

# Renfrewshire Council

**Report to Members and the Controller of Audit  
on the 2007/08 Audit**



**October 2008**

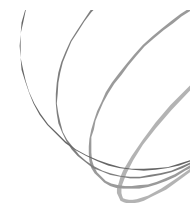


# Renfrewshire Council

**Report to Members and the Controller of Audit  
on the 2007/08 Audit**

# Contents

<b>Key Messages</b>	<b>1</b>	<b>Governance</b>	<b>18</b>
<b>Introduction</b>	<b>4</b>	<b>Performance</b>	<b>24</b>
<b>Financial statements</b>	<b>5</b>	<b>Final Remarks</b>	<b>38</b>
<b>Financial position</b>	<b>9</b>	<b>Appendix A: Action Plan</b>	<b>39</b>



# Key Messages

## Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by the Council. We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our main findings and the outlook for the period ahead.

## Financial Statements

We have given an **unqualified** opinion on the financial statements of the Renfrewshire Council. The Council produced its annual accounts within statutory deadlines.

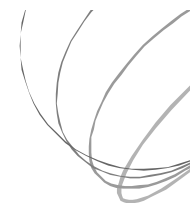
We have drawn attention to a failure to comply with the statutory requirement that all statutory trading operations break even on a rolling three year basis. For the three year period to 31 March 2008, the catering trading operation failed to achieve the statutory requirement due to a deficit arising in 2005/06, entirely as a result of exceptional costs associated with the settlement of equal pay compensation.

## Financial Position

After taking into account various adjustments, a contribution of £3.4 million was made to the Council's General Fund generating a balance at 31 March 2008 of £28.6 million. £19.6 million of this balance has been earmarked for specific purposes leaving an unallocated balance of £9.0 million. The unallocated amount represents an increase of £2.0 million from 2006/07 and ensures that balances are now restored to a level considered by the Council to be prudent.

The Council's non-housing capital programme has in recent years reported significant slippage and this has continued during 2007/08. In February 2007, the Council approved a non-housing capital budget of £55.0 million, which with a further £7.4 million brought forward from 2006/07, gave an approved programme of £62.4 million for 2007/08. In September 2007, the Council reported to Members that planned capital expenditure was not being incurred as profiled and that certain projects required re-profiling. The net effect of this re-profiling was to reduce planned expenditure in 2007/08 to £48.5 million. Between September 2007 and February 2008 further revisions of the budget took place with changes reducing expected spend to £44.7 million. The 2007/08 annual accounts reports actual expenditure for the year of £40.6 million.

In 2007/08, the Council's commitment to support rent levels resulted in a reduction to Housing Revenue Account Balances of £3.1 million. No further draw down in HRA reserves is planned at present.



## Governance

During 2007/08, the Council had generally good governance systems in place that operated well within a sound control environment. Risk management continues to develop with most services becoming increasingly risk aware. A high quality internal audit service continues to be provided to the Council.

The Council participated in the 2006/07 National Fraud Initiative (NFI). Renfrewshire Council's contribution to the total national figure of £9.7 million was £0.412 million which included £0.201 million of Housing/ Council Tax overpayments with the balance arising from overpayments from other risk based datasets. This reflects the commitment and effort afforded to NFI matches within the Council.

Following the May 2007 elections, out of the 40 councillors elected 18 were new Members. The Council recognised the need to provide new Members with appropriate induction training based and this was provided. To date however, less than 50 percent of members have agreed a personal development plan. This is a key issue for the Council and Members as the absence of agreed training plans could hinder the effective discharge of elected Member's duties.

The Council has made good progress in addressing those risks identified by our 2007/08 Strategic Audit Risk Analysis, however in several of the areas identified work is still ongoing. These include:

- implementing the Asset Management Strategy
- developing integrated workforce planning techniques
- developing individual training plans for Members.

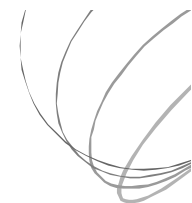
## Performance

In 2007/08, the Council had an integrated performance framework which was linked to the Council Corporate Statement and Community Plan, and aligned with the Council's twenty key corporate initiatives. All service departments now use the performance management system, Covalent, as principal way of reporting performance and the Council undertook a pilot exercise in 2007/08 to look at monitoring service plans using Covalent.

Public performance reporting is achieved through the Council's web site and updates in the 'How are we doing?' section of the 'Renfrewshire' Magazine' which is delivered to all households in Renfrewshire. The Council's annual report is also published in the magazine.

In 2007/08, Renfrewshire Council saw improvement in approximately 50 percent of statutory performance indicators reported including some improvement in 6 out of the 7 indicators previously reported in the lower quartile, including sickness absence rates and current tenants' arrears.

Good progress has been made in taking forward the tasks identified in the Best Value improvement plan with the majority of actions now completed. Key achievements include improving the Council's strategic planning arrangements by revising the corporate statement and key corporate initiatives into a single



Council Plan. Progress has also been made in improving the Council's scrutiny arrangements through the scheme of decentralisation which was approved in February 2008.

## Outlook for future audits

In common with councils across Scotland, Renfrewshire Council agreed its first Single Outcome Agreement (SOA) by 30 June 2008. The Council's SOA is the product of discussions between the Council and community planning partners and aligns community planning targets and objectives with national priorities. A new Council Plan was also approved in September 2008, which sets out the Council's agenda for change over the next four years (2008-2012). Each of the six key themes set out in the new Council Plan are directly linked with the national outcomes included in the SOA.

Renfrewshire continues to progress an ambitious programme to improve the school estates. To date the Council has delivered 10 new schools through PPP initiatives and has completed refurbishment on a further seven through traditional funding streams.

The projected financial position in future years is expected to be tight and will require close monitoring by management. A significant emerging pressure is energy costs which the Council plan to manage in 2008/09 by redirecting £1.5 million from amounts earmarked in the budget. In addition, pay, fuel and energy inflation may require to be considered in the Council's budget strategy for future years. The risk of equal pay compensation still exists and will require careful monitoring by the Council at both Member and Officer level.

The Council faces challenges in securing the additional funding required to meet the Scottish Quality Housing Standards by 2015. In setting the Housing Revenue Account budget for 2008/09 the Council has considered a number of efficiencies and it will be important for these to be realised. The Council is currently considering options to further improve service delivery and identify the scope for future efficiencies.

The Council will be required to produce its first annual report against its Single Outcome Agreement (SOA) during 2009 and it will be crucial that meaningful supporting information is generated. Procedures should be put in place to ensure that the Council establish a clear line of responsibility between the Council and its Community Planning partners where the impact of SOA performance falls below expectations.

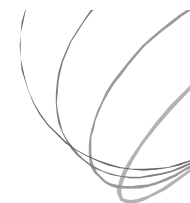
Following a review of trading operations, significant trading operations will be reduced from four to two in 2008/09. As commented in the past, the Council will require to develop revised service specifications for the remaining trading operations.

The co-operation and assistance given to us by the Renfrewshire Council councillors and staff during the year is gratefully acknowledged.



# Introduction

1. This report summarises the findings from our 2007/08 audit of Renfrewshire Council, the second year of a five year appointment. Findings are set out in four sections: financial statements; financial position; governance and performance. Within each of these sections we have also provided an outlook setting out key issues and concerns facing the Council going forward.
2. The scope of the audit is set out in our Annual Audit Plan (AAP), which was submitted to the Council in March 2008. The AAP summarises the specific governance and other risks that could affect the Council's financial statements. It describes the work we planned to carry out in response to these risks.
3. As part of the planned work we also submitted a Strategic Audit Risk Analysis (SARA) to the Council in March 2008. Under the following strategic themes, the SARA set out our views on the key business risks facing the Council and described the work we planned to carry out as part of the annual audit:
  - Affordability and efficient use of resources.
  - Assessing performance and working with others.
  - Supporting efficient political governance.
  - A modern and streamlined workforce.
4. Overall conclusions about the Council's management of key risks are discussed throughout this report. Appendix A sets out the key risks highlighted in this report which we wish to draw to the attention of Members and the action planned by management to address them.



# Financial statements

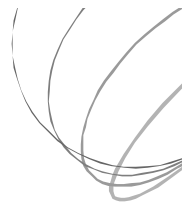
## Introduction

5. In this section we summarise key outcomes from our audit of the Council's financial statements for 2007/08. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
6. We audit the financial statements and give an opinion on:
  - whether they present fairly the financial position of the Council and its expenditure and income for the year
  - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
7. We also review the statement on the system of internal financial control by considering the adequacy of the process put in place by the Council to obtain assurances on systems of internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the Council.

## Overall conclusion

8. We have given an **unqualified** opinion on the financial statements of Renfrewshire Council for 2007/08. We have, however, drawn attention to a failure to comply with a statutory requirement. This does not impact on the fairness of the financial statements and, therefore, does not affect the opinion on the accounts as explained in the following paragraph.
9. The Local Government in Scotland Act 2003 requires councils to maintain and disclose trading accounts for significant trading operations, which are required to break-even over a three year rolling period. As highlighted earlier in this report, the Council's Catering Service made aggregate losses in the three years to 31 March 2008 totalling £0.932 million, entirely due to one-off costs associated with equal pay compensation costs across the Council. As a result, this significant trading operation failed to meet this statutory requirement.
10. The financial statements are an essential means by which the Council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources. The Council's unaudited financial statements were submitted to the Controller of Audit on 30 June. This was in line with the deadline set under the Local Authority Accounts (Scotland) Regulations 1985. Given the scale and technical complexity of the required changes to the financial statements the standard of accounts preparation was generally good. A number of audit adjustments were agreed during the audit process after which the deficit on the income and expenditure account increased by





£13.3 million while the value of assets increased by £1.3 million. The balance on the General Fund increased by £0.4 million.

