

Scottish Borders Council

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

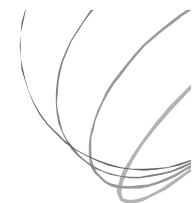


September 2008



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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, summarising key outcomes from the 2007/08 audit and the outlook for the period ahead.

Key outcomes from 2007/08 audit

We have given an **unqualified** opinion on the financial statements of the Scottish Borders Council. The council dealt well with significant changes to the format of the accounts.

The council had corporate governance systems in place during 2007/08 that operated well within a sound control environment. It is important, however, that the council keeps these systems under review to ensure that they remain appropriate to the new environment of multi-member wards, the council's area committees and the Single Outcome Agreement.

The Business Transformation Programme aims to drive substantial change in the way the council operates to deliver a better quality of service to the people and communities of the Borders and make the council fit for the future. Early in 2008, at the request of the Performance Monitoring Panel the Chief Executive reviewed the progress to date against the BTP to ensure that there is a clear programme for transformation, appropriately and realistically prioritised and resourced. This review has resulted in an action plan comprising short, medium and long term actions to ensure delivery of the BTP.

Sound asset management planning is a vital part of being an efficient organisation. In 2006/07 we highlighted that the council did not have a cohesive and demonstrable approach to ensure that corporate strategies and objectives are supported by asset management plans in the long term. We noted that whilst the council was working towards the development of a corporate asset management plan the programme had been subject to slippage. Currently this has been subject to further slippage and the council remains exposed to risk until an asset management plan is developed and implemented.

Implementation of the single status agreement provides an opportunity to address any underlying inequalities in pay and other conditions of service. The council is taking this forward through the Business Transformation Programme. Development of the new pay and grading structure is now complete and will be implemented on 24 November 2008.

As a part of the Business Transformation Programme the council is undertaking a programme of service reviews including a review of staffing requirements. Whilst such a process is aimed at driving efficiencies



the council needs to ensure that during this process it has adequate and appropriate skills to maintain standards of service delivery.

The council's performance management system utilises 'Covalent' software to analyse and report both Statutory Performance Indicators and locally determined Key Performance Indicators. Statutory Performance Indicators show that the council has made improvements in a number of areas during the year. The council's internal performance data highlights that the council achieved 82% of its planned actions. However, it was also identified that this was not being translated into the achievement key council/corporate improvement actions.

The council ended 2007/08 with cash backed reserves of £26.5 million. The non-earmarked element of the General Fund was some £6.3 million and is in accordance with the reserves strategy. The council continues to experience slippage in capital projects which need to be more effectively project managed to avoid a detrimental impact on future service delivery.

The council has yet to develop a systematic approach towards the identification and achievement of efficiency savings. More work needs to be done to ensure that the council has appropriate monitoring systems in place to ensure that identified opportunities for efficiency savings crystallise and to ensure that the council can report accordingly.

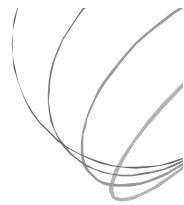
Outlook for future audits

In the course of our work we identified some of the strategic risks that the council needs to manage in delivering its corporate objectives and priorities. These have been grouped into the following themes:

- Transforming performance.
- Working with communities.
- Improving infrastructure.
- Strengthening governance.
- Workforce management.

The council has embarked on an ambitious and demanding programme of change to drive performance improvement and provide enhanced services to the people and communities of the Borders. The council itself has recognised that there is a need to review the progress of this process of change to ensure that it is delivered on time and that there is a clear performance improvement framework through which to demonstrate the outcomes achieved.

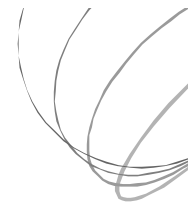
The Single Outcome Agreement will change the way in which the council works with its partners. A Strategic Board has been established to ensure that appropriate governance arrangements are in place and that all partners are working towards the achievement of the desired outcomes.



The current economic downturn is already impacting on the council's investment plans as anticipated land prices and developer contributions fall. It is likely that the council will experience increasing financial pressures and increased demand for services as the impact of the downturn is felt across the Borders. The council will have to monitor both capital and revenue budgets and plan accordingly.

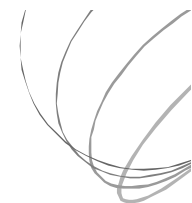
The co-operation and assistance given to us by the Scottish Borders Council councillors and staff during the year is gratefully acknowledged.

Audit Scotland
September 2008



Introduction

1. This report summarises the findings from our 2007/08 audit of Scottish Borders Council, the second year of a five year appointment. Findings are set out in four sections: performance; financial position; governance and financial statements. 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 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:
 - transforming performance
 - strengthening governance
 - working with communities
 - workforce management
 - improving infrastructure.
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.



Performance

Introduction

5. In this section we summarise how the council manages its performance. We discuss the overall arrangements before focussing on the specific areas identified in the SARA. We comment on the findings of Audit Scotland's national performance studies, relating them to the council's situation. Finally, we give an outlook on future performance, including our views on the current status of identified risks.

Corporate objectives and priorities

6. Following the May 2007 elections, the former ruling coalition of Conservative and Independent members were joined by the Liberal Democrats to form the new ruling coalition with a similar majority as before. The new Administration's vision and 27 priorities were detailed in the council's four-year action programme 'A Bright Future for the Borders' approved by council in May 2007.
7. In June 2008 the council published 'A Bright Future for the Borders – Year One Progress Report' which detailed its progress towards delivering its priorities. Some of the key areas of delivery are detailed in the following table.

