

Dumfries and Galloway Council

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

October 2009



 **AUDIT SCOTLAND**

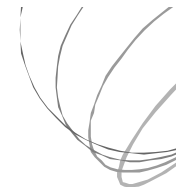


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Key Messages

Background

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

Financial Statements

We have given an unqualified opinion on the financial statements of Dumfries and Galloway Council. However, our opinion draws attention to a failure to comply with the statutory requirement that all significant trading organisations (STOs) break even on a rolling three year basis.

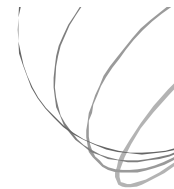
For the three year period to 31 March 2009, two out of three of the council's STOs (Catering and Cleaning and Cleansing and Grounds Maintenance) failed to achieve the statutory target. The council has taken action to address this poor financial performance and needs to ensure the competitiveness of all in house services.

Use of Resources

A general fund surplus of £6.870 million was returned in 2008/09 with the delay in the implementation of single status being the main contributor to this better than forecast year end position. The total value of the council's general fund balance at the year end was £46.477 million. Of this, £9.783 million remains unallocated and is available to finance future cost pressures and contingencies. While the level of unallocated general fund balances is above the council's minimum target, the financial pressures associated with the current economic climate are significant and close attention will have to be given to the continuing adequacy of the council's unallocated reserves.

Despite action taken by senior management within Social Work Services during the year to curtail expenditure, an overspend of £ 0.571 million was returned against budget. A pattern of year end overspends within Social Work Services now exists within the council and in line with other local authorities, expenditure on social care is an area of considerable financial pressure and is one where demand for services is likely to increase due to the increasing aging population. Estimates predict that by 2031, 35% of the population of Dumfries and Galloway will be elderly¹. Effective long term service and financial planning will be essential to prepare the council for the expected increases in demand.

¹ Scotland's Population 2008 - The Registrar General's Annual Review of Demographic Trends



In 2008/09 the council had an accumulated underspend on resource transfer funding of £2.8 million, approximately one third of the total value of resource transfers received annually from NHS Dumfries and Galloway. We have previously reported underspends of this scale to members over the last two years and it is now essential that the council addresses this issue and ensures full use is made of the available funding in the provision of services.

The council continued to under spend on its capital programme in 2008/09 with slippage of £ 7.39 million or 22% of the total plan. This is at least the fifth consecutive year that the council has failed to achieve its capital programme. A key component of the council's Economic Action Plan is an ambitious programme of long term capital investment in regeneration projects and roads infrastructure. To successfully deliver future capital plans, it is important that capital planning is improved. In addition, while good progress is being made on the Schools PPP projects, there is still a need to produce a long term investment plan which covers all of the properties in the schools estate.

Governance and Accountability

The council's governance systems operated during 2008/09 within a sound control environment. There are however a number of specific control procedures which need to be strengthened. These have already been reported to management and actions identified to address the potential risks.

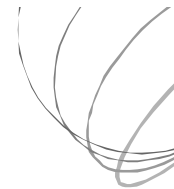
During 2008/09, the council approved the early retirement of a number of senior officers within the council including the former Chief Executive, and three other members of the senior management team. Our review of early retirements in 2008/09 concluded that while the council complied with regulations and the main requirements of the council's policy, the governance arrangements surrounding early retirements were inadequate and fell short of the best practice highlighted in the Accounts Commission report 'Bye Now, Pay Later?'. A report summarising our findings is currently in draft with management.

Pension Fund

A full actuarial valuation of the Dumfries and Galloway pension fund was undertaken as at 31 March 2008 with the actuary's final report being produced in early 2009. This reported that the pension fund had a funding level of 88% compared with a level of 89% at the last valuation date of March 2005. The employer contribution rate has been increased to 20% of payroll costs for 2009/10 (2008/09 rate was 19.5%), rising by another 0.5 % in each of the following two years.

Performance Management and Improvement

The report on the audit of Best Value and Community Planning in Dumfries and Galloway Council was published in March 2009. Since the publication of the report the council has completed a restructuring of the management team with a new Chief Executive.