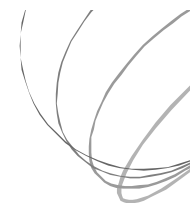
11. The unaudited financial statements were made available for public inspection during July and August. Our audit of the financial statements was completed by the target date of 30 September 2008 and a set of revised accounts incorporating agreed audit adjustments and the audit opinion are now available for presentation to the Council.

## Accounting practice

12. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* (the 'SORP'). The 2007 SORP required a number of significant changes to be made to the 2007/08 financial statements to make them more consistent with the accounts of other public and private sector entities. The major changes include:
  - accounting for financial instruments based on FRS25, FRS 26 and FRS 29
  - replacement of the fixed asset restatement account and capital financing account by a revaluation reserve and capital adjustment account.
13. Overall, we were satisfied that the Council had prepared the accounts in accordance with the revised SORP albeit that a number of adjustments were required during the audit process.
14. The Council adjusted the financial statements to reflect our audit findings. As is normal practice, a number of qualitative issues were reported to the Director of Finance and IT and the Scrutiny and Petitions Board via our letter issued in line with International Standard on Auditing 260 (ISA 260) – *Communication of audit matters with those charged with governance*. Details of significant accounting issues arising in the course of our audit are summarised below.

## Accounting for impairment costs

15. Following audit enquires, the Council has agreed to amend the way it accounts for impairments to both council houses and other properties in order to comply more fully with recognised accounting standards. The impact of these changes is to increase costs on the housing revenue account by £3.8 million and the income and expenditure account by £5.9 million. General Fund and Housing Revenue Account balances are not adversely affected by these technical accounting changes. We recognise that there is scope for different interpretations on the technical accounting issues associated with the traditional generally accepted method of council house valuations, the introduction of revaluation reserves and the practical application of accounting for impairments. As such, in our opinion, a consistent approach across local authorities would be desirable and we encourage the Council to fully participate in any national discussions which may take place on this matter.



## **Expenditure on the M74 extension**

16. Over the past two years, as agreed with the Scottish Government, the Council has made a contribution to the construction costs of the M74 extension totalling around £1.6 million. The Council had originally capitalised this expenditure and created a matching asset for its contributions. As the Council do not legally own any assets associated with this project expenditure should be treated as a revenue expense. The 2007/08 financial statements have been amended to reflect this.

## **Write –off of previously recognised HRA income**

17. Our 2006/07 Report to Members reported concerns over the quality of rent accounting reconciliations. As a result of these concerns, the Council undertook a review of recognised imbalances and has concluded that over a number of years income posted to the housing revenue account has been cumulatively overstated by £1.1 million. Appropriate action has been taken during 2007/08 and was reflected in the financial statements presented for audit.

## **Legality**

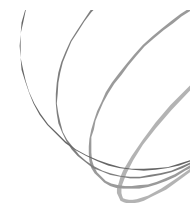
18. Each year we request written confirmation from the Director of Finance and IT that the Council's financial transactions accord with relevant legislation and regulations. The Director of Finance and IT has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of the Council's management team, the financial transactions of the Council were in accordance with the relevant legislation and regulations governing its activities. In particular, she has confirmed that actual and potential claims in relation to equal pay legislation have been reviewed and the amount recognised in the 2007/08 accounts has increased to £12.0 million (2006/07 £5.0 million) representing the best current estimate of the expenditure likely to be required to settle equal pay compensation cases.
19. We reported last year that local authorities with registered charitable bodies (i.e. registered trust funds) are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund, although the date of full implementation has been deferred by the Scottish Charity Regulator. The Office of the Scottish Charities Regulator (OSCR) has indicated that the interim measures introduced in 2006/07 can again be used in 2007/08 and reliance placed on the existing disclosures for trust funds in the Council's financial statements, supplemented by appropriate working papers.
20. There are no additional legality issues arising from our audit which require to be brought to Members' attention.



## Financial reporting outlook

### IFRS adoption

21. Central government and NHS bodies are to move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2009/10. The government also announced its intention to publish Whole of Government Accounts on an IFRS basis from 2009/10. The intention is that local government will adopt IFRS for 2010/11, although there is a possibility that early adoption may be required in some areas and this might include PFI/PPP.



# Financial position

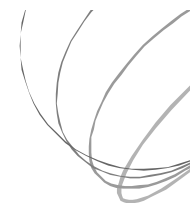
## Introduction

22. In this section we summarise key aspects of the Council's reported financial position and performance to 31 March 2008, providing an outlook on future financial prospects, including our views on potential financial risks. Our findings and key messages are set out in this section, highlighting the significant challenges being faced by local government in managing ongoing financial pressures in funding existing service delivery and future improvement.

## Council tax and the general fund

### Operating performance 2007/08

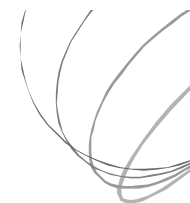
23. The Council's net operating expenditure in 2007/08 was £361.6 million. This was met by government grants and local taxation of £343.5 million, resulting in an income and expenditure account deficit of £18.1 million. After taking into account various statutory adjustments, a contribution of £3.4million was made to the General Fund. The budget set for 2007/08 was based on a Band D council tax level of £1,164 which was an increase of 1.9 percent from 2006/07.
24. 2007/08 revenue spending across service departments was contained within overall budget limits and the Council reported an overall underspend of £8.7million on the budgeted deficit of £5.3 million. The main reasons for this variance included a planned underspend of £2.3 million agreed by the Council in September 2007 to provide additional flexibility to manage future financial uncertainties and £5.3 million of reduced financing charges and underspends across services generally.
25. Table 1 shows the balance in Council's funds at 31 March 2008 compared to the previous year. At 31 March 2008, the Council had total cash backed funds of £48.5 million, a decrease of £10.3 million on the previous year. In addition to the General and Housing Revenue Account (HRA) fund balances, this analysis includes a capital receipts reserve, an insurance fund and various specific capital and repairs funds.



**Table 1: Reserves and fund balances**

<b>Description</b>	<b>31 March 2007 £ Million</b>	<b>31 March 2008 £ Million</b>
General Fund	25.2	28.6
HRA Balance	9.7	6.6
Capital Receipts	16.3	8.4
<i>Capital / Repair Funds:</i>		
Insurance Fund	2.4	2.5
M74 Extension	2.6	1.5
Council Headquarters	1.7	0.1
Reservoir Repairs	0.3	0.3
Education	1.1	0.5
<b>Total Balances Held</b>	<b>59.3</b>	<b>48.5</b>

26. The in-year General Fund surplus of £3.4 million combined with the balance brought forward from 2006/07 of £25.2 million, resulted in a total general fund balance of £28.6 million. £19.6 million of the general fund balance has been earmarked for specific purposes leaving an unallocated balance of £9.0 million. Earmarked amounts have been identified for various purposes including service modernisation and reform projects, future Public Private Partnership (PPP) payments and the Council's contribution to the M74 extension project. The unallocated balance represents 2.2 percent of the Council's annual running costs and a £2.0 million increase in this balance in 2007/08 completes the Council's strategy of replenishing reserves to a level at that time considered prudent by the Council.
27. The Council's commitment to support rent levels in 2007/08 resulted in a planned reduction of reserve balances available to the HRA of £3.1 million. HRA balances are discussed further in paragraph 28. The reduction in the capital receipts reserves can be attributed to funding of capital projects in line with the Council's capital plan. Capital expenditure is discussed further in paragraphs 31 to 33.



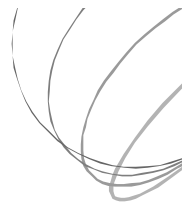
## Rents and housing revenue account

28. Local authorities are required by legislation to maintain a separate Housing Revenue Account (HRA) to fund the provision of council housing. HRA reserve balances at the end of 2006/07 stood at £9.7 million. The Council budgeted to apply £3.1 million of these accumulated reserves to support rent levels during 2007/08, which represented 32 percent of the available HRA fund balance. The HRA net deficit reported for 2007/08 was £17.5 million. As with the General Fund, there is a requirement to apply certain statutory and non-statutory adjustments to this deficit. These reduced the HRA deficit to the planned £3.1 million, leaving a balance in reserves of £6.6 million in line with expectations.
29. The 2008/09 HRA budget set is based on an agreed rent increase for Council tenants of 2.5 percent and includes efficiency and other savings in 2008/09 totalling £1.1 million. The Council plans that these actions will permit it to make a contribution to HRA balances of £0.249 million, increasing reserve balances to £6.8 million. During the year the Council reduced overhead charges to the HRA and transferred 50 percent of the overall Building Services surplus generated from housing work to the HRA.
30. There is a requirement for all local authorities across Scotland to ensure that housing stock meets the housing quality standards set by the government by 2015. Whilst the Council does not plan to draw on reserves to support rent levels in 2008/09, and indeed plan to make a small contribution to reserves, the budget is based on higher than average rent levels which will not provide for the significant additional investment required to improve the estate to required levels by the target date. Proposals on how to finance the investment required to achieve the housing standard within the context of affordable rents are currently the subject of discussion with Scottish Ministers. Included in the funding model under discussion is a proposal to reduce outstanding HRA debt associated with previously demolished properties which would involve the transfer of debt from the HRA to the General Fund.

