



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW



Fife Council

**Annual Audit Report to Fife Council and
the Controller of Audit
2007/08**



Fife Council

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Executive Summary

Introduction

This report summarises the findings from our 2007/08 audit of Fife Council. The report covers the audit of the financial statements and aspects of the Council's performance and governance arrangements.

Key Messages from our 2007/08 audit

Use of Resources

We are pleased to report that in 2007/08 the Council complied with the Code of Practice on Local Authority Accounting in the United Kingdom in all material aspects. Our audit certificate is unqualified.

The Council reported a general fund surplus of £5.513 million in 2007/08 compared with a budgeted surplus of £3 million. The general fund balance brought forward of £9.557 million at 1 April 2007 increased to a cumulative net surplus of £15.070 million at 31 March 2008. In its accounts, the Council has earmarked reserves of £10.068 million which leaves the Council with uncommitted balances of £5.002 million. The Council's approved policy is to restore its uncommitted balances to a minimum level of £9 million over a three year period commencing April 2007.

During 2007/08, elected members instructed all Services to contain expenditure within the approved budget provision. As a consequence, significant measures were taken by services to ensure expenditure was contained within budgets. In particular Social Work managed to reduce its projected overspend of £8.406 million to a final overspend of £0.127 million through implementing a number of containment measures and achieving lower than anticipated spend in key budgets.

The Council re-phased £32.673 million of its capital programme to 2008/09. Over the next three years the Council has set a challenging capital budget. It is essential that effective action is taken to minimise the level of re-phasing in future years.

The Council's Building Services significant trading operation has delivered a surplus of £3.256 million in 2007/08 which has resulted in the STO achieving a cumulative, 3 year, surplus of £9.050 million as at 31 March 2008. As a result, the service has met the statutory target to breakeven over the course of the three year period to 31 March 2008.

Fife Council has implemented a single status agreement. A collective agreement with UNISON, GMB and TGWU was achieved on terms and conditions. The pay and grading structure was introduced with an effective date of 1 April 2006.

Performance

The Council's current approach to performance management is based on a range of performance indicators. Service and council wide performance is reported through performance overview reports which focus on performance indicators and also through Annual Review Reports. Although the reports

provide adequate information, we believe the content of the reports presented to members could be revised to provide additional information which will enable members to effectively challenge and review the performance of the Council.

Over the last 12 months Fife Council has seen a succession of major audit and inspection reviews undertaken, commencing with a HMIE inspection of the education authority followed by the Best Value review currently being undertaken. Over the next few months this will be followed by a Multi Agency Inspection of Child Protection Services in Fife.

Governance

The political governance structure within the Council was reviewed following the 2007 local government elections. A committee based structure exists with six strategic committees covering all the main services within the Council.

These committees are responsible for scrutinising performance in regard to matters remitted to them. The Policy, Finance and Asset Management Committee recently approved a Scheme of Scrutiny and Performance which set out the mechanisms by which effective scrutiny could be carried out. Committees are recommended to consider the adoption of an annual work programme including identification of any priority areas for scrutiny.

Future Outlook

In 2007/08 Scottish local government faced significant changes as new council administrations became established and new multi-member ward arrangements evolved. The agreement of the Concordat between the Scottish Government and COSLA in November 2007 marked a potential watershed in the relationship between central and local government in Scotland with agreement being reached on a variety of initiatives including funding levels and the achievement of national outcomes over a three year period. Whilst there is potential stability in terms of structures, national funding and the articulation of national priorities there remain a number of initiatives that will impact significantly on the Council and will have implications on future audits of the Council.

Within Fife, the Single Outcome Agreement (SOA) was developed as a Fife Partnership agreement with Scottish Government and covered priorities not only of the Council but its community planning partners. Over the next year, the Fife Partnership is looking to refine and improve the outcomes within the agreement. There is a need to ensure that the partnership reports consistently and effectively against the SOA.

In February 2008, Fife Council agreed a three year approach to its budget covering the years 2008-11. At that time the Council took the decision to freeze council tax at 2007/08 levels. Since setting the 2008/09 budget a number of factors have impacted on its medium term financial strategy including; inflation, pension costs and modernising employment. The Council's Policy, Finance and Asset Management Committee will need to continue to monitor the impact of these pressures on longer term financial plans.

In October 2007 Fife Council transferred the management of its arts and theatres services to a trust. This was followed in April 2008 by the transfer of sport and leisure services to a second trust. The formation of these trusts is likely to lead to the preparation of in 2008/09 group accounts for Fife Council.

Fife Council currently administers 190 trust funds of which 90 are registered charities. Recent legislation enables the Council to re-organise these trusts in such a way that can be administered efficiently and for the maximum benefit of the community. The Council is currently considering the options available to them with regard to re-organisation.

The 2008/09 National Fraud Initiative (NFI) exercise is due to begin in October 2008. Fife Council has already taken steps to ensure that information is submitted within the deadlines and arrangements are in place to review the data once received.

Conclusion

This report concludes the 2007/08 audit of Fife Council. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the Chief Executive and members of the Council's Management Team. We would like to thank all members of Fife Council's management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

Scott-Moncrieff
September 2008

Introduction

- 1 This report summarises the findings from our 2007/08 audit of Fife Council. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Standards and Audit Committee on 8 January 2008.
- 2 The main elements of our audit work in 2007/08 have been:
 - Audit of the financial statements, including a review of the Corporate Governance Statement
 - Post implementation review of VoIP project
 - Review of corporate governance arrangements
 - Review of internal financial controls and financial systems
 - Review of the Council's budget setting and monitoring arrangements
 - Review of the Council's asset management arrangements
 - Review of community planning arrangements
- 3 In addition to this report, we have issued the following detailed reports during 2007/08:
 - Post Implementation Review of the VoIP Project
 - Corporate Governance Arrangements
 - Review of Fife Council's Budget Setting and Monitoring Arrangements
 - Asset Management Arrangements
 - Community Planning Update
 - Interim management report (in draft)

The key issues arising from these reports are summarised in this annual report.
- 4 Our findings are drawn together within three sections:
 - **Use of Resources:** covers how Fife Council is managing its finances, workforce and assets.
 - **Performance:** covers the Council's performance management arrangements, statutory performance indicators and value for money and other inspection reports
 - **Governance:** covers a summary of Fife Council's corporate governance arrangements
- 5 This report will be submitted to the Controller of Audit and will be published on Audit Scotland's website, www.audit-scotland.gov.uk.

Use of Resources

Introduction

- 6 In this section we summarise key aspects of Fife Council's reported financial position and performance to 31 March 2008. We also consider and report on the Council's arrangements in place for workforce related issues, asset management and procurement.

Annual Accounts and Audit Opinion

- 7 Our audit report included on pages 80 and 81 of the annual accounts is addressed to the Members of the Council and the Accounts Commission for Scotland. The report was issued on 25 September 2008 and is unqualified.
- 8 We are pleased to report that the quality of the financial statements prepared by the Council is of a high standard and is a demonstration of the Council's finance officials' commitment to consistently improve the disclosure of Fife Council financial and accounting information to stakeholders.

Accounts Timetable

- 9 Scottish local authorities are required under Regulation 4 of the Local Authority Accounts (Scotland) Regulation 1985 to submit a copy of an abstract of their accounts to the Controller of Audit by 30 June. We are pleased to confirm that the Council adhered to this requirement by lodging accounts with the Controller of Audit on 30 June 2008.
- 10 The Local Authority Accounts (Scotland) Regulations 1985 also require accounts to be made available for public inspection within 28 days of being requested by the Controller of Audit. Fife Council received this request on 3 July. The accounts were made available for public inspection from 4 August and were therefore out with the 28 day period.

Format of the Accounts

- 11 The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice in the United Kingdom 2007 (the SORP). The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority and to prepare group financial statements where they have material interests in subsidiaries, associates or joint ventures.

- 12 The SORP is reviewed and updated annually by the CIPFA/LASAAC Joint Committee and the 2007 version, applicable to 2007/08, was issued in July 2007. The 2007 SORP contains a number of substantive changes from the previous edition, including:
- **Financial Instruments** - A new chapter covering financial instruments has been added with requirements based on FRS 26 Financial instruments: Recognition and measurement, FRS 25 Financial instruments: Presentation and disclosures and FRS 29 Financial instruments: Disclosures. Financial instruments cover both financial assets and financial liabilities and include straightforward items such as debtors and trade creditors and complex ones such as derivatives. The previous requirements were based on FRS 4 Capital instruments and only covered borrowing.
 - **Revaluation Reserve and Capital Adjustment Account** - From 1 April 2007 the Fixed Asset Restatement Account and Capital Financing Account was replaced with a Revaluation Reserve and Capital Adjustment Account. The 2007 SORP required this change to be made prospectively and consequently the opening Revaluation Reserve is zero.
- 13 As part of our 2007/08 audit we considered the arrangements Fife Council had in place to ensure the appropriate changes were made to the financial statements. Overall we concluded that the Council had complied with the new requirements of the SORP.

Summary Financial Position

General Fund

- 14 Fife Council achieved a general fund surplus of £5.513 million in 2007/2008. The general fund balance brought forward of £9.557 million at 1 April 2007 increased to a cumulative net surplus balance of £15.070 million at 31 March 2008. An analysis of the Council's general fund reserve at 31 March 2008 is presented below:

Analysis of General Reserves as at 31 March		
	2008 £'000	2007 £'000
General Fund surplus at end of year	15,070	9,557
Less Earmarked Reserves		
• Tourist Development Fund	(640)	(757)
• Energy Management Fund	(701)	(707)
• Budget Carry Forward Scheme	(3,026)	(625)
• Devolved School Management	(1,325)	(875)
• Ring Fenced Projects	(3,656)	(3,342)
• Change Fund	0	(630)
• Single Status	0	(3,019)
• Landfill Aftercare Fund	(667)	(350)
• Earmarked Grants	(243)	0
• Other Commitments	(190)	(912)
Total Earmarked Reserves	(10,068)	(11,217)
(Deficit)/Uncommitted Balance on General Fund	5,002	(1,660)

- 15 The analysis above indicates that the Council has earmarked reserves of £10.068 million which leaves the Council with an uncommitted general fund balance of £5.002 million assuming maximum budget carry forward. The Council's approved policy is to maintain a minimum balance of 2% of General Fund Expenditure, or where stability exists through, for example, long term pay agreements a balance of 1.25% of net service budgets is considered acceptable. This corresponds to a general fund surplus balance of between £7.8 million and £12.5 million. To achieve this, the Council is committed to restore balances to a minimum level of £9 million over a three year period commencing April 2007. As highlighted above the Council has exceeded its target of £3 million in 2007/08.

