Renfrewshire Council has agreed to an audit by the Information Commissioner (ICO) to determine whether the Council has implemented policies and procedures over personal data and is applying these. The audit takes place soon (at the end of October 2012) and we will follow-up the results as part of our planning for 2012/13.

Prevention and detection of fraud and irregularities

80. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
81. The overall arrangements for the prevention and detection of fraud are satisfactory and no instances of significant fraud were reported to Audit Scotland in 2011/12. Renfrewshire Council has a range of measures in place to prevent and detect fraud, including a Prevention and Detection of Fraud and Corruption strategy, a code of conduct for staff and a whistle-blowing policy. There are defined procedures for handling suspicions, allegations or evidence of fraud or other irregularities, including reporting to the Director of Finance and Corporate Services for investigation.

National Fraud Initiative in Scotland

82. In May 2012 Audit Scotland reported on the results from its latest National Fraud Initiative (NFI) exercise. The process operates on a two year cycle with the data being downloaded and electronically matched centrally one year, and the results issued, investigated and reported on the next. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.

83. In September 2012 the Scrutiny and Petitions Board was provided with an update on the impact of the last round of NFI for Renfrewshire Council. Housing benefit overpayments of £46,186 were identified as a result of the NFI exercise which represents 30% of the £156,314 total benefit overpayments. A number of investigations are ongoing and this figure is expected to increase as investigations are concluded. Total benefit payments are around £74 million.
84. The NFI matches council tax records with the electoral register to identify households where there is more than one adult registered and where a discount may therefore be invalid. The outputs from this exercise were made available in February 2012 and these are currently being investigated. As at September £20,530 invalid discounts have been identified, cancelled and recovery action is being taken for overpayments made.
85. A further NFI exercise will be carried out in 2012/2013, in which Renfrewshire Council will participate, as required. Preparation for this exercise is on-going with a self assessment exercise having been undertaken and an action plan in place.

Housing and council tax benefits risk assessment

86. A risk assessment was completed as part of Audit Scotland's housing benefit/council tax benefit (HB/CTB) programme in May 2012. The audit considered three themes: business planning, performance reporting and delivery outcomes and follow-up of a 2009 audit.
87. The previous risk assessment identified 18 risks to continuous improvement. In February 2012, the Council submitted a current self-assessment and an updated action plan. Of the 18 risks identified, 12 actions had been fully completed, 3 had been partially completed and 3 remained outstanding. Improvements since the 2009 assessment include: on-line applications can now be made; pre-payment management checks are being carried out; and there is now improved performance reporting to members. Issues which remain outstanding include limited analysis of appeals, interventions and reconsiderations outcomes (to help the Council identify trends, patterns and areas for improvement).
88. Since the 2009 visit, the benefits service has been through a period of significant change under the Transforming Renfrewshire programme. There has been an on-going reduction in the administration grant provided to council's to deliver benefits services by the Department for Work and Pensions and a wider reduction in resources available to the Council as a result of the current economic climate. As a result, the benefits service was re-designed to meet the Council's efficiency requirements, and have greater flexibility and capacity to withstand future changes, such as the major legislative changes arising from the UK government's welfare reform agenda.
89. The Council was aware of the temporary detrimental effect the project would have on benefits administration performance, and had kept elected Members and key stakeholders regularly updated. However, additional workload pressures were placed on the benefits service arising from higher caseload due to economic conditions and changes introduced by the Department for Work and Pensions which meant the recovery phase took longer than had been initially anticipated.

90. In order to ensure continuous improvement, we identified that the Council needs to
- ensure that actions taken to address the decline in the speed of processing performance (for new claims and changes of circumstances) results in improved performance
 - reduce backlogs, in particular the number of outstanding appeals and requests for reconsideration, and the number of new claims outstanding for more than 36 days
 - set targets for the recovery of benefits overpayments and report prosecution outcomes on the council website and in the local press and media.
91. In October 2012, the General Management and Finance Policy Board was provided with information on more recent processing times. By July 2012 this had reduced to the service target of 27 days, from 34 days, and remained within this target as at the end of September. The high percentage of new claims older than 50 days, which at that time amounted to more than 20%; has now reduced to be within the target of 10%. An update to the risk assessment is to be provided by the Council in January 2013.