Table1: Delivery of 'Bright Futures' priorities

<p>Governance priorities</p> <ul style="list-style-type: none">• set a zero council tax increase for the 2008/09 year• worked with the Scottish Government to agree a fixed cap on local contributions to the Waverley rail project <p>Housing priorities</p> <ul style="list-style-type: none">• established a high-level Affordable Housing Task Force to ensure a supply of affordable housing in the Borders• worked with Borders Housing Associations in assessing and planning for affordable housing needs• produced new planning guidance on renewables <p>Education and young people priorities</p> <ul style="list-style-type: none">• applied small schools policy stringently to ensure the sustainability of small rural schools• carried out a formal risk assessment of all school transport pick-up and set-down points throughout the Borders• established the necessary budget provision to provide up to £100,000 per annum for youth



projects

Enterprise and economy priorities

- introduced a system for supporting the processing of business related planning applications
- established the Tourism Coordination Group
- introduced a new strategic land purchase scheme to ensure the supply of land for industrial and commercial uses in the Borders

Caring and health priorities

- introduced three-year contracting arrangements for selected voluntary community care providers
- reviewed and improved, with NHS Borders, the effectiveness of the Community Health and Care Partnership (CHCP)

Environment and rural priorities

- promoted local wood production for use in the construction industry, and as a fuel source
- employed new wardens to educate dog-owners and enforce legal sanctions against dog-fouling
- undertaken further 'Selling to the Council' initiatives to assist local businesses to win contracts with the council
- established a council Rural Proofing Policy

Communities priorities

- completed an evaluation of all schools in the Borders in terms of the creation of 20mph zones
- opened a new integrated, single point of contact Customer Contact Centre in Hawick
- prepared a strategic assessment of local community safety needs and priorities
- completed settlement profiles for 22 towns and settlements in the Borders

Transport priorities

- invested an additional £3m in road condition improvements
- provided additional capital resources to invest in safety improvements, in particular on the A72 and the A7
- introduced six demand responsive taxi bus services

8. The report also identified further improvement actions under each priority and reported on the progress of 'Projects that will change the Borders for the better', such as the Waverley Railway, 3 High Schools, South of Scotland Broadband and Customer First projects.
9. A revised Council Improvement Plan was approved by the new council in August 2007. This has been assessed against 'A Bright Future for the Borders' and incorporates actions to address the findings of the Audit of Best Value and Community Planning reported in March 2007 and to continue the council's ambitious improvement programme.



10. The plan is set out under five themes:

▪ better governance and democracy	▪ modernisation/customer services
▪ raising standards and Best Value	▪ supporting our staff
▪ working with the Borders community	

11. A total of 24 priorities are linked to these themes. Some of the more significant are:

- improve and develop corporate governance
- improve and develop project management
- implement the Business Transformation Programme
- implement the Customer First Programme
- improve asset and property management
- deliver a council wide strategic review programme
- embed a culture of performance management across the council
- drive up the quality of leadership and management
- improve and develop partnership working.

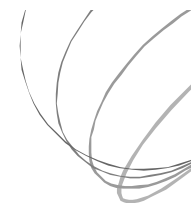
12. Each priority is accompanied by a range of Key Improvement Actions through which the council aims to support its delivery and to achieve benefits for itself and the people of the Scottish Borders.

Overview of performance in 2007/08

Measuring performance

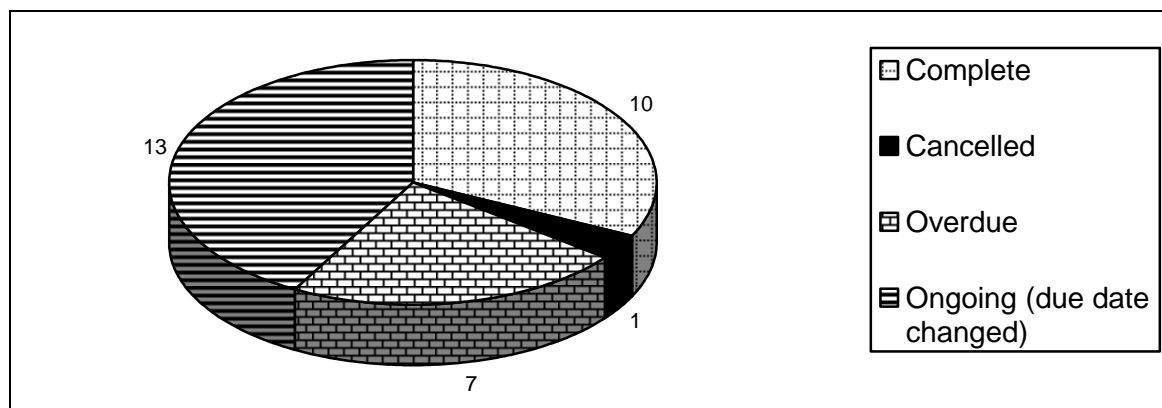
13. The council's performance management framework utilises Covalent software to track the progress of actions and commitments in the Council Improvement Plan and Corporate Plan and to monitor performance against the Accounts Commission's Statutory Performance Indicators.

14. In April 2008 the Chief Executive provided the Performance Monitoring Panel with a full year report detailing progress on the delivery of the key actions and commitments for the period April 2007 to



March 2008. His report highlighted that, as at 31 March 2008, 82% of the identified sub-actions had been delivered and drew attention to progress towards the delivery of 31 'Key' high level actions.

Chart 1: Achievement of Scottish Borders Council's 'Key' targets 2007/08



Total 31 targets

15. The report also highlighted that although sub-actions were being delivered this was not being translated into the delivery of 'key' council/corporate improvement actions and there is a need to get better at delivering change/improvement activity within timescale.
16. The report highlighted that, following a number of national reviews and developments, and the introduction of Single Outcome Agreements, it was appropriate to review the council's performance management framework. This is needed to develop a performance management framework that reflects the structure and content of the Single Outcome Agreement (SOA) and focuses on its impact and outcomes for people and communities in the Scottish Borders, and is capable of measuring improvement.

Key risk area 1

Statutory performance indicators

17. One of the ways of measuring council performance is through statutory performance indicators (SPIs). Within the Scottish Borders Council key SPIs are monitored and reported via the Covalent performance management system. With regard to 2007/08, a total of **57 SPIs** were required. These require to be published by 30 September 2008. In overall terms, the following chart confirms that the council has made improvement in a number of areas.