Housing Revenue Account

- 16 The Housing Revenue Account achieved a surplus of £0.810 million in 2007/2008 compared to a budgeted deficit of £1.500 million. The Council also transferred £1 million to the general fund during the year. The surplus brought forward of £3.023 million at 1 April 2007 therefore decreased to a balance of £2.833 million at 31 March 2008. The Council has earmarked £1.5 million in relation to expenditure required to bring the housing stock up to the Scottish Housing Quality Standards.

Financial Performance

- 17 The Council reported a favourable variance compared with the budget of £6.190 million. The main factors contributing to this are summarised below:

	2007/2008 £million	2006/2007 £million
Agreed net use of balances	(0.677)	3.360
Significant Factors		
• Service overspends	(0.508)	(7.661)
• Service underspends	5.954	5.957
• Lower loans charges	2.929	2.123
• Equal Pay Claims	(0.492)	(0.220)
• Spend to Save	0	0.450
• Reduction in council tax income	(1.822)	(1.457)
• Other	0.129	0.646
Total 'significant factors'	6.190	(0.162)
Income and Expenditure Account Surplus	5.513	3.198
Source: Budget monitoring reports to Policy, Finance and Asset Management Committee (PFAM)		

- 18 In 2006/07, Social Work reported an over spend of £6.598 million. Early in 2007/08 financial year it became apparent that Social Work was again facing a significant over spend against budget. The monitoring report submitted to the Social Work and Health Committee in August 2007 identified a projected over spend of £8.406 million. The Council recognised that the level of potential overspend was unsustainable and instructed all Services to contain expenditure within the approved budget provision.
- 19 Social Work identified a number of containment measures including:
- **Child Placements** – the return of young people accommodated in residential schools to their homes or foster carers in Fife.
 - **Adult Placements** – the critical review of eligibility criteria. This included a review of all care packages.
 - **Homecare** – reduction in contracted delivery hours to budgeted level together with a detailed review of the eligibility criteria.
- 20 In response to the financial challenges facing Social Work, the Executive Director of Social Work established a Social Work Challenge Group to oversee the implementation of the containment measures. The group comprised the Financial Services Manager, the Social Work Accounting Team Leader and the Social Work Senior Management Team. The establishment of the group was part of embracing a change culture within the service and making managers accountable and responsible for expenditure in their areas. In addition to this, the Social Work and Health Committee requested financial out turn projection reports at every committee during the year.

The increased scrutiny on the financial position has helped to reinforce the change culture within Social Work.

- 21 The achievement of these measures combined with lower than anticipated spend in a number of key budgets resulted in Social Work reporting a very minor overspend of £0.127 million in 2007/08.

Budgetary Setting and Control

- 22 As part of our 2007/08 work, we carried out a review of Fife Council's budget setting and control arrangements. Our review considered the Council's budget setting arrangements for 2008/09 and the budget control arrangements over 2007/08. Overall we identified many areas of good practice in the Council's approach to revenue/capital budget setting and control. Revenue reports to strategic committees are sufficiently detailed to allow scrutiny. The Council has also developed three year revenue and capital budgets which allow directorates to develop effective work programmes over the medium term and to direct resources to achieve Council priorities.
- 23 Our review did however note that as service improvement plans were developed after the budget was approved, the perception may be that service plans are directed by the budget and not vice versa. We understand the Council intends to strengthen the linkage between the service planning process and budget setting process by incorporating budget information within their service plans.
- 24 Our review also identified that the Council's asset management plan did not directly link to the approved three year revenue budget. In addition we noted that Fife Council did not have an organisation wide workforce strategy. Although some services had developed their own workforce strategies this work requires to be replicated at a corporate level. The Council's budget setting therefore only addressed staffing resources where these were highlighted as additional pressures by services and did not establish a clear link between the revenue budget and strategic work force objectives.

Action Plan Point 1

2008/09 Financial Position

- 25 In February 2008 the Council agreed a three year approach to its budget covering the years 2008 – 2011. This period coincided with the approved Council Plan and was in line with the 2007 Spending Review timeframe. The Scottish Government had indicated a desire for local authorities to freeze council tax at 2007/08 levels and had indicated that certain funding would be dependent on this. For Fife Council this amounted to an annual sum of £4.69m which equated to a council tax increase of 3.16% in 2008/09.
- 26 The decision by the Council to freeze council tax at 2007/08 levels was made after consideration of a number of challenges and uncertainties facing the Council including the impact of additional single status costs, increased costs in relation to police officers who became eligible to retire over the following three years, loans charge support not required until 2010 and strategic waste

fund costs. The Council also reaffirmed its policy to restore uncommitted reserves to a minimum level of £9m over the period 2007 to 2010.

- 27 Since the setting of the 2008/09 budget a number of other factors have impacted on the Council's medium term financial strategy;
- **Inflation** – Inflation levels across many areas of activity are considerably greater than anticipated. Rising fuel prices have impacted significantly on services such as refuse collection and the outlook for future fuel prices remains uncertain. The Council has a three year agreement in relation to energy costs which will end in 2010 at which time further significant increases are anticipated. The ongoing pay dispute also represents potential inflationary pressures on the 3 year revenue budget.
 - **Pension costs** – The triennial valuation at 31 March 2008 for the Local Government Pension Scheme is not due until late 2008/early 2009. Any revision to contribution rates will impact from 1 April 2009. The indications from the scheme actuary are that as a result of demographic changes and stock market performance, employer contribution rates are likely to increase. The Council has therefore built in a 5% increase in contribution rates in each of the three years commencing 2009/10.
 - **Modernising employment** – As noted in paragraph 77 the Council has provided for £2.533 million of equal pay claims outstanding at 31 March 2008. This provision relates mainly to 811 equal pay claims anticipated to go to employment tribunal. The final amounts which will become payable remain uncertain since there are still concerns over how the Courts will view the single status implementation agreement entered into by the Council and the eventual impact this will have on amounts due.
 - **Police and Fire pensions** – Increases in both police and fire pension costs are anticipated over the period 2008 – 2011. The impact in 2008/09 of the increased costs was £0.926m which was funded equally from the Police budget and the General Fund. No budget provision has been made in 2009/10 or 2010/11 for increased costs as COSLA, ACPOS and the Scottish Government are of the view that a national resolution to this matter is necessary. To date no such resolution has been agreed and the funding of these costs remains uncertain.
- 28 Other pressures have arisen as a result of the poor economic conditions. For example, the slow down in the housing market has impacted on the level of revenue from building warrants/planning applications and fewer newer properties coming on to the council tax register.
- 29 On a more positive note, the Council has recognised that potential opportunities may arise as a result of the poor economic conditions. These include, for example, the potential opportunity to acquire land to support the construction of council houses or the acquisition of former council houses.

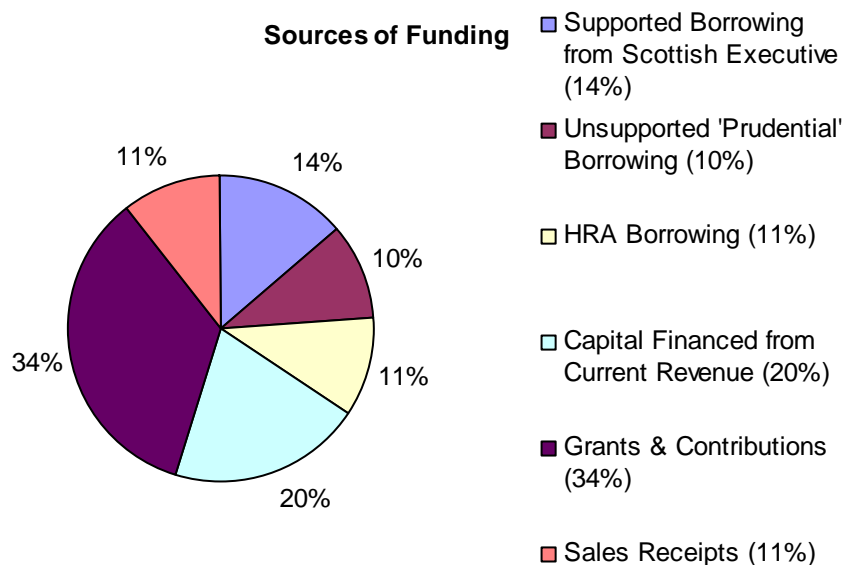
- 30 The Policy, Finance and Asset Management Committee continue to evaluate the impact of these pressures on the council's longer term financial planning.

2008/09 Financial Performance

- 31 A report was submitted to the Policy, Finance and Asset Management Committee in September 2008 providing a high level update on the Council's financial position for 2008/09. The Council is currently predicting an overall projected surplus of £1.869 million against a planned budget surplus of £3 million. Potential overspends are currently projected in Education and Development Services. Consistent with prior year, all services have been instructed to contain expenditure within the approved budget provision.
- 32 The Council is also projecting an estimated balance of £8.221 million in the uncommitted general fund balance. This projected financial position is in line with the Council's approved policy to restore balances to a minimum level of £9m over a three year period commencing April 2007.

Capital Expenditure

- 33 During the year the Council spent £119.220 million on capital expenditure. This was financed by borrowing, capital grants and capital receipts and capital funded from current revenue (CFCR).



- 34 The table below provides an analysis of the Council's actual performance against its capital programmes during the financial year. The Council has re-phased £32.673 million to 2008/09 (£19.553 was re-phased from 2006/07 into 2007/08).

Capital Expenditure 2007/2008 (£ Million)				
	Actual	Budget	Re-phased	Under spend
General Fund	78.121	110.379	(32.258)	
Housing	37.217	40.040	0	(2.823)
Police	2.432	2.661	(0.229)	0
Fire	1.448	1.634	(0.186)	0
TOTAL	119.218	154.714	(32.673)	(2.823)

- 35 In our interim report on the Council's corporate governance arrangements we noted that the level of expenditure re-phased into future years had gradually declined. This was based on the capital monitoring reports presented to Policy, Finance and Asset Management Committee in January 2008. The final outturn reported presented in June 2008, however identifies that the actual level of expenditure to be re-phased into 2008/09 is £32.673 million (an increase of £16.784 million since the report presented in January 2008). As highlighted above, this also represents an increase compared with 2006/07.
- 36 With a challenging capital programme over the next three years it is important that re-phasing of capital expenditure is minimised if the Council wishes to meet its objectives.