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

92. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in 2011/12 are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Complaints Handling Procedures

93. The Public Services Reform (Scotland) Act 2010 gave the Scottish Public Services Ombudsman (SPSO) the authority to lead the development of a model complaints handling process across the public sector. New guidance was published by SPSO in March 2012 and Councils were asked to implement its recommendations.
94. The Council's revised complaints handling procedures was submitted to the SPSO by the deadline date of 14th of September 2012. Implementation of the new process will start from October 2012 following approval by the Council on 25th September, with full operational activity and performance monitoring from 1st April 2013, in line with the Scottish Public Services Ombudsman requirements.

Outlook

Common Good and trust funds

95. During the year Renfrewshire Council administered, as sole trustee, 74 sundry trusts and endowments, many of which are registered charities. All registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations

2006, which means that a full set of audited financial statements is required for each registered charity. Utilising the reorganisation provisions of the relevant legislation, the Council has now received consent from OSCR to set up three new funds (the Paisley Burgh Citizens Fund, Renfrew Burgh Citizens Fund and the Renfrewshire Council Citizens Fund) into which the balances in many of the existing trusts will be transferred. This will release dormant funds for charitable activities and also reduce the future administrative burden placed on the Council.

Welfare Reform

96. The Leadership Board was updated with progress in August 2012 on the work being undertaken in response to the Welfare Reform agenda. The Council's Deputy Leader is the spokesperson on welfare reform and in the autumn of 2011 a Welfare Reform Steering Group was established under the management of the Director of Finance and Corporate Services. In addition a senior officer has been seconded to coordinate and manage the programme of activities. A number of early activities were completed with the Council supporting customers affected by the early changes as part of Renfrewshire Money Week.
97. In February 2012 the Welfare Reform Programme was initiated and a planning session involving nearly 40 key staff took place in March 2012. The purpose of the session was to reach a shared understanding on what the Welfare Reform Act 2012 will mean for Renfrewshire and to agree how the programme would be taken forward.
98. A significant workload is expected in relation to the revised service design and development work that will be required in each of the projects. It is recognised that there will be a requirement to appropriately resource this additional work in order to achieve the desired outcomes in line with the anticipated pace of change. The exact level and scale will become more evident as each project develops.
99. It is clear that the Council places significant importance on the upcoming welfare reform changes and is committed to meeting the significant challenges ahead. The Council's response continues to be managed through programme management arrangements, with progress on the projects reported on a regular basis to the Welfare Reform Steering Group and the Corporate Management Team. Risks continue to be managed in relation to the implementation of ICT solutions required to support the new Council Tax Reduction Scheme and the Scottish Welfare Fund, with contingency planning around Council Tax billing now well developed. Modelling of the financial impact of reduced rent payments as a result of under occupancy and Universal Credit Direct payments is being progressed within Housing Services and plans have been developed to contact affected tenants. The Council continues to contribute to national discussions on the impact of welfare reform and has played a key role in the development of a business impact assessment to inform future funding arrangements.
100. As part of our work on the 2012/13 audit, we will consider the council's preparedness for introduction of these changes, and how it is developing and taking forward its strategies and plans to address the risks arising from these changes.

Refer Action Plan no. 3

Best Value, use of resources and resources and performance

101. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
102. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Report on progress against BV improvement plan. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
103. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
104. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
105. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

Management arrangements

Best Value and self evaluation

106. Audit Scotland's Best Value report in 2006 highlighted that the council demonstrated a clear commitment to best value and community planning. The council has implemented its plan which was compiled in response to this report. The Council continues with various continuous improvement initiatives some of which are described below.
107. In 2011 the Council prepared a corporate assessment which pulled together all the key messages from the different contributing strands. The aim was to allow the corporate

management team and elected members to more easily identify the priorities for improvement. Information was gathered from six sources:

- | | | |
|------------------------|-------------------|---------------|
| • Audit and Inspection | • Self-evaluation | • Employees |
| • Customers | • Performance | • Partnership |