The council's improvement plan was approved by members and submitted to the Accounts Commission in June 2009. Top priority has been given to ensuring improvements in the areas of political management, people and leadership and certain best value aspects of operational business. Key to the council's success will be the introduction of a culture of performance management and continuous improvement through ongoing self evaluation and effective scrutiny and challenge. Sound arrangements for managing risk will also be essential. We will monitor progress against the Best Value report as part of the 2009/10 audit.

The council has continued to work jointly with its partners in reaching agreement on the 2009/10 Single Outcome Agreement (SOA). Approaches to performance management and reporting as well as joint financing are priority areas to be developed further. The challenges that this poses are well recognised, particularly in the current economic climate when significant cuts in funding across the public sector are forecast.

Outlook

The full effects of the recession are not yet known but it is clear there will be major implications for the public sector as the anticipated downturn in budgetary prospects are likely to be deep and prolonged. Estimates by the Centre for Public Policy for Regions (CPPR) in August 2009 predicted that over the 5 years to 2013/14, the Scottish Government's budget could include real term cuts of 8.5% or £2.5 billion.²

Changes in Scotland's population and rising unemployment rates will increase demand for public services. In many cases, the public sector relies on income from various sources to pay for some services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.

The council should be preparing now for the social, financial and economic development challenges that lie ahead. Preparations for future cost pressures should enable better decision making when the time finally comes to accommodate reduced budgets. The council's current budget projections recognise the potential cuts in future funding and has incorporated savings requirements of £3.9 million to the 2009/10 budget rising to nearly £8 million in 2010/11.

Far greater pressure will be placed on the council's systems for effective long term service and financial planning. A fully integrated approach to strategic and financial planning will be critical to support council decisions on future priorities and possible changes in how services will be delivered. Even greater emphasis will be placed on achieving savings from the more efficient procurement of goods and services. Close monitoring of the council's Economic Action Plan will be essential.

² *The Scottish Government's Budget, Growth Prospects and Budget Options*, Centre for Public Policy for Regions , August 2009



The council has so far applied a well structured approach to agreeing the Best Value and Community Planning audit improvement plan. Going forward, the council's attention should move from planning to focusing on the delivery of change. It is essential that the pace of change within the council improves. Strong political and managerial leadership and support will be essential to the successful delivery of the council's planned changes. All members have a critical role to play in scrutinising performance and monitoring progress. The current economic climate will demand a much stronger corporate approach to best value and ensuring the best use of resources.

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

 **AUDIT SCOTLAND**
October 2009



Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of Dumfries and Galloway Council (the council) and other relevant work carried out by Audit Scotland. A number of detailed reports have already been issued in the course of the year in which we make recommendations for improvements (see Appendix A). We do not repeat all of the findings in this report. Instead we focus on the financial statements and any significant findings that have arisen from our review of the management of strategic risks.
2. The report is structured around the headings of the new corporate assessment framework, which is being developed for Best Value 2 (BV2) and for joint scrutiny work. The framework is founded on the characteristics of a best value council. Using evidence gathered in the course of the audit, supplemented by other work by Audit Scotland, we comment on the council's position this year.
3. It must be stressed that our comments are made on the basis of information made available in the course of the annual audit. We do not offer an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time and for that to form the basis of a proportionate best value audit. This report is the first step towards that goal. We do make reference in this report to the findings of the audit of Best Value and Community Planning carried out at the council and the action taken in response to the report published in March 2009.
4. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council are:
 - The impact of the race equality duty on council services.
 - Improving energy efficiency.
 - Asset management in councils.
 - Overview of drug and alcohol services.
 - Mental health overview.
 - Civil contingencies planning.
 - Strategic procurement.
5. We mention the key findings from some of these reports and the implications for Dumfries and Galloway Council in the performance and use of resources sections of this report. Full copies of the studies can be obtained from Audit Scotland's web page at www.audit-scotland.gov.uk.



6. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and have agreed to take the specific steps set out in the column headed Planned Management Action. We do not expect all risks to be eliminated or even minimised. What we are expecting to see is that the council understands its risks and has in place mechanisms to manage them. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to be duly assured that the proposed action has been implemented.