Action Plan Point 2

Police and Fire Capital Grants

- 37 Police and fire authorities are able to carry forward any under spend on their capital grant up to an amount not exceeding 5% of the annual allocation for the year (including capital receipts utilised) or with the express consent of Scottish Ministers up to an amount not exceeding 10% of the allocation. Both Fife Constabulary and Fife Fire and Rescue Services spent their grant allocation during the year and no funds were carried forward.

Capital Investment Plan 2008-11

- 38 The Council's initial proposal was to develop three year budgets for both revenue and capital funding. These budgets would be clearly linked and approved by the Council on the same date. During the budget setting process however, the Council identified a number of additional capital funding streams which had not been previously realised and therefore had to be included within the capital budget. These funding streams included additional capital funding realised through revised Scottish Government figures and also through revision to the Council's revenue budget. Accordingly it was agreed to approve a three year core capital plan with further consideration being given to previously displaced projects, unavoidable pressures and any new projects which could be delivered due to the increased funding available through both the settlement and the approval of the revenue budget. The Policy, Finance and Asset Management Committee approved a 3 year core capital expenditure programme in January 2008 (£265.667 million). The

allocation of additional resources (£69.639 million) within the capital budget was formally approved in June 2008.

- 39 At the same time, the Council agreed in principal to the development of a 10 year capital investment programme for Council's consideration in February 2009.

Trading Accounts

- 40 Section 10 of the Local Government in Scotland Act 2003 requires local authorities to maintain and disclose trading accounts for significant trading operations (STOs). Each STO is required to breakeven over a rolling three year period. Fife Council's financial statements include a STO covering its Building Services operations. The Building Services STO delivered a surplus (for statutory purposes) of £3.256 million in 2007/08 which has resulted in the STO achieving a three-year cumulative surplus of £9.050 million as at 31 March 2008.
- 41 Under the terms of the Act the identification of significant trading operations is the responsibility of individual authorities. When considering the status of potential trading operations the Council applied a number of tests to determine the trading status of each activity and its level of significance. In August 2007, Fife Council carried out a re-assessment of all the Council's income generating Services to ensure all potential STO's had been identified and reported. Of the 44 operations identified, 20 were assessed as trading operations. Only Building Services however was deemed to be a significant trading operation. We consider Fife Council's assessment of which activities should be classified as STO's to be reasonable.

Group Accounts

- 42 In 2006/07, Fife Council examined its relationships with third parties to determine the subsidiaries, associates and joint venture undertakings which would require consolidation into the financial statements of the Council. The exercise concluded that Fife Council did not have any financial relationships with third party organisations which would constitute a material interest in subsidiary, associates or joint venture undertakings. The Council therefore did not prepare group accounts in 2006/07.
- 43 A similar exercise was carried out in 2007/08. The exercise again concluded that group accounts do not require to be prepared. We confirm that we are satisfied with the review and decision making arrangements adopted by Fife Council in arriving at this conclusion.
- 44 In October 2007 Fife Council transferred the management of its arts and theatre services to a trust. This was followed in April 2008 by the transfer of sport and leisure services to a second trust. The formation of these trusts is likely to lead to the preparation in 2008/09 of group accounts for Fife Council. The production of consolidated group accounts will be a significant challenge and we recommend that consideration is given to the arrangements necessary to ensure comprehensive group annual accounts can be prepared.

Action Plan Point 3

PPP

- 45 The Council has two Public Private Partnership (PPP) schemes within its Schools Estate Strategy. PPP1 "A New Way Forward", involving three schools, a sports hall and an all weather pitch was completed and available for Council use in August 2003. The total capital construction costs for this project amounted to £42.8 million. The annual unitary charge for 2007/08 was £6.730 million. Revenue support from the Scottish Government is fixed at £3.68 million per annum.
- 46 The second PPP project, "Expanding Horizons", involves 9 primary schools. All of the facilities are now open. The total capital construction costs for this project amount to £63.46 million. For 2007/2008 the unitary charge was £6.091 million. Revenue support from the Scottish Government is fixed at £4.128 million per annum.
- 47 For both PPP schemes, the previous external auditor concluded that the transactions should be accounted for as off the Council's balance sheet and accordingly the schools are not included as the Council's assets in the Balance Sheet. At the end of each contract period, the facilities will revert to Council ownership for a zero consideration, and thereafter the Council will be responsible for all future operational and maintenance matters.
- 48 We would draw the Council's attention to the change in future accounting arrangements for such PPP schemes as highlighted in paragraph 91.

Common Good

- 49 Fife Council is the administrator of Common Good Funds for the former Burgh Councils. The records of the Common Good were inherited by the former District Councils in 1975. Local Authorities are required to administer Common Good Funds under Section 15 of the Local Government (Scotland) Act 1994. The purpose of Common Good Funds is to provide a benefit to the population of the area either through the financial disbursement of funds, securing assets for the ongoing use of the population or contributing to specific local projects/initiatives.
- 50 In 2007 LASAAC issued a guidance note for practitioners on accounting for the common good fund. It is the intention that this guidance should be implemented by all local authorities in 2007/08. Transitional arrangements are outlined in the guidance which suggest the introduction of an asset register by 31 March 2009. The table below identifies the progress made by Fife Council in implementing the transitional arrangements:

Accounting for Common Good – implementation of LASAAC guidance		
Action	Timescale	Fife Council position
Full application of Accounting Guidance	2007/08	<ul style="list-style-type: none"> • Full application in 2007/08
Review of Asset Register Arrangements	April 2008 – March 2009	<ul style="list-style-type: none"> • A working group has been established. It is responsible for identifying which assets belong to the common good, Council or other organisation. • Legal Services is currently collating title deeds for properties in a number of areas. As part of this exercise they have consulted with Community Councils.
Introduction of Asset Register	31 March 2009	<ul style="list-style-type: none"> • Asset register has been established and all known common good assets are, subject to the legal services review, currently included in this register.

51 We will continue to report on the progress made during our 2008/09 audit.

Charitable Trusts

52 Fife Council currently administers 190 trust funds or bequests across the whole of Fife. Of these 90 are registered charities. The major charitable trust administered by the Council is Fife Educational Trust.

53 The Charities and Trustee Investment (Scotland) Act 2005 and the Charities Reorganisation (Scotland) Regulations 2007 provide an opportunity for the Council to reorganise the trusts in such a way that they can be administered effectively, efficiently and for maximum benefit to the community.

54 A paper is currently being circulated round the Area Committees and is to be presented to the Policy, Finance and Asset Management Committee in October 2008 with regard to the administration of Fife Council's trust funds. A working group of officers from Performance & Organisational Support, Finance and Resources, and Asset and Facilities Management Services have appraised various options available to the Council including:

- A do nothing option
- Creation of a Fife wide charitable trust
- Reorganisation on an area committee basis
- Reorganisation of trusts to a settlement by settlement basis

55 The paper recommends that the most suitable option would be to reorganise the existing trusts on the basis that they either be transferred into new trusts on a settlement by settlement basis with broad charitable purposes or be disposed of in such a way that the funds can be properly utilised. We will continue to monitor and report on the progress made by the Council in 2008/09.

Post Implementation Review of VOiP

- 56 As part of our 2007/8 external audit, we conducted a post implementation review of the Voice over Internet Protocol (VoIP) project. During our review, in early 2007, of the ICT governance structure and related ICT management and monitoring arrangements within the Council, we identified concerns over the project management of the project.
- 57 Our review was co-ordinated with the Council's Audit and Risk Management Service as they had completed a review entitled "Management of the Letting of the VoIP contracts" so as to avoid duplication of effort.
- 58 The review identified several areas of good practice in respect of the management of the contract. For example, we were satisfied that the project enabled the Council to meet its strategic aims and objectives and, for the latter stages of the project, documentation was produced in compliance with best practice.
- 59 However, there were areas where there was scope for improvement in the project management approach. These areas included:
- The need to involve Procurement & Supplies personnel in contract negotiations process rather than having technical IT staff perform this role;
 - Copies of signed final contracts should be maintained and held securely;
 - Ensure all issues relating to the project are resolved as they are encountered rather than deferred until a later date; and
 - Apply realistic timetables for the project to ensure that deliverables can be achieved.
- 60 An action plan was agreed with the Council to address the areas for improvement identified. It is important that the lessons learnt from this project are transferred to all other major projects entered into by the Council.

Efficiency

- 61 The Council published its first annual Efficiency Statement covering 2006-07 and intends in the future to develop a 3-year statement covering past, present and future years. The efficiencies included in the Council's 2007/08 Efficiency Statements are detailed in the table below:

Efficiencies included in Fife Council's 2007/08 Efficiency Statement (£ million)			
	General Fund	HRA	Fife Fire and Rescue Service
Procurement	5.473	0	0.016
Asset Management	6.986	0.468	0
Managing Absence	6.644	0.050	0
Shared Services	0.469	0	0
Streamlining Bureaucracy	3.082	0	0
Other	0.030	0	0.012
Total efficiencies	22.684	0.518	0.028

- 62 Fife Constabulary has placed specific emphasis on the certain areas of its business to achieve efficiencies. A summary of the efficiencies achieved by Fife Constabulary during 2007/08 are detailed below:

Efficiencies included in Fife Council's 2007/08 Efficiency Statement (£ million)	
	Fife Constabulary £
Management Improvements	1.368
Joint Working	0.505
Managing Absence	0.320
Better Procurement	0.039
Streamlining Bureaucracy	0.015
Investing Technology	0.044
Investing in the Workforce	0.086
Asset Management	0.010
Total efficiencies	2.387

- 63 As part of the 2008-11 budget process, savings proposals are split between efficiency and additional savings. The efficiency proposals will help to populate the Council's efficiency statement and are scrutinised to ensure they meet the Improvement Services definition of efficiency.
- 64 Savings agreed as part of the budget process are posted to the ledger and monitored during the year in regular monitoring reports to elected members. Where savings are not being achieved, or further spending pressures are causing overspends in services, the Council expects heads of services to take remedial action to bring spending back in line with budget. Follow-up reports are submitted to committee on the effectiveness of the remedial action taken. The Council Management Team (CMT) recognises that it has a role in this process and this includes holding managers to account for delivery of savings.