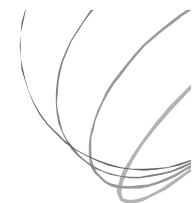
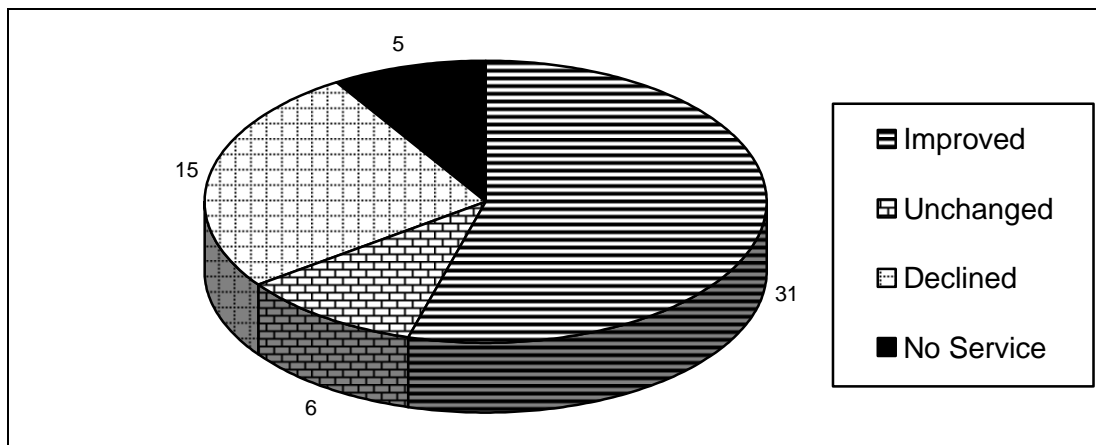


Chart 2: Improvements demonstrated by SPIs (Total 57 indicators)



18. Generally the picture was mixed with each department reporting improvements in some areas and a decline in performance in other areas. The indicators reported for Benefit Administration however show a decline across the board. This was due to the implementation of a document management and workflow system in the first quarter followed by a period of poor system performance until the introduction of broadband. A significant amount of change has also been introduced due to the Customer First programme.
19. Each year we review the reliability of the council's arrangements to prepare SPIs. Overall, the quality of working papers provided to support the SPIs was variable and the overall preparation and collation processes could be improved to ensure that pre-audit submissions are ready and complete in good time. We will work with the council to improve the overall arrangements. No indicators were classified as unreliable (2006/07 – one).

Performance outlook – opportunities and risks

Introduction

20. In the course of our audit work we identified some of the strategic risks facing Scottish Borders Council in delivering its stated objectives and priorities in the years ahead. These risks were set out in our SARA and grouped into five 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 improvement 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.



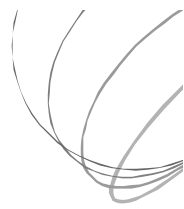
Transforming performance

21. The council's Business Transformation Programme (BTP), demonstrates its commitment to improvement and awareness of how much it needs to do. The BTP takes a strategic view of improvement activity and encompasses a range of work streams including Customer First, Human Resources and Asset Management Planning.
22. Early in 2008, at the request of the Performance Monitoring Panel the Chief Executive reviewed the progress to date against the BTP to ensure that there is a clear programme for transformation, appropriately and realistically prioritised and resourced. This review has resulted in an action plan comprising short, medium and long term actions to ensure delivery of the BTP.

Key risk area 2

Strengthening governance

23. Good governance strengthens credibility and confidence in public services and is necessary to enable the council to pursue its vision effectively as well as underpinning that vision with mechanisms for the control and management of risk. In his Statement on Corporate Governance, the Chief Executive highlights a number of areas where work can be done that will enhance the control environment and support governance. These include:
 - progress implementation of improvement actions arising from the Audit Scotland report dated March 2007 'Scottish Borders Council: the Audit of Best Value and Community Planning' and independent verification of the planned self assessment
 - implementation of the council's Performance Improvement Framework following the approval of the concept by the Performance Monitoring Panel
 - ensuring the framework and principles of good corporate governance are in place within joint working and partnerships
 - ensuring effective frameworks and structures are in place for programme and project management to deliver the required return on investment and efficiencies in support of performance improvement and to support the achievement of the council's transformation agenda.
24. The Chief Executive also emphasised the need for the full development of consultation and engagement arrangements in all relevant aspects of service delivery to ensure an inclusive approach with all stakeholders having the opportunity to engage effectively with the decision making process of the council.



Key risk area 3

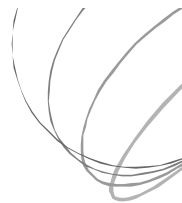
Working with communities

25. The introduction of SOAs will bring considerable change to the community planning process, requiring councils to work closely with both community planning partners and the Scottish Government to deliver an agreed set of outcomes aimed at delivering improved services and better outcomes for the people of the Scottish Borders and Scotland.
26. The council and its New Ways planning partners submitted the first Scottish Borders SOA to the Scottish Government on 30 June 2008. The agreement brings together the previous Community Plan with the Council Improvement Plan and Corporate Plan into a single high level strategic document with those of other agencies such as NHS Borders.
27. The key to successful delivery of the 46 local outcomes under the 15 national ones set by the Scottish Government is effective partnership working with the constituent partners. With the change to an outcomes focus the partnership will need to ensure performance management arrangements support delivery of these outcomes.

Key risk area 1

Workforce management

28. People play the key role in the delivery of high performing services and the council needs to ensure that it has plans in place to provide the right skills, in the right place, at the right time. Organisational job and design, including the implementation of the single status agreement, also exposes the council to risk in relation to staff morale, potential industrial relations difficulties and the financial impact of revised pay and grading structures.
29. Workforce management has been identified as a key component of the BTP. Work has been ongoing to review:
 - roles within the council and develop organisation-wide job families with generic roles
 - develop a modern, fair and flexible employment package that is compliant with the single status agreement
 - review employment policies to enable flexible working and modern best practice.
30. There is an associated strategic review programme underway within the Council. The first stage of this, a review of support services across the council, has been completed and the 'Book of Change'



approved by council. The implementation of the 'Book of Change' has resulted in a reduction of staff through a programme of early retirement/voluntary severance and will be implemented over the next twelve months. Further reviews will involve Children's and Older People's services. The first of these is nearing completion.

31. The programme of reviews will result in a significant movement in staff over the next couple of years and it is important that the council ensures that adequate resources and support are given to those remaining to ensure that the quality of service provided to both internal and external customers does not suffer in the short-term.