7. This report is addressed to members and the Controller of Audit. It will be published on our website after consideration by the council. The Controller of Audit may use the information in this report for her annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and it is also presented to the Local Government and Communities Committee of the Scottish Parliament.



Financial statements

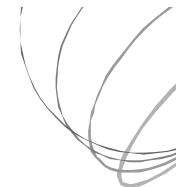
Introduction

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

Audit Opinion

9. We have given an unqualified opinion that the financial statements of Dumfries and Galloway Council for 2008/09 give a true and fair view of the financial position and expenditure and income of the council. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
10. We have, however, drawn attention to a failure to comply with the Local Government in Scotland Act 2003. Two out of three of the council's significant trading operations (STOs) have failed to breakeven, on a cumulative basis, over a three year period. These STOs are Catering and Cleaning and Cleansing and Grounds Maintenance. The other STO, Roads Maintenance, has consistently made surpluses. While the council has taken some action which is scheduled to show improvements in later years, problems remain and deficits are likely to continue at least in the medium term. A more detailed analysis is presented at paragraph 59.
11. We are satisfied that the disclosures in the Statement on the System of Internal Financial Control are consistent with our knowledge of the council. However the disclosure on the need to further develop risk management and business continuity has continued for a number of years and should now be addressed so as not to appear in the statement for 2009/10. The same applies to a lesser extent to the disclosure concerning the reconciliations of the bank accounts held by Dumfries and Galloway Constabulary.
12. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. The audit of the financial statements progressed well with the council providing support and working papers as requested. Improvements are however required to certain aspects of the reconciliation processes, in particular the reconciliations relating to the council tax and non domestic rates systems. Source ledger prints used in the reconciliation process should be retained and all parts of the reconciliation process fully documented and evidenced.

Refer risk 1



13. The accounts were certified by the target date of 30 September 2009 and are now available for presentation to members 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 issues

14. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP). No major changes were introduced by the 2008 SORP. We are satisfied that the council prepared the accounts in accordance with the 2008 SORP.
15. The council adjusted the financial statements to reflect material audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Director of Support Services and the Audit and Risk Management Committee via our letter issued in line with the International Standard on Auditing 260 (ISA 260) – ‘Communication of audit matters to those charged with governance’. These are summarised below.
16. **Police and Fire pensions:** A national issue came to light late on in the audit process concerning the accounting treatment of Police and Fire pension costs in the financial statements. Proper accounting practice requires a charge to be made to the income and expenditure account for pension costs based on FRS 17 ‘Retirement Benefits’. The Local Government Pension Reserve Fund (Scotland) Regulations 2003 provides the basis for local authorities to replace FRS 17 based costs charged to the general fund balance with actual pension contributions and payments. This legislation does not however apply to the new police and fire pension schemes established with effect from 6 April 2006 by the Police Pensions (Scotland) Regulations 2007 and the Fire-fighters Pension Scheme (Scotland) Order 2007. This means that there is currently no legislation in place to allow the reversal of the FRS 17 based costs from the general fund balance in respect of these new pension schemes.

The difference between the annual value of the FRS 17 pension costs and the actual pension contributions paid in 2008/09 was £0.371 million. The council did not adjust the financial statements for this. As the net value of the adjustment for 2008/09 was not material to the accounts as a whole we accepted the approach taken by the council. It is anticipated that this situation will be amended by legislation during the 2009/10 financial year.

17. **Continued underspends in resource transfer funding:** The 2008/09 year end creditors balance included £ 2.8 million relating to accumulated underspends on resource transfer funding. This represents approximately one third of the total resource transfer income received each year by the council. We reported this issue to members as part of our 2006/07 and 2007/08 audits. We have previously stressed the importance of addressing the delays in setting up projects and services to fully utilise the funding made available to the council from resource transfers from NHS Dumfries and



Galloway. We note that despite the current financial pressures within Social Work Services and the past assurances given by management, the level of underspending has not decreased. We are advised that the reasons for the continued underspending in resource transfer projects are being investigated by senior management and discussions are being held with NHS Dumfries and Galloway to identify ways of fully utilising future funding.