- 65 The Council is in the process of refining how best to capture and account for procurement efficiency savings. The Council is seeking to identify procurement savings made in three key areas of its procurement function. These three areas are routine procurement functions, collaborative procurement services and specific procurement initiatives identified through the corporate procurement function.
- 66 The Council is also developing a process for identifying savings and making efficient use of its asset portfolio. The Council has recognised that currently it does not know whether it is making efficient use of its fixed assets, therefore it has established criteria for assessing the suitability and condition of its asset portfolio and has defined this within the Council's asset management plan. The Council is also working to develop a performance monitoring framework for its assets, with one aspect of this being the identification of efficiencies.
- 67 Services within the Council have been involved in redesign/restructuring. This has led to greater efficiency savings being achieved.

Workforce

Staff Numbers

- 68 In March 2008, Fife Council had a workforce of 23,052 (including police and fire). The employee turnover figure for the year to 31 March 2008 was 10.9%, an increase of 0.2% in comparison with 2006/07 figures.
- 69 In 2007/08 39.2% of the highest 2% earners were women, up from 32.8% in 2006/07. Of the highest 5% of earners, 48.3% are women at Fife Council. This is an increase of 3.4% in comparison with 2006/07.

Workforce Strategies

- 70 Fife Council does not have a corporate workforce strategy. Services within the Council have developed their own workforce strategies, e.g. Social Work and Education, using these to align staffing resources with service objectives and identify longer-term resourcing needs. There is however no overall corporate strategy for the Council. Such a strategy in our view should cover overall capacity planning for the Council over the short, medium and long term. It should include a skills audit of the workforce, gap analysis and should establish resource and skill requirements which can then link in with the budget planning and other HR policies of the Council.
- 71 In 2005 Fife Council undertook a review of its workforce arrangements and developed an HR Priorities Report for the next three years of the Authority. This paper outlined the current workforce profile of the Council and also identified five strategic priorities for the Authority. These five areas were, reward and recognition; health, safety and well-being; leadership and management; recruitment, retention and development; and HR services. Following the 2007 elections the Council decided that it would not review its workforce management strategy until after the end of the three years covered by the HR Priorities Report.

- 72 In June 2008, the Council reviewed its 2007/08 workforce performance and approved a paper setting out the four strategic priorities for 2008-11, subject to continuing consultation with trade unions and services.

Absence Management

- 73 Fife Council's absence levels have declined slightly over the past three years and are now in line with national averages:

	04/05	05/06	06/07	07/08	National Average (06/07)
Chief Officers and Local Government Employees	6.1	5.7	5.6	5.5	5.6
Craft Employees	7.5	7.3	6.7	6.3	6.3
Teachers	4.0	3.9	3.9	3.7	3.8

- 74 A short term working group was established in 2007 to review sickness absence. Work by this group has focussed on consistent application of policies, early intervention in long term absence cases and management training. This has contributed to the reduction in sickness absence.

Modernising Employment

- 75 The single status agreement between local government employers and trade unions was introduced in 1997 and involves merging the pay and working arrangements for APT&C and manual employees. The agreement gives Fife Council the opportunity to review existing policies and employment arrangements to bring to an end outdated working practices, while complying with equal pay requirements.
- 76 The new package for single status employees was introduced in June 2007. The modernising employment package was negotiated and a collective agreement with UNISON, GMB and TGWU was achieved on terms and conditions. A new pay and grading structure was introduced by Fife Council with an effective date of 1 April 2006.
- 77 At 18 April 2008 Fife Council had 811 equal pay claims outstanding. Of these 135 have been assessed as likely to go to tribunal. The Council has provided for £2.533 million in the financial statements with regard to equal pay claims.

Asset Management

- 78 The Council has defined asset management at a corporate level. Members of the Policy, Finance and Asset Management Committee have ultimate responsibility for asset management. Whilst a number of disciplines are involved in asset management, the Council has organised its services in such a way that only one directorate, Environmental and Development Services, has overall responsibility for developing and delivering asset management
- 79 In 2006, the Council approved its first asset management plan. The plan provides a platform for developing the Council's property asset management arrangements. The Council's asset

management plan recognises the need to assess the condition and “fitness for purpose” of the property asset portfolio. To fulfil this action, Corporate Asset Management Services has developed a process for obtaining and grading data on the condition, suitability and sufficiency of each asset within the portfolio. The plan does not however explain how this information will be used.

- 80 Whilst the Council has developed arrangements for producing service plans and linking these to the budget setting process, asset management planning does not form part of this process. To develop a link between these processes, Corporate Asset Management Services intend to assist services in developing “service level’ asset management plans. These plans are at varying stages of development. At this stage it is not clear how these plans will feed into an overarching corporate asset management plan.
- 81 Our findings were reported in our review of the Council’s asset management arrangements report in May 2008. An action plan incorporating the findings above has been agreed with the Council.

Non operational fixed assets

- 82 Non operational fixed assets are those assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Non-operational assets include assets that are surplus to requirements, pending their sale and investment properties.
- 83 During the year, the Council revisited the definition of investment properties per the SORP to ensure all assets were classified correctly. This resulted in 71 properties (£36.46 million) being reclassified as assets surplus to requirements, pending their sale. In 2007/08, the net book value of assets classified under surplus to requirements, pending their sale was £42.214 million (2006/07: £7.873 million).
- 84 During our review we established, for a sample of assets, the length of time the asset had been held a surplus to requirements. We also sought to confirm that these assets had been correctly classified. The results of our review are summarised below:

Sample review of assets surplus to requirements, pending their sale		
	Net Book Value £ million	Date declared surplus to requirements
North Fod Land	12.0	Pre 1996 re-organisation. Access and site servicing work subsequently required
109.6 Ha Land at Chapel	1.75	Pre 1996 re-organisation. Access and site servicing work subsequently required
Site of Former Home, Station Road	1.6	April 1983
Blacklaw Primary School	1.9	April 2005

- 85 Our review highlighted that there are assets within this category which have been held for disposal for a significant period of time. In addition there was uncertainty over the classification of some assets. We therefore recommend that the Council review this category of assets to ensure all assets have been correctly classified in the financial statements.

Action Plan Point 4

Lease dilapidations

- 86 Many property leases include tenant repairing clauses for dilapidations. They typically require the tenant to return the property to the landlord at the end of the tenancy in a specified condition. Provision should tend to be made for estimated costs of dilapidation repairs spread over the period of tenancy. We noted during our review that the Council has a number of leases where a clause for dilapidations exists. The Council has not provided for all lease dilapidations in the financial statements. We understand however that the total amount would not materially impact on the financial statements. The Council should review all lease agreements to ensure adequate provision is made for the eventual cost of lease dilapidations.

Action Plan Point 5

Procurement

- 87 Fife Council has recently restructured its line management arrangements for procurement services. Procurement Services are now with Finance and Resources Directorate. The Council believes that this provides a more effective level of scrutiny and also provides a greater level of clarity of focus and direction for the procurement function.
- 88 Fife Council has also sought to identify how procurement can aid services in making efficiency savings rather than having efficiency savings put on procurement as it is not a front-line service. As with the 2007 Strategic Spending Review Fife Council has stated that any efficiencies made by services can be reinvested back into the service. Services are therefore working closely with the section to identify what savings can be achieved through procurement.

- 89 Fife has sought to work closely with external procurement groups such as the South East Procurement Alliance (SEPAL) recognising the opportunities for benchmarking and the sharing of good practice. Fife's procurement function is working closely with Scotland Excel and from 1 April 2008 will be part of the consortium. The Council recognises that this will increase its market knowledge and contract opportunities.
- 90 The Council's procurement function is one of the services being audited through the Best Value review. The findings of this review must be used by the Council to continue to develop and improve its procurement function.

Future Outlook

- 91 In 2008 the CIPFA/LASAAC local authority SORP board confirmed that from 2010/11 all local authority accounts will be prepared in accordance with International Financial Reporting Standards (IFRS). This change will bring local government into line with other UK public sector bodies. As part of the strategy towards adopting IFRS, it is proposed that most PFI/PPP schemes will move on-balance sheet from 2009/10. This is likely to have a significant impact on Fife Council as the expectation is that the schools funded under the PFI route will in future be recorded in the Council's accounts together with the associated debt. We recommend that the Council takes early steps to assess the financial implications of applying IFRS within its annual accounts together with the system and procedures changes that will be necessary to deal with the new accounting requirements.

Action Plan Point 6

- 92 At the same time as there are changes across the UK to financial reporting, in Scotland the establishment of a Scottish Futures Trust will potentially allow a greater opportunity for joined-up public sector action in infrastructure planning and the delivery and development of individual programmes in partnership with other public organisations. As one of its early tasks, the Scottish Futures Trust will be developing national strategies for the delivery and funding of schools, housing, waste and flood defences.

Performance

Introduction

- 93 Local authorities have a statutory duty to make arrangements to secure Best Value, which is defined as continuous improvement in the performance of functions. In securing Best Value, local authorities are required to maintain a balance of quality and cost considerations and must have regard, among other things, to economy, efficiency and effectiveness and the need to meet equal opportunity requirements and contribute to the achievement of sustainable development. Local authorities also have a duty to undertake effective community planning.
- 94 The Accounts Commission is responsible for the audit of best value and community planning arrangements across Scottish local government. In carrying out this responsibility every council in Scotland is required to undergo a Best Value review. This high profile review culminates in a public report which will be a key document for the Council and will result in significant media focus. The audit will provide the Council with a clear opportunity to assess progress and developments made against the Best Value agenda.
- 95 A team of specialist staff from Audit Scotland is currently carrying out the Best Value audit, together with two members of Scott-Moncrieff's external audit team. The onsite work of the review took place in August and September 2008. A draft of the report is expected to be presented to the Council at the turn of the year with the finalised report being published in February 2009.
- 96 This section of the report summarises the Council's performance in the following areas:
- Performance Management
 - Statutory Performance Indicators
 - National Audit Scotland reports

And also comments on the Concordat between the Scottish Government and COSLA.