Key risk area 4

Improving infrastructure

32. Council facilities and infrastructure must be suitable and sufficient to achieve service delivery and the delivery of council objectives in the future.
33. The Corporate Property Asset Strategy and Management Plan, approved in October 2006, is intended to support the effective management of the council's significant asset portfolio and deliver an organisation wide property rationalisation programme to generate capital receipts, reduce floor area and increase the area shared with partner organisations such as NHS Borders.
34. The implementation of the strategy has not progressed as planned owing to a combination of factors. In particular:
 - the progress of implementing the 'Technology Forge' management information asset database has slipped due to a shortage of staff. This is in the process of being addressed and the new system is due to be operational in the spring of 2009
 - negotiations for shared accommodation with NHS Borders; projects that are led by the latter are tied into that organisation's timescales; there has been slippage on the NHS Borders side due to higher than anticipated demand
 - the property rationalisation programme which centres on reducing the office footprint is tied into several ongoing major organisational structural reviews which will lead to reduced office accommodation needs. Where there are delays in these reviews this impacts on the property rationalisation programme
 - the current economic downturn has adversely affected the council's capital receipts strategy. Due to a significant reduction in anticipated capital receipts it has been necessary to rework the capital



programme to address a funding gap. The capital receipts position is subject to regular monitoring to ensure that it is adjusted to reflect changes in economic conditions.

35. The Corporate Property Asset Management Strategy and Plan is due to be updated in March 2009. This will include a revised property and asset strategy that takes account of the prevailing conditions.

Key risk area 5

National studies

36. 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

Sustainable waste management

37. 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 2001/02 to 25% in 2005/06. Co-mingled collections, where recyclables are collected together and sorted afterwards, 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.
38. The rural environment in the Borders area means that the council has strong public support for recycling. In a survey undertaken for Waste Aware Scotland over 80% of respondents in the area were found to participate in the council's recycling scheme. The council has been making steady progress in reducing the quantities of municipal waste sent to landfill from 84% in 2005/06, when the landfill allowance was exceeded, to 66.5% in 2007/08. The council has also reduced the proportion of biodegradable waste sent to landfill from 63% to 38.8%.



39. In September 2007 the council, in association with its partner authorities (City of Edinburgh, West Lothian, East Lothian and Midlothian Councils) submitted the Outline Business Case for the Lothian and Borders Waste Management Project to the Scottish Government. The project involved the procurement of a shared regional waste processing facility. However, due to a change in the Scottish Government's waste management policies, this project will not now be going ahead. The council and its partners are now considering further options.

Key risk area 6

Free personal and nursing care

40. 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:

- councils have interpreted the legislation and guidance relating to food preparation differently across Scotland
- 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.

41. By 2006/07 the number of older persons in the Scottish Borders receiving free personal care had increased by 45.5% since the policy was introduced in 2002/03 (712 to 1,036). In 2007/08 net expenditure on older people's services of £23.61million represented 10.5% of the council's net operating expenditure (2002/03 – 8.9%) and accounted for 45.7% of the total Social Work budget (2002/03 – 46.7%).

Scotland's school estate

42. A major programme of school building renewal started at the end of the 1990s and is continuing today. The programme aims to create a school estate that achieves the government's vision for 21st century schools that are well designed, well built and well managed. Our national study reviewed what has been achieved so far, how much it is costing, how effective the improvements are and how well the Scottish Government and councils are working together to manage improvements to the schools estate. One of the main conclusions of our report, published in March 2008, is that the current rate of



progress will take up to 20 years to improve all schools from poor or bad condition. The report recommends actions for the Scottish Government and councils to help improve arrangements and support future achievements. These include:

- better planning by councils and the Scottish Government to set specific, measurable and meaningful targets for the school estate strategy
- greater use of the Scottish Government guidance by councils to make sure future school design strikes a good balance for the comfort of everyone who uses the building
- making environmental sustainability a key element of school design
- doing more to identify and share good (and bad) practice in school design and estate management
- estimating pupil rolls for at least ten years ahead with minimum annual review.

43. A “Schools Estate Management Plan was approved in February 2008. This set out the council’s broad strategy for the management of its schools estate as being to:

- provide safe and fit for purpose school environments which have the necessary flexibility to meet future curricular, integrated working and accessibility needs
- manage resources effectively to ensure a fair and balanced distribution of resources and achieve Best Value in relation to the school estate
- optimise community participation and use within the school estate.

44. For each of these objectives a number of clear outcomes were specified including:

- delivery of the 3 High Schools (3HS) and Borders Primary Schools (BPS) projects
- an established framework for the renewal of the school estate
- deliver an energy efficient and environmentally sustainable school estate
- establish community use guidelines and integration of community requirements into the School of the Future Model and the 3HS project output specification.

45. A “Management Review of Schools Estate 2007/08’ was reported to the Education Executive in June 2008. This report used the Scottish Government guidance to rank properties based on the assessment categories of suitability, condition and sufficiency.



46. The report highlighted that, in overall terms 53% of the council's primary schools and 50% of secondary schools were considered to be of satisfactory standards (the report excluded the schools included within the 3 High Schools project and the 5 primary schools for which replacements are planned).
47. The report recorded that the 2007/08 review would be a major factor in planning future investment in the schools estate but that consideration would also need to be given to the outcome of the Children's Services review that will also identify areas where capital investment is required.
48. It was also identified that, in order to identify the priorities, option appraisals, initially focussing on those schools identified as "poor" and "bad", will be undertaken to ensure that Best Value is delivered.

Overview of sport in Scotland

49. Public bodies spend on average £558 million a year on sport in Scotland. Councils are responsible for 90% 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.
50. In 2006 the council published a "Scottish Borders Strategy for Physical Activity, Sport and Physical Education" 2006-2011. The strategy was developed in partnership with a number of related organisations, including NHS Borders, Sportscotland and Borders Sports and Leisure Trust and through consultation with key stakeholders.
51. The strategy sets a framework for the development of physical activity and sport in the Borders until 2011 through 6 themes:
 - promoting well being through physical activity
 - developing facility provision and community access



- sustaining and developing coaches and volunteers
 - supporting thriving clubs and organisations
 - creating athlete potential
 - physical education.
52. Recognising the need for partnership working to achieve its aims the strategy set out the roles and responsibilities of each of the key partners. It also identified a number of priority groups where there was a risk of low or declining activity levels or who could benefit from improved access to facilities or targeted support.
53. The strategy was designed to deliver both national and local priorities for physical activity, sport and P.E. A clear link was drawn between the need to improve physical health/fitness in the local context via local plans (e.g. Bright New Futures, Joint Health Improvement Plan, SBC Corporate Plan) and the national context through national initiatives (e.g. Sport 21: The National Strategy for Sport, National Physical Activity Strategy, Towards a Healthier Scotland – White Paper).