Refer risk 2

18. **Outstanding Trunk Road balances:** The 2008/09 financial statements included both debtor and creditor balances in respect of work carried out by the council for the Scottish Government on trunk roads. Debtors balances totalled £3.6 million with creditors amounting to £3.1 million. These balances related to different individual schemes with some dating back over 10 years. The council has been unable to confirm the current status of these balances with the Scottish Government and we have no assurance to confirm that they are not in dispute and are still due to be settled. The council cannot continue to carry these balances indefinitely. The council will actively follow up the current status of the trunk road debtors and creditors with the Scottish Government and write off amounts which are either no longer due or owing.

Refer risk 3

Audit testing

19. In order to assess the adequacy of the governance arrangements within the council and to obtain assurances for the audit of the financial statements, we reviewed the main controls in place within each of the council's main financial systems. Based on the results of our reviews we concluded that the council's main financial systems had a satisfactory level of control for our purposes.
20. We took some assurance from the work of internal audit in the following areas:
- Treasury management
 - Non domestic rates billing and collection
 - Council tax billing and collection
 - Pensions administration.

Prevention and detection of fraud and irregularities

21. 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. There has been no reference to any fraudulent activity within the council either in the 2008/09 Statement on the System of Internal



Financial Control or committee reports although we acknowledge that externally the number of sanctions issues by the Benefit Fraud Inspectorate team has increased by 83% or 20 cases resulting in eight prosecutions.

NFI in Scotland

22. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£40 million to 2008). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud. The most recent data matching exercise was carried out in October 2008 and national findings will be published by Audit Scotland in May 2010.
23. Dumfries and Galloway Council, along with the Constabulary and the Fire and Rescue Service has participated in this 2008/09 exercise. To date the council reports that two frauds and fourteen errors have been discovered giving a total reported saving of over £0.053 million. This exercise continues and further savings are expected.
24. In addition, two additional series of matches were offered to the council and were considered as part of the 2006/07 exercise. These consisted, firstly, of matching those receiving a single person discount (SPD) on their council tax against the electoral roll and, secondly, those people who were approaching 18 years of age (the rising 18s) and potentially becoming liable to council tax. The council has not yet addressed the rising 18s but the SPD matches are reported to have been very successful in finding errors. To date 149 errors have been reported with savings of over £0.482 million. While it may be that earlier systems had not prevented some of these errors, the council is responsible for a substantial part of the all-Scotland savings on these matches. This reinforces the value of keeping up to date with the review of the continued entitlement to the receipt of discounts and reliefs from the payment of council tax and non domestic rates.

Housing Benefit

25. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team are carrying out a programme of risk assessments of benefits services in all councils over a two year period.
26. The risks to the council's benefits service were assessed in August 2008. The council has responded to the risks we identified with an action plan. We believe the actions will make a positive contribution to further enhancing the benefits service and we will monitor progress in the next inspection cycle, which starts in 2010.



Trust funds

27. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund. However the Office of the Scottish Charities Regulator (OSCR) has deferred the date of full implementation until 2010/11. Therefore reliance can be placed on the existing disclosures for trust funds in the council's financial statements, supplemented by appropriate working papers.
28. The council has made considerable progress towards compliance with the regulations. OSCR, in a letter to the Chair of Local Authority (Scotland) Accounts Advisory Committee (LASAAC) dated 15 April 2009, recognised this progress by naming the council as one of only ten Scottish local authorities to be classified as above average in meeting the requirements for the 2007/08 year. Full compliance is likely to be compulsory in the near future and therefore the council need to maintain, and further progress, the standard they have already achieved.

Common good fund

29. In December 2007 LASAAC issued a guidance note for practitioners. The guidance required the common good fund to be disclosed within the financial statements and a separate common good asset register to be in place by March 2009.
30. A separate account for the common good (comprising eleven funds pertaining to former burghs) is disclosed in Dumfries and Galloway Council's financial statements and a separate fixed asset register is also maintained. During 2008/09 the funds received income of £0.817 million whilst incurring expenditure of £1.024 million. The deficit for the year of £0.207 million was financed from the funds balance which at 31 March 2009 was £0.929 million. As at 31 March 2009 the funds had net assets of £5.624 million. During 2008/09 the council has carried out work to confirm ownership of some common good assets. This work is ongoing and as yet has not been formally reported. Further work is being planned on the confirmation of assets and a review of rental arrangements for common good assets.