108. Last year we reported that a new development under self-evaluation was the Council's implementation of the Public Services Improvement Framework (PSIF). This is a self-assessment tool which encourages organisations to conduct a systematic and comprehensive review of their own activities and results. In August 2011 the first cycle was completed and all services are now implementing their improvement plans. The next cycle is due to begin in November 2012 and assessors are currently being trained.
109. In 2011 the Council completed a self-assessment review against the criteria in all 18 of Audit Scotland's best value toolkits. For each toolkit officers assessed performance against advanced practice, basic practice and areas for improvement. The process included a challenge role by "BV2 spotlight" meetings and in 2012 progress was monitored by the Best Value 2 Working Group. Progress as at August 2012 was provided to the Chief Executive and the Leadership Board will be updated with progress as part of the corporate assessment update, planned for December 2012. Developments following on from the BV2 self assessments include:
- Vision and strategic direction - selected organisations outwith the Renfrewshire Community Planning partnership made presentations to the community plan executive group in 2012 as part of preparation of community plan.
 - Planning and resource alignment - Housing and Property and Finance and Corporate Services now have a single report to their department management team incorporating finance and performance information.
 - Customer focus – the Council has identified that a section of Renfrewshire residents do not have access to the internet and a local digital TV platform will go live in the autumn to provide information in a more accessible format.

Performance management

110. Renfrewshire Council have a planning and performance framework linking all the different aspects of planning, delivery and monitoring. The Council plan set out what the council will do to deliver the national and local priorities from the Single Outcome Agreement (SOA) and Renfrewshire's Community Plan, respectively. All services are required to prepare a rolling three-year service improvement plan (SIP) which outlines how the service will contribute to the council plan and community plan priorities, and details how its actions and plans will achieve improved outcomes for customers in the future. Services are also required to select a range of key performance indicators to create a scorecard to measure how well

they are contributing to these priorities. This is monitored mid-year and at the end of that service improvement plan year. Quality of service is also measured through national initiatives such as the Customer Service Excellence Standard which services are encouraged and supported to aim for.

111. The council has a well-developed performance management system in place (Covalent), which is actively used by services across the council to monitor service improvement plans, strategies, actions plan and scorecards.
112. The Renfrewshire Community Plan and SOA are currently being refreshed. It is evident that over the past few years the Council has undertaken many programmes of self-assessment and review of services leading to lots of improvement plans and actions. Over the past six months the Council has led a strategic needs assessment review that has brought partners together to identify the most significant issues affecting Renfrewshire and its residents. This has resulted in a number of emerging key visions and outcome priorities being identified.
113. Officers are working towards the revised community plan and council business plan being in place for the end of the 2012 calendar year, with the aim to formally launch plans in time for the new financial year. The council business plan is expected to reflect the Council's commitment to the priorities and vision expressed in the community plan. This will include alignment with workforce development plans and the next stages of the Council's modernisation and transformation projects.

Community/user engagement

114. A key stream of the corporate assessment is consultation and engagement with customers. Areas of engagement have included:
 - the Public Services Panel is used to find out the views of Renfrewshire residents on a wide range of issues, with results submitted to the Leadership Board. The panel is also asked how satisfied they are with services provided by the Council. Results show that there is increased satisfaction when contacting the Council via visiting Council offices, the website and by email, but decreased satisfaction via letter and telephone contacts
 - five local area committees were established to consult and report to local residents
 - annual community planning conference events have been held.
115. The Council identified it needed to focus on open community engagement, rather than purely consultation. Work in 2012 has included developing a customer insight model which is being used to examine current and potential routes for customer contact; to help target resources and improve customer service. Services are being encouraged to better communicate the changes made as a result of community engagement using the format of 'you said, we did' on newsletters, posters etc.

Overview of performance in 2011/12

Renfrewshire Council's performance measurement outcomes

- 116.** The CMT monitors the council's scorecard of performance information on a quarterly basis, which allows them to assess and review the quality and level of service. This scorecard reflects the six priorities or themes outlined in the council plan and include indicators to monitor the Council's priorities, relevant statutory performance indicators (SPIs) and SOA indicators. This is also reported six monthly to the Leadership Board. The Council's performance in terms of Audit Scotland's SPIs is reported to, and reviewed by, the Scrutiny and Petitions Board each year.
- 117.** The September 2012 report to the Leadership Board on the SOA Annual Progress report shows a slight improvement of performance in 2011/12 compared to the previous year as shown in the table below:

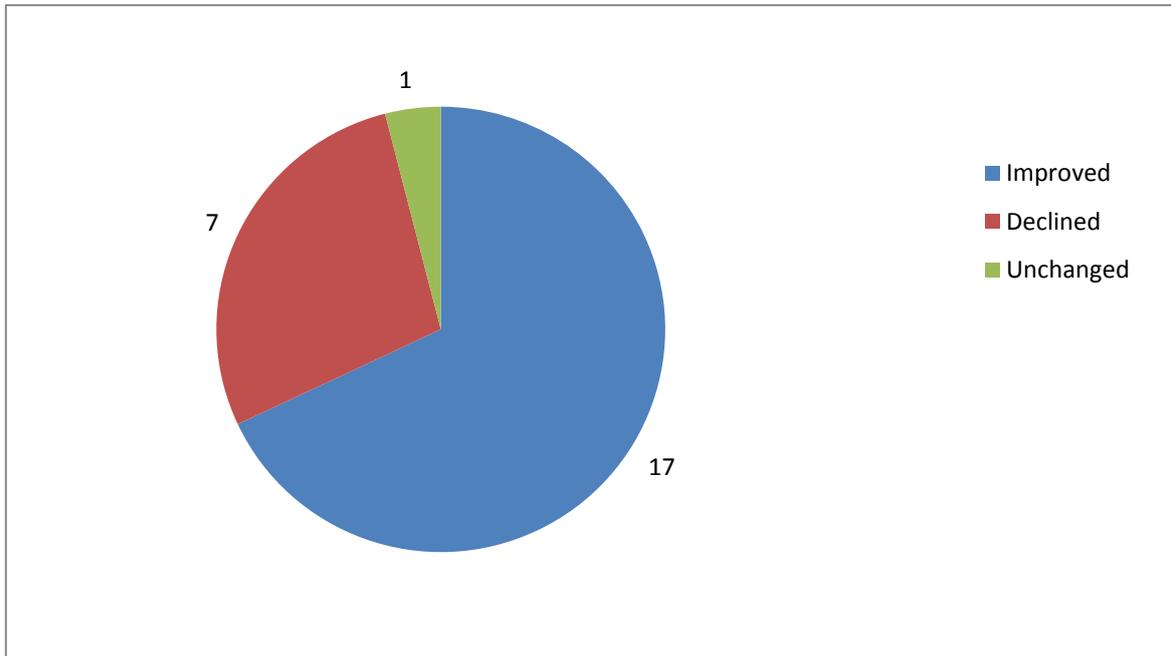
Table 1: Progress against SOA performance indicators

	On target	Slightly below target	Significantly below target
2011/12	61%	26%	13%
2010/11	55%	27%	18%

- 118.** Areas of improvement include the number of adults with improved levels of core skills of literacy and numeracy, the number of smoking cessations and the group and individual incidents of public disorder. However, the economic downturn continues to impact on quality of life for Renfrewshire residents. There continue to be negative trends in relation to employment, vacancy rates in town centres and, households getting into financial difficulty. These issues were discussed during the strategic needs assessment days and will be reflected in the new community plan.

Statutory performance indicators

- 119.** In 2011/12, a total of 25 SPIs were required and these indicate an improved picture of performance (Exhibit 9:

Exhibit 9: Improvements demonstrated by SPIs (Total 25 indicators)

Source: Renfrewshire Council SPI data returns

120. The improved indicators include sickness absence levels, waste recycling and the percentage of council housing stock meeting the Scottish Housing Quality Standard (SHQS). SPI performance declined in the cost of collecting council tax, but is reflective of an ongoing improvement in the collection-rate achieved. The other areas where performance indicators show a decline are the cost of refuse collection and the management of tenancy changes. In 2012 a development group has been implementing actions to improve the void and repair process.

Local performance reporting

Maintaining Scotland Roads - Follow Up Report

- 121.** *Maintaining Scotland's roads: a follow-up report* was published by the Auditor General and the Accounts Commission in February 2011. The report examined progress by councils and Transport Scotland against recommendations contained in a previous report published in 2004. It reviewed changes in the condition of the road network since 2004, how much was being spent on road maintenance and how road maintenance was being managed.
- 122.** The Council demonstrates good commitment to achieve best value with restructuring across Planning and Transport in 2009/10 and a roads maintenance service review in February 2011 with the assistance of external engineering consultants. The review covered benchmarking and understanding of wider costs issues.
- 123.** The consultants reported that there had been significant improvement in the Council's delivery and through revised management arrangements, greater supervision of front line service

delivery and revised maintenance practice and culture. Consequently practice and quality had been improved and the budget has achieved significantly more than in previous years.