Financial position

Introduction

54. 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 the council in managing ongoing financial pressures in funding existing service delivery and future improvement.

Council tax and the general fund

Operating performance 2007/08

55. The council's net operating expenditure in 2007/08 was £224.3 million. This was met by government grants and local taxation of £223.7 million, resulting in an income and expenditure account deficit of £0.6 million. This is 0.28% of the net expenditure for the year. The budget set for 2007/08 was based on a Band D council tax level of £1,084 with a planned contribution of £1.9 million from general fund. However this contribution was not required.

Reserves and balances

56. Table 2 shows the balance in the council's funds at 31 March 2008 compared to the previous year. At 31 March 2008, the council had total cash backed funds of £26.5 million, an increase of £5.8 million on the previous year. The table below analyses the increase by individual reserve. The principal movements relate to the Insurance Fund and the Capital Fund. The Insurance Fund balance increased by £2.66 million primarily due to the Denholm PS fire insurance receipt. The Capital Fund has benefited from the receipt of a range of developer contributions which are aimed at specific purposes.



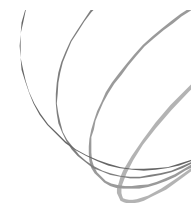
Table 2: Reserves and Funds

Description	31 March 2008 £ Million	31 March 2007 £ Million
General Fund	14.279	14.475
Corporate Repair and Renewal Fund	0.041	0.036
Insurance Fund	4.083	1.428
Capital Fund	8.061	4.730
	26.464	20.669

57. The council incurred a general fund deficit of £0.6 million during the year. Added to the amount brought forward from 2006/07, the council has a general fund balance of £14.3 million.
58. At 31 March 2008, £8.0 million of the general fund balance was earmarked for specific purposes leaving an unallocated balance of £6.3 million which is at the lower end of the Council's reserve policy of between 2% to 4% to net revenue budgets. Earmarked amounts have been identified for devolved education management balances held by individual schools and specific departmental reserves.
59. The capital fund can be used to defray capital expenditure or repay loan principal. A budgeted in year contribution of £0.5 million from capital receipts was not utilised. However, a higher amount of £2.633 million, principally the application of funds from the vehicle fund, which is part of the capital fund, was spent. Capital expenditure is discussed further in paragraphs 63 to 64.

Group balances and going concern

60. 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 subsidiaries, associates and joint ventures on the group balance sheet is to reduce net assets by £150.7 million, substantially as a result of Police and Fire & Rescue Board pension liabilities. All group bodies' accounts 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.
61. The council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member (Lothian and Borders Police Board, Lothian and Borders Fire and Rescue Board).



Each of these boards had an excess of liabilities over assets due to the accrual of pension fund liabilities. In total these liabilities amounted to £1,246.75 million, with the council's share being £158.65 million.

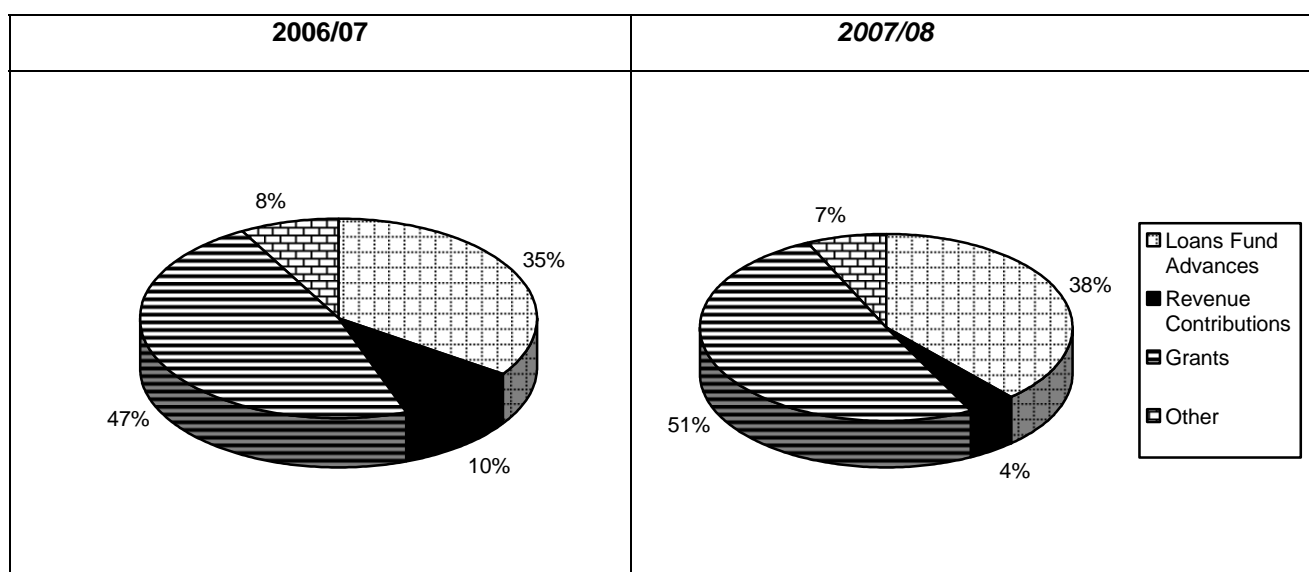
62. The Council has associate interests in the Borders Sport and Leisure Trust and the Jedburgh Leisure Facilities Trust both of which manage the delivery of a range of sport and leisure facilities. The BSLT recorded a surplus of £58,967 for the year of which £7,843 was consolidated. The JLFT returned a deficit of £4,979 of which £498 was consolidated. In the case of JLFT management action is planned to address the factors identified as leading to the deficit.