Pension fund

31. A full actuarial valuation of the Dumfries and Galloway pension fund was undertaken as at 31 March 2008 with the actuary's final report being published in early 2009. This recommends the employer contribution rates required for 2009/10 to 2011/12 in order to ensure that sufficient funds are available to pay future benefits. As at 31 March 2008 the pension fund had a funding level of 88% and the actuary recommended for the council an employer contribution rate of 20% of payroll costs for 2009/10 (2008/09 rate was 19.5%) , rising by another 0.5% in each of the two following years. The aim is to bring the funding level back to 100% over a fifteen year period. The next actuarial valuation will be as at 31 March 2011.



Legality

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

Financial reporting outlook

IFRS adoption

33. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. Because local government has already adopted some aspects of IFRS, we expect the transition to be fairly smooth. Next year councils will be expected to account for PFI projects on an IFRS basis and it is important that the council starts the transition period in 2009/10. A comparative balance sheet as at 1 April 2009 will be required and the whole of government accounts will also be required on an IFRS basis from 2009/10.
34. The council has started preparing for the adoption of IFRS and have, in common with most other Scottish local authorities have commissioned support from external specialists. It is important that the council continues progress and applies a project management approach to ensure all of the key tasks are adequately resourced and completed.

Refer risk 4

Pension funds

35. The introduction of the IFRS based accounting code of practice in 2010/11 is also likely to require separate pension fund reports and accounts, a view supported by LASAAC. The impact of this on the audit requirement is something we will be discussing with the CIPFA Directors of Finance Group.

Carbon trading

36. From April 2010 a new and complex system for charging for carbon emissions will be introduced by the EU. The council will be required to purchase and account for carbon credits to cover all of its non transport related energy usage. Incentives and penalties will be built into the system to encourage a reduction in carbon emissions. The council has undertaken the early planning stages for the new system. The council is aware that improved information and data systems will be required to ensure that it does not incur penalties due to the use of excess energy.



Use of resources

Financial results

37. Dumfries and Galloway Council spent £498million on the provision of public services during 2008/09. More than £472million was spent on the provision of revenue services with the remainder being spent on capital projects. The council's net operating expenditure in 2008/09 was £364million of which £342million was met by central government and local taxation resulting in a deficit of £22million or 6% of the net operating expenditure. The final outturn position however reflects the impact of capital accounting and pension accounting entries and adjusting for these, council balances actually increased by £6.870million. When added to the brought forward balance of £39.607million the total general fund balance carried forward totals £46.477million.
38. While most council services returned underspends on their original budget allocations and transferred a consolidated £1.75million in year to service reserves, there continues to be significant concerns within both Social Work and Combined Services (now DGFirst) and their ability to curtail expenditure and manage future costs.
39. During 2008/09 Social Work Services returned a deficit of £0.571 million with the main areas of overspend being within:
- Agency Placements within Children and Families Services (an overspend of £0.710million or 20%).
 - Homecare within Older People, Sensory Disabilities and Learning Disabilities (an overspend of £2.806million or 21%).
 - Child Care / Social Services Training (an overspend of £0.402million or 82%).
40. Over the past year the Social Work senior management team has worked on a range of containment measures with a view to bringing expenditure into alignment with budget. These measures included:
- engagement with providers
 - a review of home care packages and high cost placements
 - the strict application of eligibility criteria
 - improving management information systems.
41. Despite these measures the forecast outturn remained over budget throughout 2008/09 and continued to rise to a reported position of £2.5million at the end of the third quarter before falling to £1.5million by the end of the year. The council were able to apply unutilised provisions of approximately £1 million which had been previously set aside for food preparation costs, reducing the year end overspend to £0.571million. Given the difficulty that Social Work Services have in containing



expenditure within budget it was agreed that the overspend would be met by corporate balances rather than being carried forward within the service's budget.