### Key Risk Area 1

## Capital performance 2007/08

31. Capital expenditure on housing during 2007/08 was reported at £14.5 million in line with budget.
32. The Council's non-housing capital programme has in recent years reported significant slippage and this has continued during 2007/08. In February 2007, the Council approved a non-housing capital budget of £55.0 million, which with a further £7.4 million brought forward from 2006/07, gave an approved programme of £62.4 million for 2007/08. In September 2007, the Council reported to Members that planned capital expenditure was not being incurred as profiled and that certain projects required re-profiling. Projects affected by this re-profiling included the HQ car park decking project, (£0.9 million); Linwood Moss Landfill programme (£1.2 million); Modernising residential care



programme (£2.7 million); and the Riverside Development programme (£1.1 million). The net effect of this re-profiling was to reduce planned expenditure in 2007/08 to £48.5 million. Between September 2007 and February 2008 further revisions of the budget took place with changes reducing expected spend to £44.748 million. The 2007/08 annual accounts reports actual expenditure for the year of £40.6 million. The Council has informed us that slippage against the final revised budget can largely be attributed to the Royal Inch Crescent land decontamination project.

33. The Council has previously acknowledged that capital slippage can partly be attributed to inadequate project management techniques and, as reported to Members last year, is in the process of developing a standardised approach to the management and delivery of major capital projects. Until the Council's gateway process incorporating improved project techniques are employed across the Council, there is a risk that continuing slippage in projects may have a critical impact on the Council's ability to achieve key corporate initiatives and other objectives.

## **Key Risk Area 2**

### **Borrowing and temporary investments**

34. In recent years, some councils have held significant amounts of cash and temporary investments to take advantage of favourable interest rates for planned capital programmes. In these circumstances, the early borrowing must be justified in its own right as representing the best time for borrowing the amount required. This should be assessed without regard to temporary investment possibilities, otherwise the action may be judged to be unlawful or to have subjected public money to unnecessary speculation risk.
35. As at 31 March 2008, Renfrewshire Council held cash and temporary investments totalling £108.7 million, an increase of £29.2 million since 31 March 2007. Increased investments reflect increased borrowing by the Council of £15.0 million in 2007/08 which the Council required to ensure funding for the 3-year capital programme is secured in advance. The Council continually monitored changes in long term borrowing rates and took advantage of opportunities to lock the authority into low interest rates which in light of the current economic and market conditions has proved a prudent approach.
36. The increase in temporary investments also represents a number of earmarked provisions and reserves the Council made for specific purposes in closing the 2007/08 accounts.
37. Almost 99 percent of long-term borrowing at the year-end matures after more than 5 years. The Council has actively managed its exposure to variable interest rate movements with minimum debt exposed to variable rate and other risks.

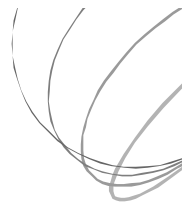


38. At the time of writing this report all councils across the United Kingdom face a financial risk in relation to the current pressures on the global banking industry. The Council should continue to monitor its exposure and where necessary should consult treasury management advisors with a view to minimising the risk of these pressures. This issue will be considered in more detail during the 2008/09 audit.

## Significant trading operations

39. The Local Government in Scotland Act 2003 replaced compulsory competitive tendering regulations with a duty to maintain and disclose trading accounts for significant trading operations (STOs), which are required to break even over a three year rolling period.
40. At the end of 2007/08, Renfrewshire Council was required to report the three year financial results for four significant trading operations against the three year break-even target. The Council failed to comply with this statutory requirement in respect of the Catering significant trading operation. This was due to a deficit reported in 2005/06 which included exceptional costs of £1.2 million for equal pay settlement. Since 2005/06, Catering has traded profitably and the Council expects this trend to continue. Due to the failure to meet the statutory requirement to breakeven over a three year period, a standard paragraph has been included in the 2007/08 auditors report in relation to the Council's catering trading operation.
41. As referred to at paragraph 29 above, the Council approved a transfer of 50 percent of the Building Services Trading Operation surplus (£0.3 million) to the Council's Housing Revenue Account. All other STO surpluses have been taken to the General Fund.
42. In our Report to Members in 2006/07, we reported that a strategic review of trading operations was being undertaken by external consultants. Following the outcome of this review it was recommended that the Council should consider whether any revision to its current list of trading operations was required. This review, carried out in accordance with the CIPFA / LASAAC guidance on a Best Value Approach to Trading Accounts, proposed that two of the four significant trading operations, Catering and Vehicle Maintenance be reclassified to 'voluntary status'. It was also recommended that the four voluntary trading operations, Refuse Collection, Street Cleaning, Grounds Maintenance and Building Cleaning no longer be classified as trading operations. These changes were agreed by the General Management and Finance Policy Board in June 2008 and will be effective from 2008/09. Whilst reclassification of trading operations will require some budget adjustment between services the overall financial impact will be neutral.
43. In 2006/07, we also raised the issue of ensuring that trading operations have up to date Service Level Agreement in place. This has been recognised by the Council and following the recent revision of current trading operations it was reported that new and revised services specifications will become a





significant area of development. It is anticipated that this work will require to be closely linked to Renfrewshire Single Outcome Agreement, Corporate & Community Plan and Service Improvement Planning Framework and will be not be completed until January 2009. We intend to follow this matter up in due course.

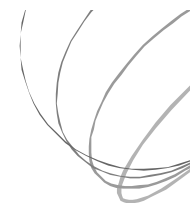
## Group balances and going concern

44. The widening diversity of service delivery vehicles used by local authorities means that group accounts are required to present fairly all the activities of councils. The overall effect of inclusion of all of the Council's group entities on the group balance sheet is to reduce net assets by £218.6 million, substantially as a result of pension liabilities. All the accounts of group members have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.
45. The Council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. Strathclyde Joint Police Board and Strathclyde Fire and Rescue had an excess of liabilities over assets at 31 March 2008 due to the accrual of pension liabilities. In total, these deficits amounted to £3.5 billion, with the Council's group share being £250 million.

## Financial outlook

### Council tax freeze

46. The Council approved a nil increase in Council tax for 2008/09. The financial settlement for 2008-2011 is underpinned, for the first time, by a concordat between Scottish Government and COSLA, representing Scottish local government. The financial settlement has reduced the incidence of ring-fenced funding while providing additional core funds if a council sets a nil council tax increase. For Renfrewshire Council, the 2008/09 budget assumes no contribution to non-payroll inflationary pressures and projects efficiency and other savings of £8.6 million.
47. Whilst revenue budget monitoring reports for the early stages of 2008/09 have overall reported a minor underspend, the Director of Finance and IT has urged caution in projecting the anticipated year end position due to emerging budgetary pressure relating to energy costs. This cost pressure is likely to impact upon all services and following initial increases further substantial rises are forecast in the second half of the year. It is recognised that this budgetary pressure is outwith normal management expectations and it is proposed that £1.5 million be released from amounts earmarked in the 2008/09 budget and redirected to fund this cost pressure. Fuel price increases are also recognised as a cost pressure but are currently being managed within existing budgets although careful monitoring is required.



48. In September 2008, the Director of Finance and IT reported on anticipated funding pressures over the next two years. These include pay inflation which is currently assumed at 2.5 percent for all staff and it is accepted that any increase as a result of current pay negotiations may impact upon the Council's current and future financial plans. The 2008/09 budget makes no allowance for general non payroll inflation. In common with local authorities across Scotland the Council is experiencing pressures on energy, fuel and social care costs. These costs, together with other potential additional costs on the cost of school meals, equal pay settlements etc. need to be carefully managed.

#### **Key Risk Area 5**

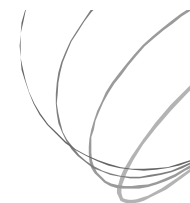
### **Equal pay**

49. The 1970 Equal Pay Act makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay can put forward claims to an Employment Tribunal. Following cases pursued against English councils, the extent of exposure of Scottish councils arising from individual pay claims began to emerge during 2006/07.
50. As at 31 March 2008, the Council was defending 255 equal pay claims at employment tribunals. This represents an increase of 54 from the number being contested a year ago. Due to the number of equal pay claims being heard at employment tribunals across the country, it is not anticipated that all claims against Renfrewshire Council will be resolved quickly. Various employment tribunals decisions across the local government sector related to equal pay claims affects the judgements made by councils in assessing what level of provision is appropriate given the nature and scale of their situation. As last year, we are content that the financial statements contain an adequate increase in the provision for outstanding equal pay claims. In addition to the £12.0 million provision in the accounts the Council has in the past paid £9 million in settlements.

#### **Key Risk Area 4**

### **Single status**

51. In 1999 a single status agreement was reached between Scottish local authorities and trade unions to harmonise the terms and conditions of manual and administrative, professional, technical and clerical workers (covering pay, working hours, leave and negotiating mechanisms). There was a presumption that single status would be cost neutral with any increased costs being offset by savings arising from changes to other conditions of service or from efficiencies.