Spending on assets and long-term borrowing

Capital performance 2007/08

63. Since the introduction of the Prudential Code in April 2004, the council can decide locally on a capital investment strategy which meets best value requirements as well as being affordable. The council has used the Code to increase significantly its borrowing for capital expenditure to improve its asset infrastructure.
64. Capital expenditure in 2007/08 totalled £40.6 million, rising from £33.7 million in 2006/07. Capital investment in the last two years was funded as shown in Chart 3. Following in year revisions to the capital programme the borrowing requirement was £3.4 million less than the final revised budget (£8 million less than the original budget). Following in year revisions, budgeted capital expenditure for 2007/08 was £44.2 million (original budget £46.6 million). Slippage, principally in corporate and education and lifelong learning services projects resulted in an underspend of £3.6 million (8.2%).

Chart 3: Sources of finance for capital expenditure 2007/08





Borrowing and temporary investments

65. In recent years, some councils have taken advantage of favourable interest rates by borrowing early for planned capital programmes and, as a result, have held significant amounts of cash and temporary investments. 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.
66. As at 31 March 2008, Scottish Borders Council held cash and temporary investments totalling £46.8 million. We have requested and received a specific representation from the Director of Corporate Resources that all borrowing in advance of immediate requirements has been made for a legitimate purpose in accordance with legislation and has been on-lent in the interests of prudent cash management. In the Director's assessment any early borrowing is justified in its own right as representing the best time for borrowing the amounts required, without regard to temporary investment possibilities and the 'profit' that might arise from these.
67. Almost 96% of long-term borrowing at the year-end matures after more than 15 years. The council has actively managed its exposure to variable interest rate movements with minimum debt exposed to variable rate risk.

Debt restructuring

68. In 2007/08 the council increased its total Public Works Loan Board (PWLB) debt from £125.7 million to £127.9 million. This included rescheduling some of its existing loans valued at £24.2 million. The council calculate the annual saving as £150,000. However, changes to the PWLB's terms in November 2007 limit the council's future ability to make interest rate savings through rescheduling.

Significant trading operations

69. 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.
70. The council has one STO (SBContracts) which undertakes a range of revenue and capital works mainly on highways and bridge construction. In the three years to 31 March 2008, the STO met the statutory target with a surplus reported in each year.



Pension funds

71. Scottish Borders Council is the administering authority for the council's Pension Fund (PF) and employs external fund managers to manage investment assets. The net investment assets for the funds comprising the PF at 31 March 2008 totalled just over of £293 million (2006/07 - £302 million). The funds are administered on behalf of Scottish Borders Council and a number of other bodies whose employees are members of the fund.
72. A full actuarial valuation of the fund as at 31 March 2005 was reported in March 2006. As at that date the actuarial valuation showed a funding level of 93 per cent with a deficit of some £15.9 million, which the council agreed to fund over a period of 12 years.

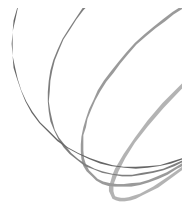
Financial outlook

Council tax freeze

73. The council is party to the concordat between the Scottish Government and COSLA. The financial features of this include an agreement to freeze council tax levels for three years in return for some additional funding and the removal of some ring-fencing. Consequently, the 2008/09 budget is based on the 2007/08 band D council tax level of £1,084 and assumes additional efficiency savings of £2.153 million compared to the previous year.
74. While a balanced budget was prepared for the 2007/08 financial year, the council's Revenue Financial Plan 2008/09 to 2010/11 assumes a nil increase in council tax for the next three years and records that there are further service efficiencies and rationalisations required to balance expenditure to resources available.
75. Although the relaxation of some ring fencing gives the council greater flexibility in the allocation of resources, the council tax freeze and recent economic events have increased pressure on the council to deliver efficiency savings. The March 2007 Best Value report noted that the council 'currently lacks systems for measuring and monitoring efficiency savings'. The council acknowledged this and had stated its intention to use the BTP to deliver efficiency gains and provide a basis for reporting against national targets. At present however the council has yet to develop its performance management framework to ensure that it is capable of confirming that savings have been achieved and that there has been no detriment to service delivery or quality.

Key Risk Area 7

76. The council faces the ongoing challenge of budgeting for no increase in council tax in 2009/10 and 2010/11. The council received approximately £16.6 million in ring fenced funds in 2007/08, which has been rolled up into the 2008-2011 local government financial settlement, and is reviewing these during



2008/09. There will be no significant changes to individual spending areas previously ring fenced in the current financial year.

Equal pay

77. 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.
78. As detailed in our 2006/07 report, estimated costs of £4.6 million were recognised in the financial statements to deal with the equal pay legislation. A small number of further payments were made during the year. The council considers the existing provision of £2.2 million adequate. The council has determined that it is unlikely that all outstanding claims will be paid out before April 2009.

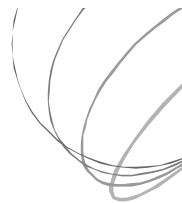
Single status

79. 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.
80. 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.
81. The council has worked closely with trades unions and will implement the single status agreement in November this year.

Key risk area 8

Future capital programme

82. Revised capital investment programmes for 2008/09 and 2009/10 anticipate annual capital expenditure of £60.7 million and £28.6 million respectively. This is expected to be funded by a number of sources including capital receipts, grants and other contributions and further increases in borrowing totalling £46.4 million over the two years. However, the current economic downturn is likely



to impact significantly on the potential for capital receipts and developer contributions and the council is monitoring the situation closely.

EC landfill directive

83. The EC Landfill Directive sets limits on the disposal of biodegradable waste to landfill and requires the pre-treatment of waste prior to landfill. There are technical and financial challenges facing the council in delivering solutions and the implications of landfill penalties could be significant. The Scottish Minister for the Environment has the power to waive penalties in certain circumstances, and he has advised COSLA that he may be prepared to do this, for local authorities who have made genuine efforts to maximise landfill diversion, and have not met targets due to circumstances outwith their control. 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.
84. In last year's annual report we recorded that the council had failed to meet its landfill targets in earlier years and had incurred penalties. The council has sought to manage this position and was within the prescribed limits. The statutory performance indicators show a downward trend in the volume of waste sent to landfill over recent years.