42. The council is seeking in 2009/10 to implement the recommendations of the Changing Lives Report produced by the Scottish Government. These include a shift towards early intervention/prevention, personalised budgets for users and devolved responsibility to managers and front line staff. This requires a new approach in a number of areas and we will monitor the financial impact of these developments as they progress.
43. Increased demand will affect the future affordability of social work services. Over the next twenty years it is estimated that there will be a significant change in the make up of Scotland's population. The number of older people is projected to rise by 54% with an 81% increase in people aged over 75³. Within Dumfries and Galloway it is estimated that 35% of the population will be elderly by 2031.

Refer risk 5

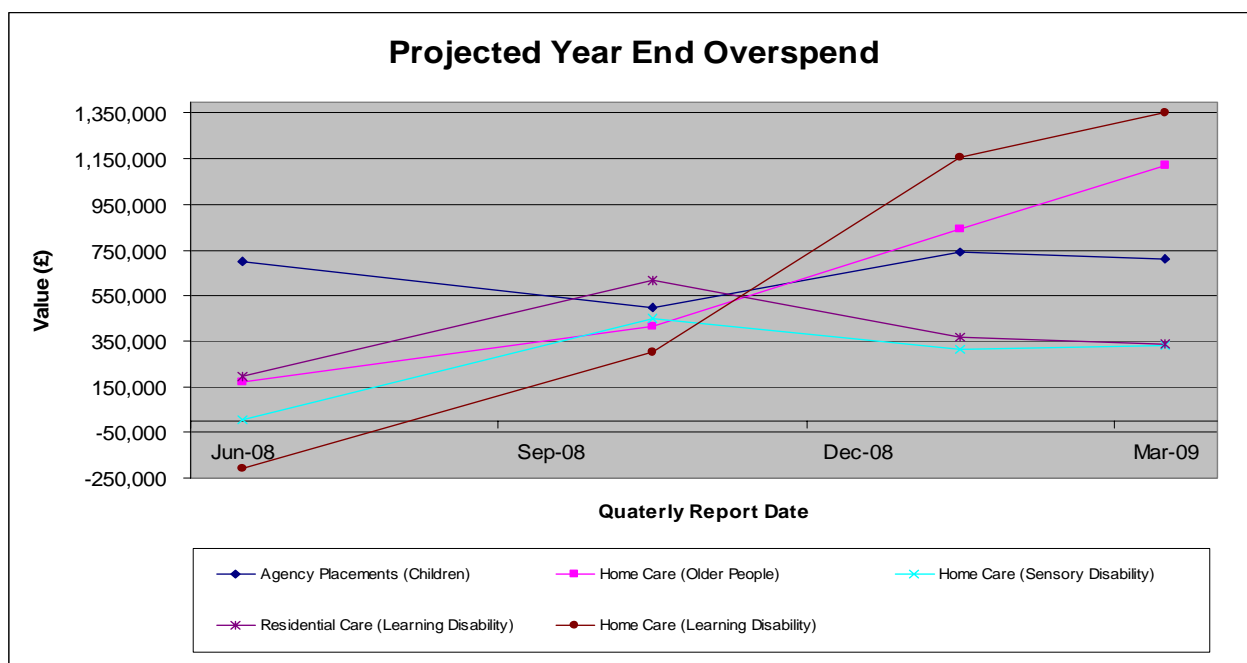
44. Exhibit 1 below shows the projected year end overspends for a number of services within Social Work. While the council recognised the potential for overspends within these services at the start of the year it is clear that the final position at 31 March 2009 was significantly worse than first anticipated and that there was considerable volatility in the projected outturns reported to members throughout the year.

³ Scotland's Population 2008 - The Registrar General's Annual Review of Demographic Trends, General Register Office for Scotland 2009.



Exhibit 1

- Social Work Services Projected Year End Overspend by period 2008/09



45. We highlighted to members in both 2006/07 and 2007/08 the need for the council to improve the accuracy of outturn projections included in budget monitoring reports for Social Work Services. This issue still remains and considerable variances in the estimated outturn have continued to be reported to members throughout 2008/09. We have again reported this to management as part of our 2008/09 audit report on the review of main financial systems.