52. The original national single status agreement specified that implementation should take place by April 2002 but, following difficulties in establishing a model job evaluation scheme, was extended by agreement between local authorities and unions to April 2004.
53. As reported in last years Report to Members, Renfrewshire Council implemented a revised single status scheme during 2006. The Council had hoped to be in a position to finalise discussions with unions over revised terms and conditions of service (e.g. leave entitlements, arrangements for flexible working) by mid summer 2008 but now expect to be in a position to finalise an agreement by spring 2009.

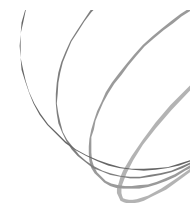
#### **Key Risk Area 4**

### **Future capital programme**

54. In February 2008, the Council set out non-housing capital investment programmes for 2008/09 and 2009/10 which anticipated annual capital expenditure of £62.4 million and £53.1 million respectively. This assumed full availability of funding from a number of sources including capital receipts, grants and other contributions and further increases in borrowing totalling £61.0 million over the two years. In light of current economic and market conditions the Council acknowledges that there is an increased risk that capital receipts may not be fully realised as planned. As such, the Council has recently reviewed its existing three year capital plan to identify projects which could be deferred should this be the case. Based on this review the Council has earmarked for deferment £5.8 million of projects (mainly work associated with the Council's HQ) in 2008/09. A further £17.9 million (largely the schools estates strategy) has also been earmarked for 2009/10. Commencement of these earmarked projects is now dependant on capital receipts being secured and banked.
55. The Council need to continue to undertake regular assessments of capital receipts in order to ensure that the funding expectations of existing plans are met.

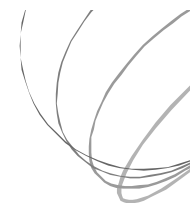
#### **Key Risk Area 6**

56. The approved housing capital programme for 2008/09 is £11.0 million. The Council is currently preparing a housing capital programme beyond 2008/09 pending the outcome of the Council's current discussions with the Scottish Government aimed at securing funding for investment to comply with the Scottish housing quality standard by 2015.



## Pension liabilities

57. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, and the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, Financial Reporting Standard 17 (Retirement Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised in the annual accounts.
58. The Council's share of the assets in the Strathclyde Pension Fund at 31 March 2008 exceeded its estimated pension liabilities by £7.6 million, reversing a net liability position of £67.3 million in the previous year. Recent stock market volatility makes projections of future funding levels very difficult to anticipate and care will be required by fund managers to minimise any potential adverse movement.
59. The next full actuarial valuation will assess the position at 31 March 2008. This will determine contribution rates for 2009/10 and the next two financial years. Recent changes to the Local Government Pension Scheme regulations are expected to release some future financial benefits, while providing additional flexibility to future pensioners.



# Governance

## Introduction

60. In this section we comment on key aspects of the Council's governance arrangements during 2007/08. We also provide an outlook on future governance issues, including our views on potential risks.

## Overview of arrangements in 2007/08

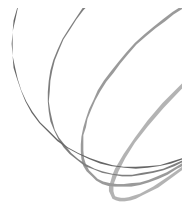
61. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. As such, the system of corporate governance is the mechanism by which councils direct and control their functions and relate to their communities. The Council has a local Code of Corporate Governance based on the principals set out in CIPFA/SOLACE guidance. The local code was updated by the Council during the year. Based on our work over the year, we concluded that the Council had systems in place that operated well within a sound control environment.

62. As set out in the Statement on the System of Internal Financial Control, the Council has developed a system of internal control and performance management which incorporates the key aspects of sound practice. The management and review arrangements of the Council's control framework include an annual internal audit review of arrangements. This concluded that the Code remains relevant and the level of compliance with the Code is adequate in all areas.

## Political Governance and Member Training

63. The political context for councils changed significantly in 2007, with a new Scottish Government and a shift to more coalition and minority administrations in local government. In Renfrewshire a new administration was elected and comprised a Scottish National Party/Liberal Democrat coalition with a significant number of new councillors being elected (18 out of 40). At that time, the roles of a number of policy boards were changed to better reflect the priorities of the new coalition. In addition, a new scheme of decentralisation was introduced to help focus Council activities at a local level.

64. The Council recognised the need to provide new Members with appropriate induction training based on guidance provided by the Improvement Service and set out job descriptions to help inform discussions with Members regarding the individual training needs they might have. To date, 24 Elected Members have undertaken a needs assessment with 9 agreeing a personal development plan. These plans have regular review dates. We understand that the Council has plans to further engage with Elected Members over the next few months to ensure that a higher proportion of



completed individual training is achieved. Specific training is provided to Members serving on policy boards requiring a degree of specialisation such as licensing and audit scrutiny.

### **Key Risk Area 7**

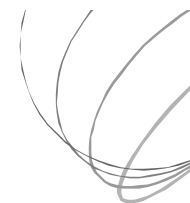
65. The creation of multi-member wards has required new ways of working to support efficient representation and sharing of the workload. The Council has agreed an elected Member protocol and an interparty protocol which provide good practice guidelines for Members on multi-member ward issues. There are no prescribed arrangements for Members in how they allocate their ward responsibilities whether by area or specialism. The Members within individual wards make their own working arrangements. Notwithstanding, individual constituents are free to contact any ward Member irrespective of the working arrangements and this is the basic principle of the elected Member protocol.

### **Scrutiny and Petitions Board**

66. Effective scrutiny is central to good governance, with a significant role for Members to scrutinise performance, hold management to account on service delivery and support the reform and modernisation agenda. During 2007/08, Members in Renfrewshire Council continued to have the opportunity to challenge service activities and performance through the operation of a range of policy boards.
67. Following the May 2007 elections, the Council created a new Scrutiny and Petitions Policy Board which performs the function of an audit committee. This policy board's remit includes audit scrutiny; the monitoring and reviewing of service performance, policies and practices across all Council activities; reviewing and monitoring the impact of activities, as they affect Renfrewshire, of other public bodies; monitoring the standards and ethics of elected Members; and considering petitions from members of the public.
68. The Scrutiny and Petitions Board's nine Members met regularly during the year and considered reports across a wide range of topics. As part of our normal audit activities, we will in due course examine the degree to which the Board is successful in achieving its aims and complies with CIPFA's good practice principles for audit committees.

### **Internal Audit**

69. Internal audit provides an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. We carry out an annual review of the Council's internal audit arrangements against CIPFA's revised Code of Practice for Internal Audit in Local Government 2006. We found that the function continues to deliver quality work in accordance with a risk based framework. Specialised audit assistance is provided through a partnership arrangement



with PriceWaterhouseCoopers. In her annual report to the Scrutiny and Petitions Board, the Chief Auditor reported that all key audit assignments had been completed as planned and that all four performance measures exceeded their demanding targets. We are pleased to note that, as evidenced through customer satisfaction surveys, the quality of their work is recognised within the Council at both departmental and senior staff levels.

## Systems of internal control

70. A Statement on the System of Internal Financial Control for the Council and its group was included within the financial statements. In accordance with the Code of Practice on Local Authority Accounting, the Statement reflects the internal control environment for the group position. Following receipt of a range of assurances from managers across the Council, the Chief Auditor and self-assessment questionnaires from associate companies, the Director of Finance and IT concluded that she was satisfied that reasonable assurance could be placed on the adequacy and effectiveness of the systems of internal control operated by the Council and its group.
71. The Director of Finance and IT did recognise however that, in common with all local authorities, the Council recognises the need to exercise close scrutiny on both revenue and capital spend and that appropriate action will be continued to be taken to strengthen control in these areas.
72. As part of our work to provide an opinion on the annual financial statements we assessed the extent to which we could gain assurance on a number of the Council's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:
- Payroll
  - Housing rents
  - Debtors and income
  - Creditors payments
  - Council tax
  - Non-domestic rates
73. We also conducted a review to assess the adequacy of the control environment surrounding the recently introduced Cedar e5 integrated financial system within the Council. Our view of the modules introduced to date is that controls were operating satisfactorily. We noted however that the introduction of the new integrated ledger system has been challenging for the Council with several planned functions, including fixed asset and commitment accounting, still in the course of development.

## Prevention and detection of fraud and irregularities

74. At the corporate level, the Council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include an anti-fraud and corruption



policy and response plan, a whistle blowing policy, codes of conduct for elected Members and staff, and defined remits for relevant regulatory committees.

## **NFI in Scotland**

75. During 2007/2008, we continued to monitor the Council's participation in the 2006/07 National Fraud Initiative (NFI). This exercise is undertaken as part of the audits of the participating bodies and spans two financial years due to the extent of the investigation process required by participating bodies. The NFI 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. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£9.7 million from the 2006/07 exercise and £37 million over all years).
76. Renfrewshire Council identified overpayments of housing and council tax benefits amounting to £169,138. Overpayments from other risk based data sets (such as overpayments to private care homes) totalled £70,185. During the process, the Council demonstrated a clear, and ongoing, commitment to the NFI process and an established protocol setting out the approach and allocation of responsibility for each match. It will be important for the Council to maintain this level of commitment when the next NFI exercise commences in 2008/09.

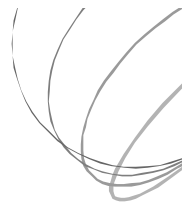
## **Housing Benefit**

77. From April 2008, Audit Scotland took over responsibility for inspecting the housing and council tax benefit functions from the Department for Work and Pensions. We are carrying out risk based inspections on a cyclical basis and all councils will be inspected during an 18 month period. Current plans are for the Council to be inspected during 2009.