Pension liabilities

85. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, 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.
86. The council's estimated pension liabilities at 31 March 2008 exceeded its share of the assets in the Pension Fund by £41.6 million, reducing from £50.4 million in the previous year. Budgeted contributions are to be 290% of employee contributions in 2007/08 and 300% in 2008/09, reflecting the actuarial valuation as at 31 March 2005. The next full actuarial valuation will assess the position at 31 March 2008. 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

87. 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

88. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. Based on the work undertaken, we concluded that the council had systems in place that operated well within a sound control environment.

89. The council has adopted a local code of corporate governance based on best practice identified jointly by CIPFA and SOLACE. A Statement of Assurance on Corporate Governance was prepared and approved by both the Chief Executive and the Audit Committee. The statement concluded that corporate governance arrangements within the council are adequate and that the Audit Committee is having a positive effect on the council's corporate governance arrangements, although noting some areas for improvement. These include:

- the ongoing implementation of recommendations made by Internal Audit and External Audit relating to internal control and governance, with particular emphasis on prompt implementation of high priority recommendations;
- full development of consultation and engagement arrangements in all relevant aspects of service delivery to ensure an inclusive approach with all stakeholders having the opportunity to engage effectively with the decision making process of the Council;
- adopting a consistent framework for the financial planning process to reflect the priorities in the corporate and business planning process; and
- full development of the process to provide the Annual Assurance Statement on Internal Control and Governance.



Political Governance

90. 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. Nearly half of the councillors elected in May 2007 were new to local government. This trend is also reflected in Scottish Borders Council, with 18 of the 34 councillors being newly elected. The council has implemented a comprehensive induction programme for both newly elected and returning members to ensure that they have the necessary skills. This is supplemented by role specific training for elected members based on individual remits.
91. Following the May 2007 elections, the former ruling coalition of Conservative and Independent members were joined by the Liberal Democrats to form the new ruling coalition with a similar majority as before. With a number of senior councillors being retained, this has allowed for a seamless transition between administrations, supporting effective decision making and elected member scrutiny.
92. The creation of multi-member wards has required new ways of working to support efficient representation and sharing of the workload. Area committees discuss an array of items specific to each locality including revenue and capital works and flood prevention, supporting the council's plans for devolved decision making. However, multi-member wards remain fairly new in Scotland and the practical issues will become clearer as the new arrangements mature.

Audit Committee

93. 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.
94. The May 2007 elections had only a minor impact on the membership of the Audit Committee. This has ensured that the council's Audit Committee remains effective as it benefits from the experience of returning members and input from two external members bringing a range of business experience and challenge.
95. As raised in our Review of Governance Arrangements and Main Financial Systems, CIPFA's *'Audit Committees – Practical Guidance for Local Authorities'* highlights that to be truly effective an Audit Committee needs to be independent from both the Executive and Scrutiny Committee. Currently there is a degree of cross membership between these two committees with some members sitting on both. Although a link with the scrutiny committee can be beneficial, cross-membership should not be considered the norm, and if it is seen as necessary should be restricted. Agreed management actions are in place to address this issue.



Internal Audit

96. 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.
97. Our review identified that the audit work undertaken by the Internal Audit section to be of a satisfactory standard. The recent implementation of "Galileo" audit planning and management software has resulted in a significant improvement in the standard of work completed by Internal Audit. We will continue to monitor implementation until the system is fully embedded.

Systems of internal control

98. 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 assurance statements from directors and heads of service across the council, the chief internal auditor and assurances from subsidiary and associate companies, the Director of Corporate Resources concluded that he 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.
99. The annual report for 2007/08 by the Chief Internal Auditor provided her opinion that, based on the internal audit work undertaken during the year, the council's systems of internal control and governance were operating satisfactorily. She drew attention to the significant increase in the number of Priority 1 recommendations relating to internal financial control in comparison to previous years (from 1 to 10) but noted the majority of these recommendations related to the management of programmes and projects. This area for improvement has also been identified within our Review of Capital Monitoring and Annual Capital Expenditure which is being finalised and will be submitted shortly.
100. 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 concluded that only one system, the Accounts Receivable system, would not provide us with the necessary level of audit assurances and increased our year end work in that area. The work undertaken in assessing the degree of assurance we could gain from the key financial systems identified some control weaknesses which we highlighted for management attention in our Review of Governance Arrangements and Main Financial Systems.



Prevention and detection of fraud and irregularities

101. 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

102. During 2007/08, we continued to monitor the council's participation in the 2006/07 National Fraud Initiative (NFI). The exercise is undertaken as part of the audits of the participating bodies. 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 including previous exercises). Where fraud or overpayments are not identified in a body, assurances can usually be taken about internal arrangements for preventing and detecting fraud.

103. Overall, 1,149 data matches were identified in respect of the Scottish Borders Council. At 29 August 2008, 1,146 of these items had been cleared with the remaining 3 cases under investigation. A nominal amount of savings have been identified to date (£5k). Although this amount is significantly lower than in 2005 this should not discourage participation in the exercise.

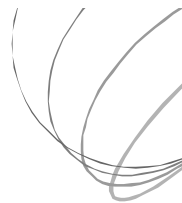
104. Preparations are underway for the 2008/09 NFI exercise with data uploads via a secure electronic upload facility to be submitted by 6 October 2008. The NFI 2008/09 results (data matches) will be made available to councils in January 2009 using the current web-based application.

Housing Benefit

105. 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. The council will be advised in due course as to when it will be inspected.

Data handling and security

106. 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.

107. The council has revised its Computer Security Policy in light of recent media coverage and has introduced specific guidance on the use of removable storage devices and implemented the use of encrypted memory pens.

Payment card standards

108. 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.

109. The Council is aware of the requirements of PCI DSS, and is introducing 3D Secure software to ensure full compliance. A project to test and install the software has been initiated with a target implementation date of mid December 2008.

Governance outlook

Single outcome agreements

110. 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.

111. Community Planning arrangements are well established in the Scottish Borders and are delivered via the New Ways Partnership. These arrangements assisted the council and its New Ways partners to submit the partnership Scottish Borders Single Outcome Agreement to the Scottish Government on 30 June 2008. The council needs to ensure these existing partnership arrangements continue to be strengthened to support achievement of the objectives of the SOA.