124. Currently, the Council is looking at shared services with other councils and continuing to benchmark the in-house team against the private sector. A Roads Asset Management Plan has been prepared with monitoring arrangements in place. Officers are now working on cost projections to prepare a long-term costing and funding strategy. The Planning and Transport Service Improvement Plan includes various performance indicators, Officers are reviewing the current range of indicators being reported in light of the SCOTS review of SOLACE indicators.

National performance reports

125. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 10.

Exhibit 10: A selection of National performance reports 2011/12

- | | |
|---|---|
| <ul style="list-style-type: none">• An overview of local government in Scotland - challenges and change in 2012• Commissioning social care• The role of community planning partnerships in economic development• Modernising the planning system | <ul style="list-style-type: none">• National scrutiny plan for Local Government• National Fraud Initiative• How councils work: an improvement series for councillors and officers - Using cost information to improve performance |
|---|---|

Source: www.audit-scotland.gov.uk

126. Officers review all Audit Scotland reports which are relevant to the Council and prepare a summary report to the Scrutiny and Petitions Board or other policy board. These reports provide a summary of the main recommendation and then explain local developments relating to the recommendations. The following are discussed in more detail.

The role of Community Planning Partnerships in economic development

127. This report was published in November 2011 and comments that community planning partnerships (CPPs) need to build on their economic development activity to help meet local needs. The report highlights that the development of SOAs has helped improve the way in which CPPs monitor and report their performance but judging performance is made more difficult than it needs to be because of the large number of performance measures for economic development being used across Scotland. The report also highlights that better use of available economic information and better involvement with the local business community are needed to identify local priorities. There is little evidence of joint financial planning by local bodies or a detailed understanding of the costs of delivering local economic outcomes.

128. The report was part of the February 2012 Scrutiny and Petitions Board's 'Review of the Impact of economic downturn on the Renfrewshire economy', which also took evidence from a number of partners. The Board indicated that there was both a willingness and scope for further partnership working across private/public and academic/business sectors. Recommendations from the Audit Scotland report were considered by the Renfrewshire Community Planning Partnership Wealthier and Fairer Group in February 2012 to identify improvements to be made for preparing the next community plan.

Commissioning Social Care

129. This report was published in March 2012. The report says planning social care is complex and is becoming harder as demands are rising and budget constraints are tightening. A major change is the introduction of self-directed support. If services are to improve there needs to be better information on the needs of the population, on the costs, quality and impact of services. Councils continue to focus resources on people needing more intensive support increasing the risk that people who need a small amount of support are not being offered preventative care. The report also states that there needs to be better monitoring of voluntary and private sector providers and contingency planning should these organisations stop providing services.
130. In June 2012 the Scrutiny and Petitions Board was advised of the main key messages of the report and noted the Council was one of the case studies on good practice for developments in shared services for foster care. Recent developments against the recommendations included the appointment of a strategic commissioning and planning officer and the initial work focusing on joint commissioning strategy for older people. For children, the Regional Childcare Commissioning Initiative (RCCI), hosted by the Council's Social Work Service has been granted an additional year's funding by the Scottish Government. This initiative has identified collaborative commissioning opportunities with councils and health boards which make up the Clyde Valley Health and Social Care Collaborative. Contingency arrangements have been developed through COSLA for potential failure of care home providers.

Modernising the Planning System

131. This report was published in September 2011 and a summary was provided to the Scrutiny and Petitions Board in February 2012. It reported that despite modernisation and falling number of applications, few councils are performing well against timescales set for processing planning applications. The Scottish Government, key agencies and planning authorities have made progress in modernising the planning system but more work is required and a more comprehensive performance measurement framework is required. In addition there is an increasing gap between income from fees and processing costs adding pressure to already constrained council budgets.
132. The Scrutiny and Petitions Board was advised that the Council is represented on the Heads of Planning/ Scottish Government joint project, which was established to develop a performance assessment framework which would better measure outcomes. On the costing side the Council participates in an informal benchmarking group with other four neighbouring councils

to share information on costs, activities and good practice. However, further work is required on data collection to identify all direct and indirect costs.