## **Data handling and security**

78. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The Council shares data with a number of organisations such as the Department for Work and Pensions and other government departments. Information security is now a service delivery issue where a significant failure of controls could lead to loss of stakeholder confidence and opt out from services, higher compliance costs due to enforcement action, withdrawal of third party services such as payment card processing and legal fees relating to civil and criminal litigation.
79. The Council recognises the importance of this matter and has carried out work to identify its risks and are developing a number of policies and procedures, such as the information security policy, to





provide the control environment needed to ensure an appropriate level of information awareness and security.

80. The Scottish Government has set up a group of privacy and security experts to scrutinize how local government services handle personal data. This group will develop a draft set of guiding principles which should influence future information management and security actions, such as the need for a scheme of data classification.

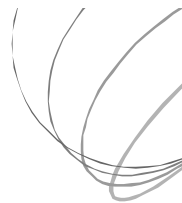
## **Payment card standards**

81. The Payment Card Industry Data Security Standard (PCI/DSS) was developed by major credit card companies as a guideline to assist organisations that process card payments to prevent credit card fraud, hacking and various other security threats. Any organisation processing, storing or transmitting payment card data must be PCI/DSS compliant or risk losing their ability to process credit card payments. The Council engaged PriceWaterhouseCoopers to carry out a high level review of the Council's position toward compliance with the PCI/DSS. This identified the actions required to achieve compliance and in addition the Council are in the process of completing a gap analysis of their two payment systems, based on a PCI/DSS self-assessment questionnaire. Once completed the Council will evaluate the results at a planned meeting and proceed to meet the compliance criteria.

## **Governance outlook**

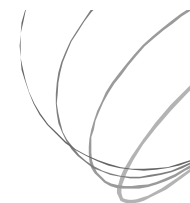
### **Single outcome agreements**

82. The concordat between the Scottish Government and COSLA sets out the terms of a new relationship between the Scottish Government and local government. It underpins the funding to be provided to local government over the period 2008/09 to 2010/11. Central to the concordat is the single outcome agreement (SOA) between each council and the government. The SOA sets out the Council's contribution to the government's 15 key national outcomes as set out in the concordat. It also reflects established corporate and community planning commitments. In this way progress at a national level is supported by outcomes at a local level.
83. In common with councils across Scotland, Renfrewshire Council agreed its first SOA by 30 June 2008. The Council's SOA is the product of discussions between the Council and community planning partners. Care was taken to align community planning targets and objectives with the agreed aims of the SOA. In order to achieve the local outcomes set out in the SOA against the 15 national priorities, the Council intend to link 2009/10 service plans with targets set out in the SOA and utilise the existing performance management monitoring system, Covalent, for monitoring and reporting purposes. The Council's SOA contains details of several actions required by the Scottish Government and we believe that a high level steering group has been set up by the Government to review these.



84. Our understanding is that the Council experience in developing its SOA was generally positive. The Council recognises that a robust system of governance will be required to ensure the success of the initiative. One aspect of this will be to ensure that a proper concordat exists between the Council and its community planning partners on what actions are taken and by who should any of the targets outcomes fall below expectation.

### **Key Risk Area 3**



# Performance

## Introduction

85. In this section we summarise how the Council manages its performance. We set out the Council's corporate objectives before looking at the performance management arrangements which measure their achievement. We comment on the Council's performance as reported through annual performance reports, statutory performance indicators and best value improvement plan. We give an outlook on future performance, including our views on the current status of identified risks from our Strategic Audit Risk Analysis (SARA) which have not been addressed elsewhere in this report. Finally, we identify the main findings from Audit Scotland's national performance studies, relating them to situations within the Council.

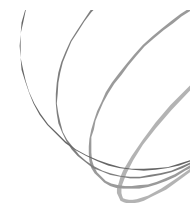
## Corporate objectives and priorities

86. In 2007/08 the corporate statement set out the Council's vision, values and key strategic objectives. In addition, the community plan, covering the ten year period from 2000 – 2010, set out the priorities for the Council and its partners. The four strategic objectives from the corporate statement and the six shared strategic objectives from the community plan provided strategic direction for the Council. These strategic objectives were aligned with the Council's twenty key corporate initiatives which, in turn, linked to the relevant service plans.

87. As commented in paragraph 63, the former Labour administration of Renfrewshire Council was replaced by a Scottish National Party/Liberal Democrat coalition in May 2007. As a result, work has been ongoing to develop a Council Plan to replace the aforementioned corporate statement which has been in place since August 2003.

88. Whilst the new Council Plan was approved by the Leadership Board in September 2008, the official launch with stakeholders will not take place until the later stages of 2008. The new Council Plan sets out the Council's agenda for change over the next four years whilst recognising the need for consistency with the general aims of the Scottish Government. A revised Community Plan is also in the process of being prepared and it anticipated that it will be submitted to the Leadership Board in October 2008.

89. The new Council Plan 2008 – 2012: Transforming Renfrewshire is set out under six key themes developed by the Scottish Government: Safer and Stronger; Wealthier and Fairer; Greener; Smarter; Healthier; and Developing Our Organisation.

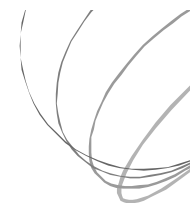


90. Included in the Council Plan are a number of challenges that the Council plans to address as a matter of priority. These include: Responding to population change; Regenerating local areas and promoting economic development; Tackling worklessness and promoting achievement; Support for vulnerable people; Tackling drug and alcohol misuse and improving health; Community Infrastructure; Provision of good quality housing; Sustainability and waste; Community safety; Modernisation and efficiency; Partnership working; Strengthening accountability and customer focus.

## Overview of performance in 2007/08

### Performance reporting

91. In 2007/08, the Council had an integrated performance framework which was linked to the Council Corporate Statement and Community Plan, and aligned with the Council's twenty key corporate initiatives. In September 2008 these were revised into a single Council Plan which has clear links to the Community Plan and Single Outcome Agreement priorities. The Council acknowledges that there will be a period where the priorities in the new Council Plan will not be aligned with service plan priorities. This is viewed as unavoidable and the Council is presently updating service planning guidelines to address this matter.
92. All service departments now use the performance management system, Covalent, as principal way of reporting performance and the Council undertook a pilot exercise in 2007/08 to look at monitoring service plans using Covalent. Within the Council, service planning is now based around 5 main areas of corporate importance – customers, people, performance, partnerships and resources – which are now reflected in corporate and service plans and monitoring of performance (i.e. balanced scorecards and Chief Executive scrutiny meetings).
93. The Council has also streamlined the service planning and mid-year monitoring framework combining mid-year service monitoring reports into one. A Service Improvement Plan final performance monitoring report now provides an outturn detailing any actions that have not been completed or have dropped off from the revised Service Improvement Plan.
94. Public performance reporting is achieved through the Council's web site and updates in the 'How are we doing?' section of the 'Renfrewshire' Magazine' which is delivered to all households in Renfrewshire. The Council's annual report is also published in the magazine. Larger service departments produce their own public performance reports each year e.g. Education & Leisure produced 'Standard & Quality – A report on Standards and Quality in Renfrewshire Schools' and 'Celebrating Achievement'. These are made available at Council reception areas and libraries in the Renfrewshire area. They are also distributed to relevant stakeholders e.g. schools.

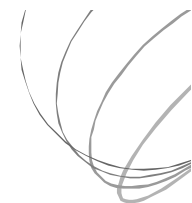


95. In a recent report on Council performance achieved in 2007/08, the Chief Executive highlighted to Members a number of initiatives which addressed the Council's existing strategic aims. Examples of achievements included:

- **To provide and promote learning opportunities which meets the needs and aspirations of individuals, business and communities:** increasing attainment of SCQF level 5 and 6 or better; reducing the number of workless people across Renfrewshire; increasing the number of available Out of School Care places.
- **To support and sustain economic growth which generates work and wealth:** Ongoing participation of the Renfrewshire Riverside Development with an overall investment to date estimated at £600 million, and 4,300 jobs resulting from this investment; assisting over 400 people over 25 years of age to gain employment through the Training for Work Programme.
- **To make significant progress towards Renfrewshire being one of the healthiest areas in Scotland:** establishment of the Renfrewshire Stop Smoking Service; receiving the RoSPA Gold Medal for having achieved the RoSPA Gold Award for excellence in general health and safety management, for five consecutive years.
- **To provide the best possible support and care to vulnerable individuals:** Renfrewshire Community Health Initiative delivered 11 Regeneration Outcome Agreements area community based health improvement events, has assessed 69 adults using a Health Assessment Programme tool and engaged 305 adults in healthy lifestyle activities.
- **To improve and maintain neighbourhoods and homes:** There are 7 Area Development Frameworks in place and 6 Estate Management Agreements in place.
- **To create safe places to live, work and play:** Significant progress has been made towards reducing antisocial behaviour. There was an 18 percent reduction in individual and group incidents of public disorder and a 14 percent reduction in the number of recorded crimes of vandalism and malicious mischief.