112. The SOA has brought about the change to an outcomes focus and the partnership will need to ensure there are adequate performance management arrangements in place to support delivery of these outcomes.



Financial statements

Introduction

113. 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.

114. 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.

115. 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.

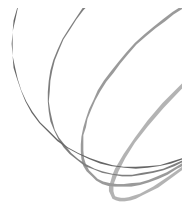
Overall conclusion

116. We have given an **unqualified** opinion on the financial statements of Scottish Borders Council for 2007/08.

117. The council's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Final accounts preparation processes and working papers were generally good and this enabled the audit to progress smoothly. Audited accounts were finalised prior to the target date of 30 September 2008 and are now available for presentation to the council and publication. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

Accounting practice

118. 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
- provision for penalties under the Landfill Allowance Schemes.

119. Overall we were satisfied that the council had prepared the accounts in accordance with the revised SORP. Only one significant adjustment was required to be made to the figures included in the unaudited accounts provided for public inspection. The council had earmarked £2.1m from its reserves and has now made provision in the Financial Statements for the £2.1 million costs of the early retirement/voluntary severance costs arising from the restructuring of support services in accordance with the requirements of FRS 12 *Provisions, contingent liabilities and assets*.

120. The council adjusted the financial statements to reflect our audit findings. No immaterial unadjusted errors required to be reported to the Director of Corporate Resources and the Audit Committee via our letter issued in line with International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*.

Identification and valuation of common good assets

121. There have been a number of Scottish parliamentary petitions concerning the proper recording, auditing and safeguarding of common good assets and this area continues to produce a significant amount of correspondence and complaints. In December 2007, Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note for practitioners. The paper recognises the legislative distinction of the Common Good as a managed fund, which requires disclosure within the local authority financial statements this year, with common good moveable asset registers in place by March 2009.

Legality

122. Each year we request written confirmation from the Director of Corporate Resources that the council's financial transactions accord with relevant legislation and regulations. Significant legality requirements are also included in audit programmes. The Director of Corporate Resources has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of the council's management team, the financial transactions of the council were in accordance with the relevant legislation and regulations governing its activities.



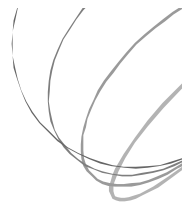
123. We reported last year that local authorities with registered charitable bodies (ie registered trust funds) are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund, 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.

124. There are no additional legality issues arising from our audit which require to be brought to members' attention.

Financial reporting outlook

IFRS adoption

125. 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.



Final Remarks

126. 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.

127. 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 specific steps as 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.

128. The co-operation and assistance given to us by Scottish Borders Council members and staff is gratefully acknowledged.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	16 & 27	<p>Performance management framework</p> <p>The council's performance management framework does not reflect the structure and content of the SOA and needs to focus on measuring its impact and outcomes.</p> <p>Risk: the council may not deliver the desired outcomes to best effect.</p>	All the Council's Business Plans have now been aligned with the SOA. Performance reporting arrangements are under review to ensure effective measurement and monitoring of delivery at both an officer and member level	Head of BIU	December 2008
2.	22	<p>Business transformation</p> <p>There is a need to review the progress of the BTP and to develop a clear plan of action to ensure that the programme can be delivered.</p> <p>Risk: failure to deliver the BTP may impact on the council's ability to provide continuous improvement and to meet the challenges of the future.</p>	Following the completion of the Value Chain Diagnostic, a business plan for transformation is being developed, setting out clearer priorities and actions for the delivery of the programme.	Head of BIU	October 2008
3.	24	<p>Stakeholder consultation</p> <p>The Chief Executive has identified a need for the full development of consultation and engagement arrangements in all aspects of service delivery.</p> <p>Risk: services will not meet the needs of consumers and the council will fail to achieve Best Value.</p>	Building on the Council's previously approved Strategy for Community Engagement and Consultation, it is proposed to develop a Community Engagement and Consultation Programme for 2009/10	Head of BIU	March 2009
4.	31	<p>Workforce management</p> <p>The programme of service reviews associated with the BTP will involve a significant movement of staff in the next few years. The council needs to ensure that adequate resources and</p>	Agreed	Head of HR	Ongoing



Action	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		support are given to staff. Risk: the council fails to maintain an acceptable standard of service for customers.			
5.	35	Asset management The ongoing re-structuring of the Property & Facilities Management Division to facilitate the implementation of a corporate led asset management planning framework needs to continue. The framework needs to support a review of office accommodation that will facilitate the ongoing structural reviews, reduce the overall office accommodation footprint and drive the efficient use of assets to assist the delivery of Best Value and Continuous Improvement. Risk: the council may fail to benefit from cost saving efficiencies and may suffer performance failures through inefficient or ineffective use of its asset base.	Agreed. Review office accommodation needs in the light of organisational re-structuring Complete the re-structuring of the Property & Facilities Management Division Update Corporate Property Asset Strategy and Management Plan, inc. revised property and asset strategy	Head of Property & Facilities Management Head of Property & Facilities Management Head of Property & Facilities Management	October 2008 January 2009 March 2009
6.	39	Sustainable waste management The planned Lothian and Borders Waste Management Project is no longer proceeding. The council will need to develop other options for waste management. Risk: ineffective management of waste will have a detrimental impact on the Borders environment and expose the council to the risk of penalties.	Agreed Develop local strategy and options Procure medium-term waste processing solution Develop long-term waste processing solution	Head of Environmental Services Head of Environmental Services Head of Environmental Services	November 2008 1st Qtr '09 3 rd Qtr '09
7.	75	Measuring and monitoring efficiency savings The council needs to develop a systematic process for identifying the	Agreed	Head of BIU / Head of Corporate Finance	March 2009



Action	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		scope for efficiency savings, and measuring and monitoring their achievement. Risk: proposed efficiency savings may not be achieved exposing the council to financial risk and impeding the process of change.			
8.	81	Single status The council has yet to complete implementation of the single status agreement. Risk: further delays in the implementation of the single status agreement may have a detrimental impact on the progression of the BTP and the Council Improvement Plan and expose the council to the risk of industrial action by staff.	Single Status will be implemented on 24 November 2008	Head of HR	November 2008