Performance Management

- 97 Performance management is an important aspect of the best value review and will be commented in detail as part of that audit. We would however highlight the following matters:
- 98 In September 2007 a report was presented to the Policy, Finance and Asset Management Committee which outlined a revised corporate performance reporting framework. It is the intention that the revised performance reporting framework will achieve a more balanced and consistent overall approach to the scrutiny of performance. The revised reporting arrangements will comprise of a number of reports, including an annual performance overview report to Policy, Finance and Asset Management Committee, an annual statutory performance indicator report,

scrutiny reports and annual review reports. The annual review reports are to be presented to strategic committees each autumn.

- 99 The Council's current performance management approach includes the reporting of service and council wide performance to members through performance overview reports and Annual Review Reports. The performance overview reports focus on performance indicators (PI) and provide information on 308 performance indicators. There are 71 indicators reported to Audit Scotland and a large number of these indicators have multiple component parts resulting in the 308 indicators being reported against. In our view, better use could have been made in providing contextual information, targets and commentary of actual performance against previous years and targets for each indicator. This would enable variations in trends and performance to be identified and explanations given to the elected members as to why these had occurred and what was being done to rectify the position where appropriate. On the publication of Audit Scotland's audited analysis of all council's PI's the Council provides an analysis of how it performs against other councils to enable comparison and to identify where action needs to be taken to improve performance.

Action Plan Point 7

- 100 The Council's other key performance reporting mechanism to members is the Annual Review Reports (ARR). The ARR's provide general information about the service, the challenges the service is expected to face over the next three years and general information on service performance. The ARR's do not state what the service had intended to achieve in the year or link the service outturns to the service plans. We recognise that the Council does not intend for this to happen again as PFAM approved a paper in December to ensure that future ARR's would outline performance and achievements against service plans.
- 101 The ARR's for each service also include the service performance scorecard. The scorecard reports the performance for the year against each indicator, performance for the first quarter of the new year and again provides the performance outturn for the previous two years. Only some ARR's provide information on the target which was to be achieved. All reports should provide information on targets and should include explanations on over/under performance and what is being done to address the situation. This should be explained in the 'performance' section of the report which would also help to ensure that a more rounded picture is provided on service performance.

Action Plan Point 8

- 102 New arrangements regarding performance reporting by Fife Constabulary were introduced in April 2008 following the launch of the Scottish Policing Performance Framework. This Framework was agreed by a national multi agency group which has overall responsibility for agreeing national performance indicators. Individual forces and police authorities remain responsible for developing indicators appropriate to their local circumstances. The Fife Council Police, Fire and Safety Committee agreed that reporting of the performance framework information together with a policing plan performance report would in future be submitted

quarterly to the committee. The Chief Constable would also provide an operational brief at each committee meeting on significant operational issues.

Statutory Performance Indicators

103 The Local Government Act 1992 set out the requirement for councils to prepare and publish performance indicators. In meeting this duty, Fife Council must ensure that it:

- establishes systems and procedures to ensure that the required information is gathered;
- undertakes checks to ensure that, as far as practicable, the information gathered for publication is accurate and complete;
- arranges to keep all working papers and any other sources which may be examined by appointed auditors, and is able to make these available on request; and
- maintains a publicly available record of the reported information.

104 As external auditors we have a statutory duty to ensure that the Council has made such arrangements for collecting, recording and publishing statutory performance indicators by reviewing and examining evidence that is relevant to these arrangements in accordance with guidance issued by Audit Scotland.

105 Our audit of the performance indicators found that services were well organised and on the whole produced reasonable working papers within the requested timescales.

106 The table below summarises the results of our audit on Fife Council's Statutory Performance Indicators (SPI's) for 2007/08 and includes work undertaken on the SPI's for Fife Constabulary and Fife Fire and Rescue.

Summary of SPI Assessment

	Number of SPI's assessed	Rating of Assessed SPI's		
		Reliable	Unreliable	Failed to Report
Fife Council	56	56	0	0
Fife Constabulary	10	10	0	0
Fife Fire and Rescue Service	4	4	0	0

107 During 2006/07 we marked one indicator in Adult Social Work as unreliable. In 2007/08 this indicator has not been reported. This is because the Council was not required to report information on this indicator in line with other Scottish local authorities.

108 On an annual basis Audit Scotland provides a data compendium of all statutory performance indicators. For each indicator councils are ranked in order of performance. Based on the most recent national published information (2006/07), Fife Council was in the top quartile for 6 of the indicators and in the lower quartile for 18 of the indicators. This included 9 indicators in relation

to social work services. Whilst there appear to be some improvements in the performance of certain adult social work service indicators in 2007/08, the level of performance achieved would suggest that Fife still lags behind most local authorities. It is important that Strategic Committees challenge and manage the performance in these areas once national performance information is published.

Action Plan Point 9

Concordat between the Scottish Government and COSLA

- 109 In November 2007 the Scottish Government and COSLA agreed a Concordat which set out a new relationship between the Scottish Government and local authorities. This new relationship was represented by a package of measures which was underpinned by an agreement on funding for local government over the period 2008/09 to 2010/11.
- 110 One of the critical measures outlined in the Concordat was the agreement to develop a Single Outcome Agreement which would be agreed between each Council and the Scottish Government, based on 15 key national outcomes.
- 111 Within Fife, the Single Outcome Agreement (SOA) was developed as a Fife Partnership agreement with the Scottish Government and covered the priorities not only of the Council but NHS Fife, Fife Constabulary, the Fife third sector, Scottish Enterprise Fife and the Fife further education colleges. The Fife SOA drew extensively from the Fife Community Plan and was developed in conjunction with Fife's community planning partners. It was submitted in draft to the Council's Policy, Finance and Asset Management Committee on 1 May 2008 before being agreed at the full Council on 26 June 2008.
- 112 The SOA identified local outcomes and relevant indicators for each of the 15 national outcomes contained within the Concordat. There are 191 relevant indicators included in Fife's SOA covering all of the national outcomes. However the extent of indicators supporting each outcome varies from 2 to 25. Fife Partnership will be looking to refine and improve the outcomes within the agreement over 2008/09. We support this review and would recommend that consideration is given to the following areas:
- Rationalising certain of the relevant indicators across the Fife Partnership to ensure measurement is on one agreed basis and that target outcomes remain consistent. We acknowledge that in reaching this consistency, for certain indicators this will mean that agreement to alter the definition of certain performance information will require to be obtained from the Scottish Government.
 - Ensuring all national outcomes are supported by a comprehensive suite of relevant indicators.
 - Performance management arrangements have been established with the approval by the Council of a revised performance framework. It is important that future financial budgets are

capable of being mapped against the Council Plan and SOA priorities to show how funds are being used against particular outcomes.

Action Plan Point 10

- 113 Over the next year we will be reviewing the development of the Fife SOA and assessing the extent to which it is contributing to improved performance reporting and accountability.

Value for Money and other Inspection Reports

- 114 Fife Council has also undergone a range of inspection reviews throughout the year. These have included national progress reports on issues such as the Scottish fire and rescue authorities but also specific reviews of arrangements in Fife Council such as the review of Fife education arrangements by Her Majesty's Inspectorate of Education (HMIE).

HMIE Review

- 115 On an approximately five year cyclical basis HMIE undertakes an Inspection of Education Authorities (INEA) review of every council in Scotland. The first INEA inspection of Fife Council's education service was conducted in March 2002 and resulted in two subsequent follow-up visits. The second cycle of inspection involving Fife Council was conducted in the period October 2007-January 2008 and was published in May 2008.
- 116 The inspection noted significant improvement in the delivery of services by Fife Council. The report highlighted the strength of leadership from the Executive Director and also the commitment from head teachers, managers and staff to the stated aims, values and vision of the Education Directorate. The report noted that improvements had to be made to the attainment levels of S3-S6 pupils but acknowledged that the Council had recognised this as an issue and that measures were being put in place to tackle it.
- 117 The Education and Community Services directorates presented the report to the Education and Children's Services Committee in May 2008. The directorates are developing action plans to respond to the key issues raised in the report and the Council must ensure that these are subjected to appropriate scrutiny and follow-up.

Audit Scotland Reports

- 118 Throughout the year Audit Scotland has published reports and updates on issues across Scotland. Some of these issues, such as the sustainable waste management report, can be directly linked to Fife Council's big eight priorities whilst others provide the Council with an opportunity to identify good practice and benchmark the delivery of services.

Reports Published and Council Responses

- 119 The following table is a summary of the reports published during the year, when they were published, which Council committee they were presented to and when.

Report	Date Published	Presented to	Date Presented
Inspection of the Education Functions of Local Authorities: Fife Council	May 2008	Education and Children's Services Committee	May 2008
Scottish fire and rescue authorities 2007/08 progress report	July 2008	Police, Fire and Safety Committee	September 2008
National Fraud Initiative	May 2008	Local performance reported to the Standards and Audit Committee. National report circulated to members.	August 2008
Improving the School Estate	March 2008	Education and Children's Services Committee	May 2008
Police Call Management – An Initial Review	September 2007	Police, Fire and Safety Committee	November 2007

Future Outlook

- 120 Changes to the audit, inspection and regulatory arrangements are anticipated in future years and these will impact on the Council.
- 121 The five year cycle of primary and review inspections of police forces has been replaced with a system of annual self assessment. The risk based scrutiny model will use recognised service standards and the Scottish Policing Performance Framework. It is the intention that this model will provide a more focussed approach that should identify significant policing issues, options for improvement and good practice. Implementation of the self assessment process is to commence in June 2008 to fit in with the National Intelligence Model and business/strategic planning cycles, and the overall force self assessments are due for submission to HMICS in November 2008.
- 122 In previous years responsibility for inspecting housing benefits was the remit of the Benefit Fraud Inspectorate. On 1 April 2008 Audit Scotland took on these responsibilities which have been integrated with the current benefits audit that is undertaken by local auditors. The work that is now being undertaken by the Housing Benefit Review team considers whether local authorities are complying with their statutory responsibility to continuously improve their benefits service. This move is also reflected by the move from prescriptive DWP Performance Standards to the overarching 'Right Benefit, Right Time' indicators that have been in place since 1 April 2008. The programme of reviews are in their early stages and as yet Fife Council has received no indication as to when their review will take place.
- 123 The Crerar report on the independent review of regulation, audit, inspection and complaints handling of public services in Scotland was published in September 2007 and contained a series of recommendations designed to streamline the scrutiny landscape in Scotland. In their response to the Crerar report in June 2008, Scottish Ministers asked the Accounts Commission

to put in place arrangements to reduce the burden of scrutiny for local authorities by establishing a single audit framework.