In some areas performance targets have not been achieved, including:

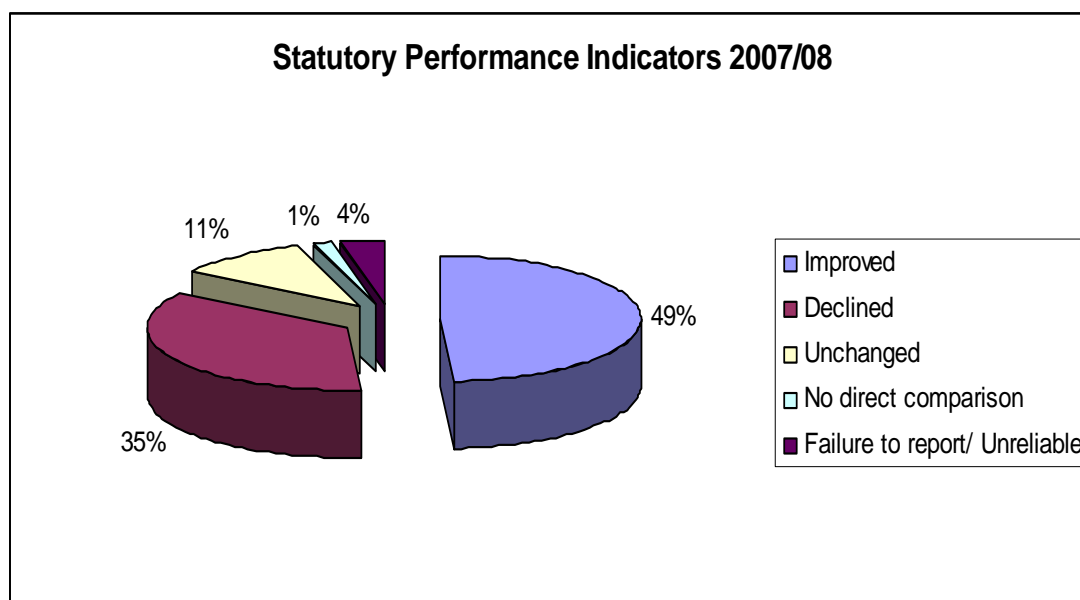
- **Learning & Work:** increase the percentage of S4 cohort who, by S6 have attained SCQF Level 3 (Standard Grade 1-6) or better in English and in Maths; increase in the percentage of all 'looked after' young people leaving care to have entered education, employment or training.
- **Health Improvement:** reduce the waiting times for primary care services; reduce the waiting times for Occupational Therapy.
- **Housing, Neighbourhoods & Community Safety:** increase the percentage of new tenants and social landlords who will sustain their tenancies for more than six months.



## Statutory Performance Indicators

96. One way in which the Council's performance can be held in comparison with other councils is through the use of statutory performance indicators. The Council reported mixed performance in 2006/07 ranking first in nine indicators and achieving top quartile performance in 24 percent of all reported indicators. Seven indicators were, however, in or close to the bottom quartile nationally. Reports to the Scrutiny and Petitions Board track performance of these indicators. In 2007/08, Renfrewshire Council saw improvement in approximately 50 percent of indicators reported including some improvement in 6 out of the 7 indicators previously reported in the lower quartile.

**Chart 1: SPI changes 2007/08 vs 2006/07**

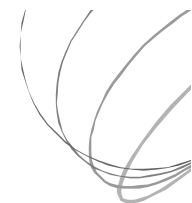


97. Areas of improvement included:

- A decline in sickness absence rates for both the categories of chief officer & local government employees and teachers.
- A decline in current tenant arrears as a percentage of the net amount of rent due in the year.
- Increased refuse recycling rates.
- Increased attendances per 1,000 population for indoor sports and leisure facilities (excluding pools).

However a decline in performance has been noted as follows:

- Refuse collection complaints.
- The percentage of street lighting repairs completed within 7 days.



## Best Value audit

98. The Local Government in Scotland Act 2003 established best value and community planning as statutory duties for local authorities. In response the Accounts Commission introduced new arrangements for the audit of best value based on a full review by a specialist team once every three years. In the intervening years short follow-up reviews are carried out by the local auditor.
99. The Best Value audit of Renfrewshire Council was carried out between November 2005 – April 2006 with generally positive comments. Overall conclusions from the audit are included in Table 2.

**Table 2: Conclusions from the best value audit – [July 2006]**

*Renfrewshire Council has adopted a modernising agenda to ensure it is in a good position to meet the changing demands on public services in its area. The council understands what needs to be done to deliver best value and is making good progress in developing systems and processes to support continuous improvement. Now that these underlying systems are becoming established, the council needs to concentrate on improving the quality and efficiency of its services year on year to deliver measurable benefits for local residents. It has developed a positive and customer focused organisational culture which effectively supports the drive for improvement.*

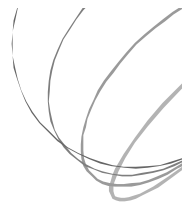
*The Council has strong and effective leadership and needs to build on its more positive recent experiences to sustain this trend for the future as it enters a period of further change with the 2007 electoral reforms and the retirement of the chief executive. It needs to ensure its political and managerial structures continue to support its business needs.*

100. The Best Value audit identified twelve areas where the Council could improve performance. In response to the issues raised by the audit, an improvement plan was drawn up, the details of which were agreed by the Council in September 2006. Good progress has been made in taking forward the tasks identified in the improvement plan with the majority of actions now completed. Progress against proposed actions is monitored by the Scrutiny and Petitions Board at six monthly intervals.
101. Key achievements include improving the Council's strategic planning arrangements by revising the corporate statement and key corporate initiatives into a single Council Plan. Progress has also been made in improving the Council's scrutiny arrangements through the scheme of decentralisation which was approved in February 2008.

## Performance outlook – opportunities and risks

### Introduction

102. In the course of our audit work we identified some of the strategic risks to Renfrewshire Council delivering its stated objectives and priorities in the years ahead. These risks were set out in our SARA and grouped into four risk themes. In the following paragraphs, we comment on the progress made by the Council during the year and the key risks yet to be fully addressed. Risk exists in all



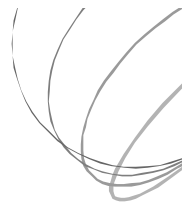
organisations which are committed to continuous improvements and, inevitably, is higher in those undergoing significant change. The objective is to be 'risk aware', and have sound processes of risk management, rather than 'risk averse'. Indeed, organisations that seek to avoid risk entirely are unlikely to achieve best value.

## **Affordability and efficient use of resources**

### **Efficiencies**

103. The Council continues to be required to make significant efficiencies to allow the release of funds for areas of policy priority at the same time as maintaining the stability of Council finances. The Council has demonstrated a clear commitment to the efficiency agenda and has approved an Efficiency Strategy in 2006. The strategy sets out how the Council plans to contribute the efficiency agenda at both a local and national level. The Council intends to review the strategy to ensure that it is aligned with new policy developments. The Council's 2007/08 Annual Efficiency Statement, which reports on the Council's efficiency projects and activities, and seeks to quantify the level of efficiency gains achieved, was approved by the Council in August 2008.
104. During 2007/08, efficiencies amounting to £5.057million were reported by the Council with an additional £1.1 million claimed from improved purchasing arrangements. Efficiencies of £5.673 million are planned for 2008/09 with a separate target of £1m set as part of the procurement strategy. Major areas where efficiencies have either been claimed or planned are associated with improved procurement practices and steps taken to streamline bureaucracy.
105. The Council monitors the achievement of efficiencies through regular monitoring of revenue expenditure, Statutory Performance Indicators and local performance measures. The Council submits a 6 monthly Efficient Government Strategy Monitoring Report to the Leadership Board. This report provides an update on the projects and initiatives relating to the Efficiency Strategy under the following areas:
- asset management
  - procurement
  - workforce planning & development
  - shared services
  - modernisation.
106. While progress continues in these areas, developments on asset management awaited the approval of the Council's Asset Management Strategy (approved in June 2008) and the appointment of a Corporate Asset Manager (an Interim Asset Manager has been in place for the last six months).





Monitoring of efficiencies is performed by the Council's Modernising & Efficiency Group which meets every 6 weeks.

### **Procurement practices**

107. During 2007/08, the Council promoted the creation of Scotland Excel, a new joint committee representing a centre of procurement excellence. The Council has also been proactive in considering how best to implement the procurement principles of superior performance set out in the McClelland Report. Consultants have been appointed and their recommendations on how the Council can ensure that all of its procurement policies and practices are efficient and cost effective are currently being considered by officials.

### **Value chain analysis (3S Project)**

108. As part of the efficiency agenda, the Council is looking to identify efficiencies in all areas of its activities by establishing the scope for simplifying, standardising, and possibly sharing systems and processes. As part of a nationally funded programme, and working with East Renfrewshire Council and Inverclyde Council, the Council appointed external consultants to carry out a diagnostic assessment of Council services. A report on the results of this review will be considered by officials shortly.

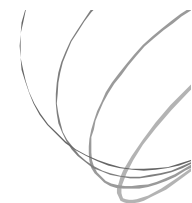
### **Charging policies**

109. In June 2008, following a review of rental charges of Common Good properties, the Council agreed revised rentals to be applied from 1 April 2008 for Council occupied properties that reflect fair market values. The Council also agreed to review these rents every five years. It is recognised that all other rental charges for commercial properties, including those owned by the Common Good, are reviewed on a rolling basis every three years.