133. Members continue to be updated on planning developments. In June 2012 the Planning and Economic Development Policy Board were advised that the Scottish Government had issued a series of consultation documents on how it anticipates the planning modernisation process should be consolidated and intensified: continuing a process of change leading towards a more proportionate system.

Progress against audit risks in the shared risk assessment

134. The local area network (LAN) consisting of the principal scrutiny bodies in Scotland (i.e. Audit Scotland, the Care Inspectorate, the Scottish Housing Regulator and Education Scotland) conducted a shared risk assessment (SRA) in November 2011 which reviewed progress in the attainment of the objectives in the SOA and consideration of the Council's position on core national risk priorities. This assisted in the identification of scrutiny risk and future audit and scrutiny activity. The Renfrewshire Council 2012-2015 Assurance and Improvement Plan (AIP) fed into the National Scrutiny Plan, which was published in May 2012.
135. As reported to the Leadership Board in June 2012, a feature of the 2012-15 AIP is that there are no areas assessed as having significant risk, which would trigger additional scrutiny work. This assessment is not an assessment of Council performance. We concluded that the Council had demonstrated good awareness of issues and had good plans in place to mitigate risks.
136. In the SRA we amended our previous assessment which had identified uncertainty around the Council's progress towards meeting the Scottish Housing Quality Standard (SHQS) by the Scottish Government target of 2015. A new local housing strategy was approved in November 2011, supported by an investment of £138 million from the capital programme. The Council has been working closely with partners to deliver the improvements. We will continue to monitor progress with the SHQS investment programme. The internal and external work is separated into different contracts, which means that the number of Council properties which are fully SHQS compliant will remain low until the final years of the programme. As at the end of March 2012 15.1% of houses were SHQS compliant which is ahead of the target of 8.8%.

Outlook

137. Any future best value work will be determined through the shared risk assessment process. There are currently no plans for any best value work in Renfrewshire Council, however, the AIP does include activity by other scrutiny bodies over the next three years including a validated self evaluation by Education Scotland (2012/2013) and the Care Inspectorate's initial scrutiny level assessment, which took place in spring 2012 and the findings are currently being collated and will be publicly reported at the end of 2012. The results from this work will be considered when we prepare the next AIP.

138. The Accounts Commission has developed an audit approach for the audit of Community Planning Partnerships. This approach is being piloted at a number of other Scottish council areas in the autumn of 2012 and rolled out across the sector thereafter.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Scrutiny and Petitions Board
Annual Audit Plan	29 February 2012	16 April 2012
Shared Risk Assessment/Assurance and Improvement Plan (to Leadership Board)	18 May 2012	19 June 2012
Maintaining Scotland's roads - follow-up review	10 October 2012	10 December 2012
Report on financial statements to those charged with governance	17 September 2012	25 September 2012
Audit opinion on the 2011/12 financial statements	17 September 2012	25 September 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	5 October 2012	N/a
Report to Members on the 2011/12 audit	31 October 2012	10 December 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	67	<p>There are some issues we have noted with the membership of the Scrutiny and Petitions Board and with the emphasis on financial audit</p> <p>Risk - There could be a perceived lack of independent scrutiny to the work of the Council and the financial audit issues may not be given appropriate prominence.</p>	<p>Members agreed in May 2012 that the decision making structure be reviewed and a report submitted to the Council before the end of 2012.</p> <p>Engagement with elected members regarding their governance, scrutiny and leadership roles is taking place between September and December.</p>	Head of Legal and Democratic Services	31 December 2012
2	75	<p>The approval process for the 2011/12 voluntary severance scheme did not include explicit approval evidence by service directors.</p> <p>Risk - payments are made which are not explicitly approved and do not represent best value to the public purse.</p>	<p>The levels of written approval will be reviewed for the 2012/13 programme and any required approval by directors will be explicitly recorded.</p>	Director of Finance and Corporate Services	As part of the current programme.
3	100	<p>The Welfare Reform Agenda represents a significant challenge for the Council and will present wide ranging risks, compressed time pressures to implement change to services and</p>	<p>The Welfare Reform Steering Group is reviewing all aspects of the impact of the welfare reform agenda, including changes to fraud investigation.</p>	Director of Finance and Corporate Services	31 March 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		respond to increased and changing demands from citizens. Risks - if the council does appropriately respond to this fast moving and wide ranging agenda it will not be in a position to deliver the significant change required and appropriately respond to and support citizens affected by welfare changes.			