- 124 Over the last 12 months Fife Council has seen a succession of major audit and inspection reviews undertaken, commencing with an HMIE inspection of the education authority, the findings of which were published in May 2008, followed by the Best Value review undertaken in August and September 2008. This in turn will be followed by the Multi Agency Inspection of Child Protection Services in Fife which will be undertaken in October and November 2008. These reviews were already programmed to commence prior to the Accounts Commission taking on its gatekeeper role and a more co-ordinated approach to the audit and inspection regime should be possible in future.

Governance

Introduction

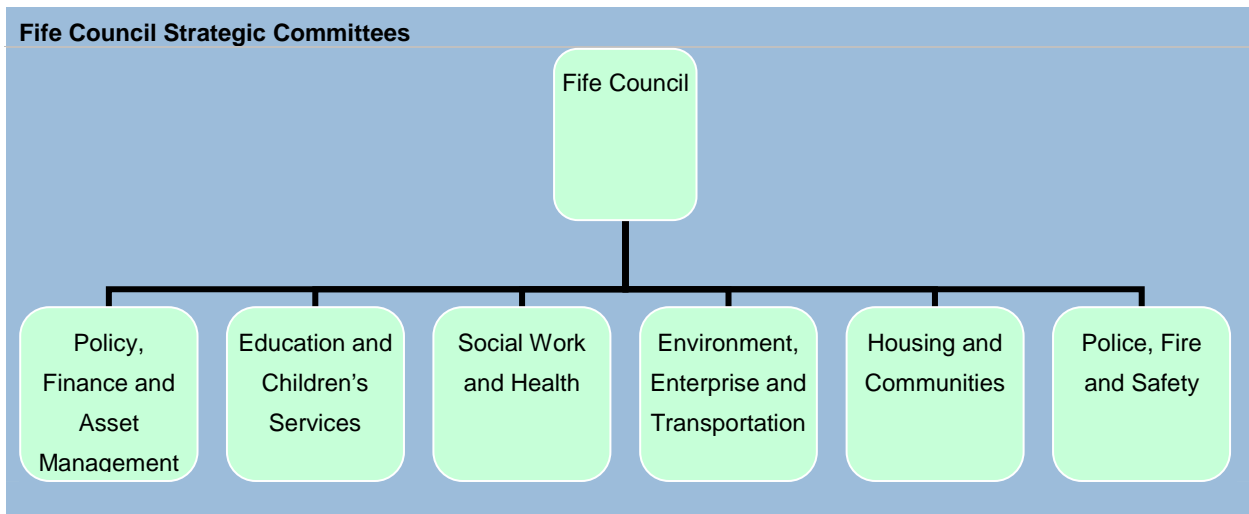
125 Corporate Governance is concerned with the structures and processes for decision-making, accountability, control and behaviour at the higher levels of organisations. Through the chief executive and other statutory officers, Fife Council is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements.

126 This section sets out the main findings from our review of Fife Council's corporate governance arrangements.

Structure of the Authority

Political Governance

127 The political governance structure within the Council was reviewed following the 2007 local government elections. A committee based structure was retained with six strategic committees covering all the main services within the Council (see below). These committees are responsible for developing policy, setting strategic direction and allocating resources assigned to them. They are also responsible for scrutinising performance in regard to matters remitted to them.



128 The Council also created seven local area committees each made up of a number of multi-member wards. In addition to these committees the Council has a Standards and Audit Committee and Regulation and Licensing Committee and a 'Fife-wide' Planning Committee.

Management Arrangements

129 In February 2007, the former Policy and Resources Committee agreed to revised roles and responsibilities for senior managers. The revised roles and responsibilities consolidated the

interim arrangements and established six Directorates managed by six Executive Directors. These posts were drawn from the existing strategic manager and heads of service levels. The Executive Directors together with the Chief Executive comprise the Council Management Team.

Scrutiny arrangements

- 130 A Council must be able to effectively scrutinise the actions of the leadership or Executive and hold it to account for its performance.
- 131 The Leadership Advisory Panel's Report on "Scottish Local Government's Political Management Structures" recognised that Council members enjoyed a strong culture of speaking out on issues in committee and challenging decisions or proposals. However, notwithstanding this they recommended taking scrutiny out of the committee structure and establishing a separate scrutiny group with its own corporate identity, formal work programme and remit. The report stressed that scrutiny should go wider than pure audit and Best Value. It should be about reviewing the performance of the Council in terms of service delivery; the processes by which policy decisions have been taken; the substance of a particular policy and how it fits with the overall objectives of the Council and the effectiveness of a policy in terms of implementation.
- 132 Scrutiny within Fife Council remains the responsibility of Fife Council and its strategic service and area committees. The Policy, Finance and Asset Management Committee also has a responsibility for corporate policy scrutiny and has overall responsibility for the effectiveness of scrutiny and performance review arrangements across the Council. The Standards and Audit Committee also has an important responsibility for scrutiny within the Council.
- 133 The existing scrutiny arrangements at Fife Council have been in place since May 2007 and replaced the previous political governance structure which had scrutiny sub-committees set up to shadow the strategic committees. Our review of minutes and agenda papers from Council meetings revealed that scrutiny is taking place, however, it does not appear to be based on a structured work programme covering all services and policies of the Council.
- 134 In June 2008 the Policy, Finance & Asset Management Committee approved a Scheme of Scrutiny and Performance. The Scheme of Scrutiny and Performance set out mechanisms by which effective scrutiny could be carried out. We are pleased to note that the Scheme of Scrutiny recommended that all committees should consider the adoption of an annual work programme including identification of any priority areas for scrutiny.
- 135 We recommend that all committees involved in scrutiny should appraise their working arrangements against this Scheme of Scrutiny and submit annual work programmes to the Policy, Finance & Asset Management Committee.

Action Plan Point 11

Audit Committee Principles

136 Audit Committees are increasingly viewed as a critical component in the overall corporate governance process. As part of our review of the Council's corporate governance arrangements we assessed the effectiveness of the audit committee arrangements in place within the Council. In doing this we considered the audit committee arrangements against publications which illustrate best practice. These included:

- Audit Committee Principles in Local Authorities in Scotland – a Guidance Note (CIPFA)
- Audit Committees – Practical Guidance for Local Authorities (CIPFA)
- The Smith Report

137 Overall we concluded that Fife Council's arrangements were largely able to deliver the audit committee principles set out in the CIPFA guidance and have had a positive impact on the Council's overall corporate governance framework.

138 The membership on the Standards and Audit Committee changed following the elections. The Standards and Audit Committee does not comprise of any members who sat on the previous committee. A comprehensive training programme was provided following the elections which covered specific areas such as governance and standards. The Committee members also continue to receive training specific to their role as an audit committee member. Seminars on specific topics are provided following meetings. Topics covered to date include, for example, risk management and the annual accounts.

139 Best practice recommends that an audit committee conduct an annual review of their work (*The Smith Report*). In our 2006/07 annual report, Audit and Risk Management Services committed to assisting the Standards and Audit Committee in performing such a review. This however has yet to be completed.

Action Plan Point 12

Police

140 Fife Council is a police authority in terms of the Police (Scotland) Act 1967 and a fire and rescue authority under the Fire (Scotland) Act 2005. The Police, Fire and Safety Committee Terms of Reference include responsibility for police and fire functions within the Council.

141 The duties of Best Value and public performance reporting under the Local Government Act 2003 apply to police authorities and fire and rescue authorities. Notwithstanding the shared responsibility for policing between Scottish Ministers, local authorities and Chief Constables, elected Members have a key role in giving strategic direction, monitoring and scrutinising performance and supporting continuous improvement. For Members to fulfil these responsibilities they may need to consider aspects of operational efficiency and effectiveness in the context of policy priorities and the deployment of limited resources. Preserving the operational autonomy of the Chief Constable is critical to the existing arrangements, but it is less

clear what this operational autonomy means or what its limits are and how elected Members responsibility for priority setting and performance management link with this.

- 142 There is evidence in Fife Council that greater clarification is required as to the specific responsibilities of the Council as the police authority and those of the Chief Constable. Therefore, we recommend that the Council agrees a Memorandum of Understanding with the Chief Constable and police service to clarify the specific responsibilities of the police authority and those of the Chief Constable and, in particular, how the police authority's activities are covered by the existing Fife Council governance arrangements.

Action Plan Point 13

Multi-member ward arrangements

- 143 The 2007 local government elections saw the introduction of proportional representation and multi-member wards to local government. The arrangements for multi-member working and for allocating workloads across multi-member wards were formalised in a councillor and officer protocol for multi-member wards approved by Policy, Finance and Asset Management Committee in September 2007. Each ward area has developed its own arrangements for allocating workloads and issues such as the attendance at area committees. Fife Council has sought to aid this process through its locality managers. The locality managers therefore convene regular meetings with ward members to identify the key issues arising within the ward, and how the members propose to address the existing workload.

- 144 Fife Council has not undertaken a formal review of its multi-member ward arrangements although the Council is not aware of any issues arising. We would however encourage such a review to be undertaken to ensure elected members views of the effectiveness of current arrangements are considered.

Action Plan Point 14

Elected Member Training

- 145 At the last local government election, Fife Council had a high turnover in elected members and the current political governance structure is the first time that the Council has worked with a coalition administration. The Council therefore recognised the importance of its training and induction programme and had hoped for a high level of elected member take up.
- 146 Fife Council held an induction programme for all new councillors in May and June 2007 but also invited all returning elected members to the induction programme. There were varying degrees of take up for each of the courses with the average being roughly 40% of all elected members. We would encourage elected members to attend the training and development sessions that have been organised by officers to ensure they have the requisite skill and knowledge to carry out their responsibilities effectively.

Action Plan Point 15

- 147 The training programme included general introductions to the Council, working as a councillor, specific training for committees and IT training. Training was also offered to all councillors on governance and the Code of Conduct in May 2007. In addition to these training sessions advice and guidance on roles and responsibilities of councillors on companies, trusts and management committees was provided to all councillors with additional guidance to councillors who were to be directly involved in such bodies. Other training specific to members involved in the Standards and Audit Committee and Superannuation Fund and Pension Sub Committee has also been provided.
- 148 The Council has also established a programme of individual development support for elected members. This programme enables Fife Council to identify any common areas being raised for training and whether issues covered in initial training sessions are being raised again by members.