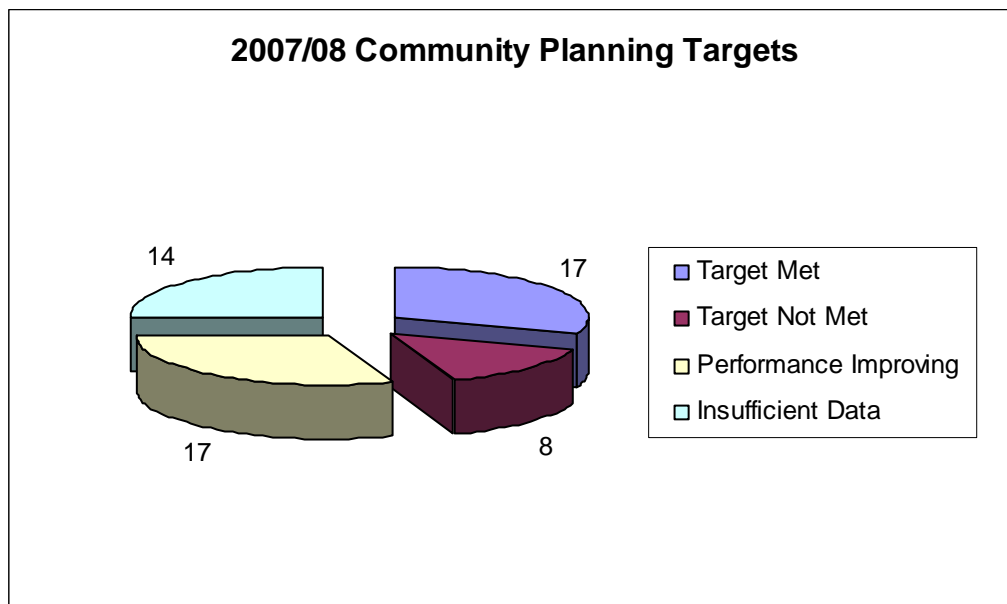
## **Assessing performance and working with others**

### **Community plan**

110. A 2007/08 annual update report to the Council's Leadership Board on the Renfrewshire Community Plan 2000-2010 highlighted progress on key activities that contributed to the Renfrewshire Community Planning Partnership's strategic objectives and targets. The Community Plan covered three key themes: Housing, Neighbourhoods and Community Safety, Learning and Work and Health Improvement. Reported performance against the 56 targets is summarised in Chart 2:



**Chart 2: 2007/08 Community Planning Performance**



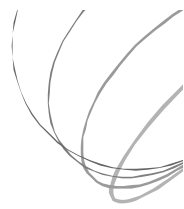
As stated in paragraph 88, a new Renfrewshire Community Plan 2008-2017, which will be linked to the Council Plan and the national priorities of the SOA, will be submitted for Council approval in October 2008.

### **Service improvement plans**

111. Over May and June 2008, each service department reported to the appropriate Council Board on the progress made on its Service Improvement Plan during 2007/08. Each of the reports highlights both areas of achievement and areas where actions have been reviewed or delayed. The next update on the progress of service improvement will be provided to Council Boards in November 2008.

### **Risk management**

112. In 2007 a review of the Council's risk management framework by external consultants provided an assessment of the current level of risk management within the Council compared to national guidance. The report concluded that the Council had made a number of improvements to risk management systems however recommendations for further improvements were made. The Council has recently appointed a Risk Manger who has specific responsibility for drafting and implementing an action plan to address the recommendations made in the report.



113. To date the Council has implemented a number of recommendations, including:

- updating the Council's Risk Management Strategy
- establishing a Strategic Risk Management Action Plan to monitor and control the strategic development of risk management
- developing guidance notes to ensure a consistent approach to risk management across the Council.

114. Progress has been made and work is ongoing to address the remaining recommendations, including linking the risk assessment process to the Council's business objectives and developing a risk management training programme.

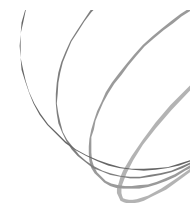
#### **Transfer of functions from Scottish Enterprise**

115. Renfrewshire Council acts as the lead authority for the Renfrewshire Business Gateway contract, covering the former Scottish Enterprise Renfrewshire, and are currently agreeing a Service Level Agreement with partners at Inverclyde and East Renfrewshire Councils for the management of the contract. £674,499 will be transferred from the Scottish Government as part of the Revenue Support Grant for the management of the Renfrewshire Business Gateway contract for 2008/09.

### **Supporting effective political governance**

#### **Scheme of decentralisation**

116. A key development to enhance political scrutiny and public involvement is a new scheme of decentralisation. This scheme was approved in February 2008 and came into effect from April 2008. The scheme replaces the 6 local area forums with 5 local area committees based on multi-member wards. These committees have an extensive remit to scrutinise service provision and performance and will act as the primary mechanism for consulting communities. Community Planning partners are fully committed to participating in the process.



## **A modern and streamlined workforce**

### **Workforce Planning**

117. The Council recognises that an efficient, engaged and skilled workforce is a key factor in helping the Council to achieve its goals. The Council's Workforce Development and Equalities Group is currently developing the Council's workforce planning and equality agenda and has established a Workforce Planning Action Plan with the following themes:

- workforce profiling
- recruitment and staff retention
- capacity planning
- workforce development and innovation
- partnership working and community engagement
- performance management and accountability
- workforce culture and environment.

118. Progress on the workforce strategy and action plan will be reported to the Council Management Team in March 2009. It is anticipated that each service department should have its own workforce plan in place by December 2008. We intend to follow this issue up during 2009.

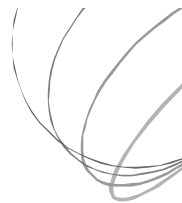
### **National studies**

119. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the Council are described below. Further information on these studies and copies of the reports can be obtained from Audit Scotland's web page at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

### **Sustainable waste management**

120. Collecting household waste is a vital and universal service. In recent years significant new investment has been made to reduce the amount of waste sent to landfill. Our national report on sustainable waste management, published in September 2007, highlighted that:

- significant progress has been made in meeting interim recycling targets, but the rate varies considerably between councils. The percentage of municipal waste recycled and composted increased from 7% in 2001/2 to 25% in 2005/6. Co-mingled collections appear to achieve higher recycling rates



- there has been slow progress in developing facilities to treat residual waste and there is a significant risk that EU landfill directive targets might not be met
- increased recycling has led to increased costs for councils
- all parties need to work more effectively together to make progress in waste minimisation, recycling and waste treatment.

The percentage of waste recycled / composted in Renfrewshire during 2007/08 was 30.2%, an increase in the 2006/07 figure of 28.2%. A further expansion of the Council's kerbside recycling scheme is planned for 2008/09.

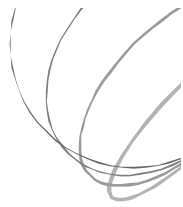
121. The EC Landfill Directive sets limits on the disposal of biodegradable waste to landfill and requires the pre-treatment of waste prior to landfill. From 2008/09 onwards, Scottish councils will be allowed to trade landfill allowances. If one council performs better than its targets, it can sell its excess allowances to other councils. The Council has banked sufficient landfill allowances that it anticipates being able to meet its landfill targets up to 2009/10 and therefore avoid landfill penalties. The Council is developing a waste management strategy which may involve partnering with other neighbouring local authorities.

## **Free personal and nursing care**

122. Since July 2002, all councils have had systems in place to deliver free personal and nursing care (FPNC). People of all ages living in care homes are entitled to free nursing care and people over 65, living in any setting, are entitled to free personal and nursing care. Our national report about the financial implications of FPNC, published in September 2007, found that:

- individual councils have interpreted the legislation and guidance relating to food preparation differently
- councils should improve their information systems to enable them to collect comprehensive and accurate information on FPNC and other aspects of care and support services
- councils should provide clear information to older people on what is covered by FPNC
- councils should work with local health partners to evaluate the longer term consequences of reducing domestic homecare services.

123. The Council considered the Audit Scotland report at the Community and Family Care Policy Board in February 2008 at which time it was reported that the Council has made good progress in the implementation of free personal care and continues to develop practices and services in partnership with Renfrewshire CHP and other planning partners. The Council completed the implementation of a community meals service in January 2008 based on the Council's interpretation of current guidance.



The Council would, however, welcome clarification of guidance in relation to the various food preparation issues anticipated in the forthcoming Sutherland Review.

124. The Council publicises free personal care services and also provides information through public information leaflets. The Council acknowledges that there is a working group currently considering the issue of public information as part of the Sutherland Review and await the outcome of this work.

## **Scotland's school estate**

125. A major programme of school building renewal started at the end of the 1990s. The programme aims to create a school estate that are well designed, well built and well managed. Our national study, published in March 2008, concludes that the current rate of progress will take up to 20 years to remove all schools from poor or bad condition. The report recommends that the Scottish Government and councils improve arrangements and support future achievements, including:

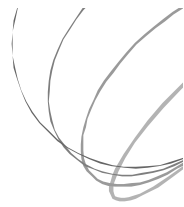
- better planning to set specific, measurable and meaningful targets for the school estate strategy
- greater use of the Scottish Government guidance by councils on future school design
- making environmental sustainability a key element of school design
- identifying and sharing good (and bad) practice in school design and estate management
- estimating pupil rolls for at least ten years ahead with a minimum annual review.

126. Renfrewshire currently has an ambitious programme to improve the school estate to meet with the Scottish Government's vision. The Council approved the School Estate Management Plan (SEMP) in December 2004 with the purpose of upgrading its schools stock to an acceptable standard. Since implementation commenced it has delivered 10 new schools through PPP initiatives with the completion of Phase 1 and so far has fully refurbished 7 schools as part of Phase 2. Within Phase 2 there are still 5 schools awaiting the completion of refurbishments with the refurbishments of one High School being suspended to allow an options appraisal exercise to be undertaken. The final phase (Phase 3) of the SEMP is yet to be finalised pending recommendations from an options appraisal exercise.

127. Senior management considered the Audit Scotland Report in July 2008 at which time it was recognised that the Council was making good progress in advancing the SEMP. Relevant actions will be incorporated into the final phase of the SEMP.

## **Overview of sport in Scotland**

128. Public bodies spend on average £558 million a year on sport in Scotland. Councils are responsible for 90 percent of this expenditure. Most of the money is spent on providing and maintaining facilities as



well as programmes to encourage participation and support individual athletes. Our national report, published in April 2008, found that:

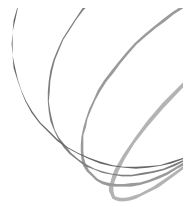
- the provision of sports facilities and other services is fragmented, with no clear links between the government's national strategy for sport and councils' investment. The development of single outcome agreements is an opportunity to clarify and align the links between national and local strategies
- the level of participation and funding in sport has been declining and participation by younger people falls short of targets
- Sportscotland estimates that an additional £110 million a year is needed for the next 25 years to bring sports facilities up to an acceptable standard
- arrangements to deliver the 2014 Commonwealth Games are still being developed. These will be critical in ensuring the success of the games and safeguarding the large sums of public money that will be invested.

129. To date the Council has not formally considered how its various strategies address the Audit Scotland Report findings. Local activity strategies have been established by the Council (Active Renfrew Strategy) and Renfrewshire Leisure Limited (RLL) ('Get Active Stay Active, meeting the challenge' strategy) to improve sports participation in Renfrewshire. Council developments and initiatives in relation to sports participation are ongoing in the following areas:

- asset strategy for leisure facilities managed by RLL
- pitches strategy
- 'Active Schools' Programme
- 'Live Active' initiative for older people, with Community Health partners and RLL.

130. These strategies have helped a reported increase in attendances at sports facilities (paragraph 97 refers).

131. In June 2008, the Council led the successful 'Renfrewshire: Gateway to the Games' event which was attended by the Minister for Communities and Sport, and representatives from sports clubs, schools, Renfrewshire Leisure, national sports governing bodies and schools. The summit enabled the Council and its partners to discuss with competitors and sports clubs how to improve sporting participation and achievement across Renfrewshire in the lead up to the 2014 Glasgow Commonwealth Games, by taking advantage of Renfrewshire's unique position with Glasgow Airport, improved transport links and availability of local sports and training facilities. The Council intends to help set up a Renfrewshire Sports Forum which can look at the most effective ways of developing sports clubs, volunteers and athletes 2006/07 members report action plan.



## **2006/07 members report action plan**

132. In tracking the Council's progress against proposed actions we note that:

- actions agreed as developments in HRA investment, Capital Programme, and efficiencies have been achieved
- following a review of trading operations, work to develop revised service specifications for the remaining trading operations remains ongoing
- following approval of the Council's Asset Management Strategy in June 2008, further work is required to implement associated actions.

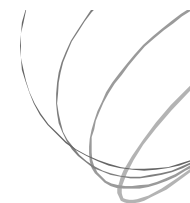
133. As commented in paragraph 71, the Council's statement on the system of internal financial control recognises the need to monitor both revenue and capital expenditure closely while further strengthening budgetary controls.





# Final Remarks

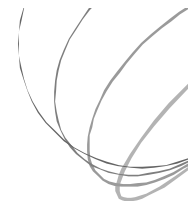
134. We have made a number of recommendations in the various reports we have issued during the course of the year and have obtained assurances from officials that action will be taken as appropriate.
135. Attached to this report is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of Members. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.
136. Appropriate mechanisms should be considered and agreed by Members for monitoring the effectiveness of planned action by officers. We will review the operation of the agreed mechanism as part of the 2007/08 audit.
137. The co-operation and assistance given to us by Renfrewshire Council Members and staff is gratefully acknowledged.



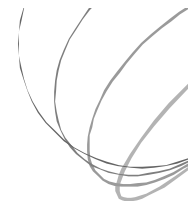
# Appendix A: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	30	<p><b>Investment in housing to meet the 2015 SHQS.</b></p> <p>Although the Council has developed a business case on how it is going to achieve the 2015 Scottish Housing Quality Standard (SHQS), no financial strategy is yet in place. Discussions with the Scottish Government on a financial strategy are ongoing.</p> <p><i><b>Risk:</b> Without an agreed financial strategy the Council may not be able provide the investment required to satisfy the 2015 SHQS.</i></p>	<p>The Council will continue to move the negotiations with the Scottish Government forward towards a conclusion to allow a definitive position in relation to the business case and the associated investment strategy to achieve the SHQS to be finalised.</p> <p><i>2007/08 SARA – Page 9</i></p>	Director of Housing & Property Services	February 2009
2.	33	<p><b>Capital slippage</b></p> <p>During 2007/08, the Council had to re-profile its capital programme due to continued project slippages.</p> <p><i><b>Risk:</b> Until improved project management techniques are employed across the Council, there is a risk that continuing slippage in projects may have a critical impact on the Council's ability to achieve key corporate initiatives and other objectives.</i></p>	<p>The Council is continuing to develop the Council's gateway review process framework which incorporates detailed project management methodology. The framework will provide the Council with a formal mechanism to improve the preparedness of projects prior to procurement and commencement, the management of the physical delivery of the project and the completeness of post delivery review.</p> <p><i>2007/08 SARA – Page 8</i></p>	Head of Finance and Asset Management	March 2009



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3.	84	<p><b>Achievement of SOA targets</b></p> <p>A clear mechanism needs to be established to agree what action needs to be taken and by which community planning partners where the impact of SOA performance targets fall below expectations.</p> <p><i>Risk: Without a common understanding of what corrective action is required, performance under the SOA may be adversely affected.</i></p>	<p>The target for the SOA will be monitored via a range of community planning mechanisms, including senior representation from all community planning partners. The SOA will be subject to regular and ongoing scrutiny via the Community Plan Leadership Group which includes Elected Members, The Executive Group comprising Chief Officers from community planning partners and seven thematic groups charged with the responsibility of delivering on SOA targets. In addition, an annual progress report will be presented to the Council's leadership board and the Scottish Government.</p>	Head of Corporate Policy	Ongoing
4.	49/53	<p><b>Equal pay and single status.</b></p> <p>The Council remains to fully settle all equal pay claims and implement the terms and conditions element of the single status agreement.</p> <p><i>Risk: The outcome of future litigation cannot be defined exactly. Costs may therefore be in excess of expected levels.</i></p> <p><i>The absence of an agreement on terms and conditions has a risk of adversely affecting industrial relations.</i></p>	<p>The Council will continue to actively monitor its exposure to ongoing equal pay risk, utilising where appropriate expert legal advice. This ongoing risk assessment will continue to form the basis of the view taken by the Council in regard to an appropriate level of financial provision.</p> <p>The Council will continue to actively engage in negotiations with the trade unions to secure a mutually agreeable position in relation to terms and conditions.</p> <p>2007/08 SARA – Page 8</p>	<p>Head of Personnel Services and Director of Finance &amp; IT</p> <p>Head of Personnel Services</p>	<p>Ongoing</p> <p>March 2009</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5.	48	<p><b>Budgetary pressures</b></p> <p>In common with local authorities across Scotland, the Council is experiencing pressures on energy, fuel and social care costs. Within Renfrewshire Council, service directors are managing budgets on a bottom line basis.</p> <p><i><b>Risk:</b> The failure to manage additional costs effectively will endanger the Council's financial position and potentially adversely affect its commitments under the SOA.</i></p>	<p>The Council will continue to operate effective financial management arrangements to ensure effective management control over in year budgets and the management of key financial risks which emerge during the year. In addition, the Council will continue to operate effective financial planning over both the short and longer term to ensure that key financial risks are identified and appropriately managed, mitigated and where appropriate provided for within the Council's financial plans and budgets.</p> <p>2007/08 SARA – Page 6</p>	Director of Finance & IT	Ongoing
6.	55	<p><b>Investment in Services</b></p> <p>The re-profiling of the capital programme has deferred a number of projects which are now dependent on capital receipts being secured and banked.</p> <p><i><b>Risk:</b> The absence of appropriate funds for these deferred projects is likely to adversely impact the quality improvements in Council services these projects were planned to provide.</i></p>	<p>The Council will ensure that performance and ongoing strategy in relation to the generation of capital receipts from asset sales is closely monitored to ensure that the Council is well placed to effectively manage the delivery of the relevant projects and any risks that may emerge in relation to the non delivery of the expected level of receipts.</p>	Director of Finance & IT / Director of Housing & Property Services	Ongoing
7.	64	<p><b>Member training</b></p> <p>The majority of Members have still to agree a personal development plan.</p> <p><i><b>Risk:</b> The absence of an agreed plan of personal development can potentially hinder the effective discharge of elected Members' duties.</i></p>	<p>Work is ongoing to ensure all elected members will have an agreed personal development plan in place by the end of 2008/09.</p> <p>2007/08 SARA – Page 15</p>	Head of Admin & Legal Services	31 March 2009