Corporate Governance Statement

- 149 Authorities have the option to publish a wider-ranging statement on the adoption of a local code of corporate governance instead of a statement of internal financial control which is required by the Code of Audit Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP). The statement should report on how the Council has complied with such a code and monitored its effectiveness.
- 150 Fife Council has published a wider-ranging corporate governance statement within the 2007/08 statement of accounts. The Corporate Governance Statement provides an overview of the key elements of the Council's governance arrangements and systems of internal financial control.
- 151 As part of our audit work we are required to review the information disclosed in the Corporate Governance Statement and assess whether the Council's opinion on the effectiveness of its internal financial controls is consistent with our understanding of the Council's internal financial control framework. To inform our understanding of the Council's system of internal financial control we carried out a review of a number of specific areas during our 2007/2008 audit. Our assessment of the Council's corporate governance arrangements included consideration of the authority's risk management system and its mechanism for the prevention and detection of fraud. We also carried out systems reviews of the following systems at Fife Council:
- Council Tax
 - Housing and Council Tax Benefits
 - Members Allowances
 - Non Pay Expenditure
 - Sundry Income
 - Non Domestic Rates
 - Payroll

152 Overall we found the systems of internal financial control reviewed to be of a good standard with controls operating at an adequate or effective level.

153 The Council's review of the effectiveness of the corporate governance and internal control procedures is informed by the views of Audit and Risk Management Services and the Council's heads of service. The results of this work allowed the Council to conclude that the system of internal financial control was largely effective.

Delivering good governance in Local Government

154 In 2007 CIPFA/SOLACE published "Delivering Good Governance in Local Government: A Framework". This document revises the governance standards which were first established in 'Corporate Governance in Local Government: A keystone for Community Governance' and builds upon recent governance work, in particular The Good Governance Standard. The six core principles from The Good Governance Standard have been tailored for local government purposes.

155 The principles and standards set out in the Framework are expected to assist authorities in providing stronger leadership for communities. The Framework is supported by detailed implementation and evaluation guidance. The guidance notes make a number of recommendations for councils to consider. These include:

- Develop and update their local code to improve its effectiveness
- Review and show evidence of where improvements to the local code are required
- Consider the extent to which the authority complies with the principle elements of good governance set out in the Framework

156 We understand that the Council intend to review its local code against this guidance over the coming year.

Codes of Conduct

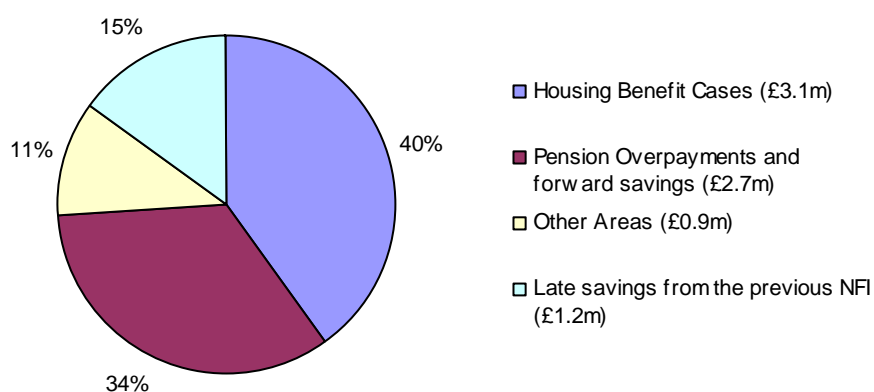
157 Propriety requires that public business is conducted with fairness and integrity. This includes avoiding personal gain from public business, being even-handed in the appointment of staff, letting contracts based on open competition and avoiding waste and extravagance. In 2007/08, we placed reliance on the work of Audit and Risk Management Services in relation to this area. Audit and Risk Management Services identified a number of good practice points in relation to codes of conduct within Fife Council. They did however identify areas for improvement including the requirement for procedures in relation to obsolete/moving stock and central records for dismissals for gross misconduct and gross negligence. An action plan has been agreed between Audit and Risk Management Services and relevant services to address these areas for improvement.

Fraud and Irregularity

158 The integrity of public funds is at all times a matter of concern. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities. As part of our 2007/08 audit we have placed reliance on the work of Audit and Risk Management Services in this area. Overall they concluded that controls at Fife Council were generally satisfactory to prevent and detect fraud and other irregularities.

National Fraud Initiative

159 The National Fraud Initiative (NFI) in Scotland is an exercise that brings together data from councils, police and fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. This has been undertaken as part of the audits of the participating bodies and is completed on a two-yearly basis. During 2006/07 we reported on the outcomes of the NFI at Fife Council. The chart below shows the final outcomes recorded by Audit Scotland for all local authorities.



Source: Audit Scotland Data

160 The overall savings generated by local authorities as part of NFI totalled £7.9m, down from the £9.7m recorded in the 2004/05 exercise. The main results from NFI 2006/07 included:

- 186 pensions stopped after NFI identified that the pensioner was deceased
- 1,552 housing benefit cases involving public sector pensioners
- 672 housing benefit cases involving public sector employees
- 969 'blue badge' disabled parking permits cancelled after NFI identified that the holder was deceased

161 The savings totals for Fife Council in both exercises are as follows:

	Housing Benefit Cases (£)	Pension Overpayments and Forward Savings (£)	Other Areas (£)	Late savings from the previous NFI (£)	Total (£)
NFI 2006/07	44,871	30,673	0	0	75,544
NFI 2004/05	110,487	189,353	15,000	0	314,840

162 The total savings generated by the 2006/07 exercise are significantly less than that of the 2004/05 exercise, which should give assurances that the systems that are in place to prevent and detect fraudulent transactions are generally effective.

NFI 2008/09

163 The 2008/09 NFI exercise is due to begin in October 2008. This will involve the capturing of data by all public sector bodies and uploading them to a secure website operated by the Audit Commission. We are pleased to note that Fife Council has taken appropriate steps to ensure that this deadline is met and that action points we have raised during the 2006/07 exercise are being addressed. We will continue to monitor and report on the progress made by the Council during 2008/09.

Risk Management

164 An important feature of a robust system of internal control is a developed and integrated approach to risk management. Effective risk management will deliver an appropriate balance between risk and control, more effective decision making, better use of limited resources and greater innovation.

165 Fife Council approved its risk management strategy in March 2007. A Risk Management Strategy Group and Operational Risk Management Group have been established to ensure risk management is effectively implemented throughout the Council. Progress reports are submitted to the Standards and Audit Committee on implementation of the Council's risk management arrangements. A revised strategic risk register was presented to the Standards and Audit Committee in February 2008.

166 As part of our 2007/08 review of the corporate governance arrangements we reviewed the Council's risk management arrangements. Overall we found that the Council has made good progress in implementing risk management arrangements at a strategic level. The arrangements however are not as well developed at a service level. The Council has acknowledged that further work is required for risk management to be embedded into every day practices.

Business Continuity

- 167 The Civil Contingencies Act, and accompanying non-legislative measures, aims to deliver a single framework for civil protection in the United Kingdom capable of meeting the challenges of the twenty first century. The Act is separated into two substantive parts: local arrangements for civil protection (Part 1) and emergency powers (Part 2).
- 168 As part of our review of the Council corporate governance arrangements we considered their compliance with Part 1 of the Act and, in particular, the extent of business continuity planning in place at Fife Council. Our review drew upon the work carried out by Audit and Risk Management Services on business continuity and emergency planning arrangements.
- 169 A business continuity project is currently in the planning stages at Fife Council. Our review identified a number of recommendations to increase the potential for successful business continuity management. These were incorporated into our report on the Council's corporate governance arrangements.

Audit and Risk Management Services

- 170 During the course of our audit we carry out an assessment of the internal audit function to assess its effectiveness and ascertain whether specific areas of internal audit work can be relied upon to inform the external audit of the Council's financial statements. As part of our review we also assess the Council's internal audit function against the standards set out in The Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 171 Our review concluded that the Council maintains an effective internal audit function and is fully compliant across many of the Code's requirements. We were able to rely on the work of Audit and Risk Management Services during 2007/08 in the following areas:
- Fraud and Irregularity
 - Standards of Conduct
 - Good Governance
 - Housing and Council Tax Benefits
 - Housing Rents
 - Treasury Management
 - Pension Fund

IT Governance Arrangements

- 172 As part of our external audit for 2006/7, we conducted a review of IT Strategy, Governance and Services within the Council. A number of high priority findings resulted from this review. Fife Council has provided us with an update detailing progress made in implementing our recommendations. We have not conducted any audit testing to confirm the accuracy of comments on progress.

- 173 A key aspect of our recommendations related to the need for improved IT governance and strategic direction within the Council. We were pleased to note that the majority of the recommendations relating to governance and strategy issues have been addressed. An ICT Strategy Board has been formed and the ICT strategic intent of the Council has been agreed following a meeting of the ICT Strategy Board in May 2008. The ICT Strategy Board also reports to the Corporate Improvement Board.
- 174 The majority of the recommendations in relation to the management and monitoring of the Council's IT infrastructure have been either implemented or are in the process of being implemented.
- 175 The Council is in the process of conducting an IT Security Gap Analysis which is scheduled to be completed by October 2008. This will address those areas where no progress has been made to date. It is essential that this review is completed on time and that detailed actions are agreed.

Action Plan Point 16

Community Planning and Partnership Working

- 176 A review of the Council's community planning arrangements was undertaken in May / June 2008. At that time we recognised in our report that the Community Planning Partnership was in a period of transition. A proposal paper was being put to the Partnership Board and was subsequently agreed in June 2008 which was to result in changes to the reporting and monitoring function. The proposal paper also looked to review the lines of accountability within the partnership. It is as yet too early to determine how effectively these new arrangements are working.
- 177 It was evident from the review that Fife's Community Plan 'A Stronger Future for Fife' is the overarching strategic plan for Fife. It aims to provide a framework for every other strategy and plan that the partners of the Fife partnership are to put in place. Fife Council's plan represents their contribution to the challenges in Fife's Community Plan. The council's eight key priorities clearly link with the five outcome themes in the community plan and this is indicated throughout the council's plan.
- 178 The most recent Community Plan was approved in April 2008 and is the second revision to the plan since it was produced in 2000. This revised plan focuses more on tasks and outcomes and identifies, unlike previous plans, a lead partner and a lead community planning partnership for taking each of the themes forward.
- 179 There is now a need to ensure that the partnership reports consistently and effectively against the new Single Outcome Agreement which was signed-off in its final form by the partnership in June 2008. There is also a need to ensure lines of reporting and monitoring are clear and transparent across the partnership given the additional reporting requirements needed for the outcome agreement.

Action Plan Point 17

180 A number of other recommendations were made in the report which are being taken forward and are to be completed by March 2009 to strengthen the current arrangements.

Following the Public Pound

181 Councils fund arms-length and external organisations (ALEOs) for a range of purposes related to council services and their broader objectives. These arrangements are often more complex than standard purchase contracts for goods or services and are usually designed to deliver wider public benefits. They involve the transfer of public funds from the direct control of a council to the control of an ALEO. In practice these can range from relatively small grants to voluntary organisations and small community organisations, to payments to trusts set up by councils to manage all of their leisure facilities. A council may make a fixed payment to an ALEO, or the ALEO may have the power to commit council funds.

182 To ensure that public funds are used properly, to maintain accountability, and to ensure that value for money is secured, it must be possible to trace the funds from the point at which they leave the council to the point at which they are ultimately spent by the receiving organisation. In other words, it is important to be able to 'follow the public pound' across organisational boundaries.

183 During our 2007/08 audit we carried out a review of the Council's arrangements for following the public pound. We considered whether the Council had implemented the recommendations raised in our 2006/07 Annual Report to Members and the Controller of Audit. Our review identified that two of the recommendations remain outstanding and the agreed implementation dates have passed. These include:

- A central mechanism is required to identify Members and officers employed by, or on secondment to ALEOs
- The Council should complete the development and implementation including training of the outstanding sections of the Monitoring and Evaluation Framework as soon as possible

184 These recommendations were originally raised by the Council's previous external auditors in November 2006. It is essential that the Council consider these recommendations and ensure realistic dates for implementation are agreed.

Action Plan Point 18/19

185 In October 2007 Fife Council transferred the management of its arts and theatre services to a trust. This was followed in April 2008 by the transfer of sport and leisure services to a second trust. During the year we have reviewed the processes and arrangements for establishing these trusts. Our findings are summarised in the following paragraphs:

Funding Agreements

186 As part of the agreement between the Council and the trusts, assets are to be rented to the trusts for a peppercorn annual rent. Some of the assets to be rented to the trusts are common

good assets. Case law involving common good assets has tended to view long term leases of common good assets as a disposal. The Council has therefore applied for consent from Scottish Ministers for the disposal of these assets.

- 187 One of the reasons for transferring the arts, theatres and leisure facilities to charitable trusts was the potential savings on non-domestic rates. We noted during our review however that Fife Sport and Leisure has yet to apply for charitable relief on properties it is operating from.

Action Plan Point 20

Representation

- 188 The council is clear about the purpose of any officer or member representation on the trusts, and representatives discharge their responsibilities with due regard to the objectives of the council. The table below summarises officer and member representation on the two trusts:

	Arts and Theatres Trust Fife	Fife Sports and Leisure Trust
Total Board Membership	13	13
Elected Members on Board	4	4
Senior Management on Board	2	2

- 189 Given the level of member and senior officer involvement in the trusts it is important that the risk of a conflict of interests arising is managed effectively. We were therefore pleased to note that members who were appointed to the Boards of partner organisations following the 2007 elections received training on the responsibilities of being a company director and on the conflicts of interest that they may face.

Action Plan

Our action plan details the significant weaknesses and opportunities for improvement that we have identified during our final audit visit.

A significant weakness is defined as a weakness in existing controls leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high for the matter to be reported specifically in the Annual Assurance and Corporate Governance Statements

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

Action Plan Point	Paragraph Reference	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
1	24 70	The Council should develop an overall workforce strategy which includes capacity planning over the short, medium and longer terms. Clear links should be established between corporate asset management plans, workforce strategies and the revenue budget.	Executive Director, Performance & Organisational Support	As part of the Council's HR Strategy a workforce planning toolkit is being rolled out for all services. This will enable better workforce planning strategy at a service, occupational group and Council wide level.	June 2009
2	36	With a challenging capital programme over the next three years, the Council should ensure arrangements are in place to minimise re-phasing of capital expenditure.	Head of Financial Services	Arrangements will be put in place including quarterly monitoring reports to Strategic Committees. Investment Strategy Group (ISG) will take on a more active corporate monitoring and management role. Internal capacity issues will be addressed as part of the 2009-12 budget process.	April 2009
3	44	We recommend that consideration is given to the arrangements necessary to ensure comprehensive group annual accounts can be prepared in 2008/09.	Team Leader, Accounting Control	Agreed. Full consideration of arrangements will be carried out in preparation for the 2008-09 Accounts.	March 2009

Action Plan Point	Paragraph Reference	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
4	85	We recommend that the Council review assets included within surplus assets, held for disposal category to ensure all assets have been correctly classified in the financial statements	Corporate Asset Manager	A review of surplus assets can be incorporated into the current refresh of the Asset Management Plan.	December 2008
5	86	We recommend a review is undertaken of lease dilapidations and provision of the estimated costs is included within the financial statements (spread over the period of tenancy).	Corporate Asset Manager	Agreed. A review of leased-in property will be carried out and a provision for dilapidations will be created where necessary.	March 2009
6	91	We recommend that the Council takes early steps to assess the financial implications of applying IFRS within its annual accounts together with the system and procedures changes that will be necessary to deal with the new accounting requirements.	Team Leader, Accounting Control	Agreed. As with all significant changes to our accounting requirements, we will take a planned approach and fully assess the implications for our systems and processes.	March 2009
7	99	The Council should consider providing contextual information and targets for the year for each performance indicator in its PI Overview Report.	Executive Director, Performance & Organisational Support	The Council is at present in a transition period, moving towards implementing revised performance management reporting arrangements. This action will be taken into consideration as part of our review of the revised reporting arrangements.	Ongoing

Action Plan Point	Paragraph Reference	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
8	101	We recommend that the Council include with their Annual Review Reports information on targets and include explanations on over/under performance and what is being done to address the situation.	Executive Director, Performance & Organisational Support	The Council is at present in a transition period, moving towards implementing revised performance management reporting arrangements. This action will be taken into consideration as part of our review of the revised reporting arrangements.	Ongoing
9	108	It is important that Strategic Committees challenge and manage the performance of statutory performance indicators which are in the lower quartile.	Executive Director, Performance & Organisational Support	Strategic Committees have this remit and the process through service plan reporting to address weak areas. We will review whether PIs should be reported as part of reports on a quartile basis.	December 2008

Action Plan Point	Paragraph Reference	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
10	112	<p>We recommend that consideration is given to the following areas in relation to its SOA:</p> <ul style="list-style-type: none"> • Rationalising certain of the relevant indicators across the Fife Partnership to ensure measurement is on one agreed basis and that target outcomes remain consistent. • Ensuring all national outcomes are supported by a comprehensive suite of relevant indicators. • Future financial budgets are capable of being mapped against SOA priorities to show how funds are being used against particular outcomes. 	<p>Senior Manager , Policy & Communication</p> <p>Senior Manager , Policy & Communication</p> <p>Head of Financial Services</p>	<p>As report acknowledges this is a discussion process with Scottish Government. SOA is reviewed annually and subject therefore to continuing refinement.</p> <p>Already addressed.</p> <p>This is an area of ongoing continuous improvement. The priority will be to better align the budget with the Council Plan and then the Council Plan with the SOA.</p>	<p>N/A</p> <p>N/A</p> <p>February 2009</p>

Action Plan Point	Paragraph Reference	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
11	135	We recommend that all committees involved in scrutiny appraise their working arrangements against the Scheme of Scrutiny and submit annual work programmes to the Policy, Finance & Asset Management Committee.	Executive Director, Performance & Organisational Support	First part of this recommendation is part of scheme. Second part will be reviewed as part of 6 monthly review of Scheme of Scrutiny.	December 2008
12	139	We recommend that the Standards and Audit Committee carry out an annual review of their work.	Audit & Risk Management Services Manager	Annual review to be taken to the January Standards and Audit Committee along with Audit Plan	January 2009
13	142	We recommend that the Council agrees a Memorandum of Understanding with the Chief Constable and police service to clarify the specific responsibilities of the police authority and those of the chief constable and, in particular, how the police authority's activities are covered by the existing Fife Council governance arrangements.	Chief Executive	The Chief Executive will liaise with the Chief Constable to consider the comments raised in the audit report and this recommendation.	December 2008
14	144	We would encourage the Council to undertake a formal review of its multi member ward arrangements.	Executive Director, Performance & Organisational Support	Cross Party Leaders Group will be asked to consider need and timing of this.	January 2009

Action Plan Point	Paragraph Reference	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
15	146	We would encourage elected members to attend the training and development sessions that have been organised by officers to ensure they have the requisite skill and knowledge to carry out their responsibilities effectively.	Executive Director, Performance & Organisational Support	Agreed. The Council will continue to run training and development sessions for elected members appropriate and relevant to their responsibilities	Ongoing
16	175	We would encourage the Council to prepare an action plan following its IT Security Gap Analysis which details those actions to be completed.	Council Information Officer	IT Service is in the process of conducting the Gap Analysis and an action plan will be drawn up and agreed.	October 2008
17	179	We recommend that lines of reporting and monitoring are clear and transparent across the partnership to ensure the additional reporting requirements needed for the outcome agreement are achieved.	Executive Director, Performance & Organisational Support	This is being addressed as part of Fife Partnership reforms to governance and reporting against the Single Outcome Agreement.	April 2009
18	183	A central mechanism is required to identify members and officers employed by, or on secondment to ALEOs	Team Leader, Funding & Monitoring	Difficulties have been encountered in identifying an appropriate mechanism for the collection of this data. Options are still being investigated.	April 2009

Action Plan Point	Paragraph Reference	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
19	183	The Council should complete the development and implementation, including training, of the outstanding sections of the Monitoring and Evaluation Framework as soon as possible	Team Leader, Funding & Monitoring	The Contracts Section remains outstanding as the contractual and legal issues are complex, and have been subject to recent change. Discussions with Procurement are ongoing and progress continues to be made.	April 2009
20	187	We recommend that the Council ensure Fife Sport and Leisure apply for charitable relief on properties.	Head of Community Services	The Trust are currently in the process of applying for charitable relief and it will be granted retrospectively from April 2008.	October 2008



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