46. Within other council services DGFirst returned a deficit of £1million with £0.29million attributable to non trading activities and £0.76million to trading activities. Within the trading arm of DGFirst deficits related to Catering and Cleaning (£0.263million), Land Services (£0.194million) and Building Maintenance (£0.478million). Other non trading deficits within DGFirst were largely attributable to the increased costs as a result of the severe weather conditions at the start of the year.

47. The 2008/09 year end deficits of both Social Work Services and DGFirst have been written off against general fund balances. The council's practice of writing off deficits to balances for these services has continued over the last few years. Going forward, any available fund balances are likely to be under considerable pressure from the predicted cuts in government funding and increasing demands on services. As such this approach to managing budget overspends is likely to be unsustainable.

Reserves and balances

48. Exhibit 2 shows the balance in the council's funds at 31 March 2009 compared to the previous year. Funds include a capital fund which may be used to defray capital expenditure or repay loan principal and a repair and renewal fund to finance expenditure incurred in repairing, maintaining, replacing and



renewing fixed assets. At 31 March 2009, the council had total funds of £68.733million, an increase of £6.190million on the previous year.

Exhibit 2

Reserves

Description	31 March 2009 £ Million	31 March 2008 £ Million
General Fund	46.477	39.607
Repair and Renewal Fund	1.816	1.842
Capital Fund	2.695	3.671
Insurance Fund	2.445	2.675
Useable Capital Receipts Reserve	15.300	14.748
	68.733	62.543

49. Of the £46.477 million of general fund balances, the council has earmarked a significant proportion against specific projects such as the Schools PPP Sinking Fund (£15.194million) and the Waste PFI Sinking Fund (£8.986million). The residual balance not allocated to specific projects totals £9.783million. This compares to the council's agreed minimum target of unallocated reserves of £6 million.
50. At the start of the year the anticipated unallocated general fund balance for the year end was £4.430million. This when compared with the actual position of £9.783million represents a positive variance of £5.353million. The reasons for this variance has been highlighted to members throughout the year and represents the consolidated position of variances such as the overspends in Social Work Services (£0.571million), DG First (non-trading £0.287million and trading £0.758million) and shortfalls in budgeted capital receipts (£2.086million). These overspends are offset by underspends in Loan Charges (£2.270million) and savings from the delay in implementing Single Status (£6million).
51. While the level of unallocated general fund balances at the end of 2008/09 of £9.783 million is above the council's minimum target, the financial pressures associated with the current economic climate are significant and close attention will have to be given to the continuing adequacy of the level of the council's unallocated reserves.

Capital performance 2008/09

52. The capital programme for the year has again been subject to significant slippage. Expenditure in 2008/09 totalled £26.109 million against an original programme of £33.499 million. Of the 56 projects included in the council's capital programme, 33 (59%) had suffered from slippage, 8 (14%) had overspent their capital allocation and only 15 (27%) had been completed (although the cumulative



overspend for these projects totalled £0.44million). Within these specific projects significant slippage was noted within areas such as Education block allocation (£2.627million), Kelloholm Health/Social Services Centre (£0.737million) and Residential Childcare (£0.733million).

53. The council's historic ability to achieve its capital programme is reflected in Exhibit 3 below and shows that whilst slippage is reducing it continues to be an area of concern.

Exhibit 3:

Capital slippage in capital programmes

Year	Capital programme £ Million	Capital spend £ million	Underspend /Slippage £ million
2004/05	26.574	18.542	8.032 (30%)
2005/06	27.051	17.286	9.765 (36%)
2006/07	30.334	19.360	10.974 (36%)
2007/08	32.833	25.423	7.401 (23%)
2008/09	33.499	26.109	7.390 (22%)

54. The successful delivery of the capital programme is a key component of the council's Economic Action Plan approved by members in May 2009. The council has agreed significant long term capital investment totalling £40 million in regeneration and roads over the next ten years. To achieve this ambitious target and support local employment and the economy, the arrangements for planning, monitoring and evaluating the capital programme will have to be strengthened including improvements to the profiling of capital expenditure. The future affordability of the capital plan should also be kept under review.

Refer risk 6

Capital Receipts

55. During 2006/07 and 2007/08 the council generated £5.729million of capital receipts from the sale of surplus land and buildings which contributed significantly to the Council's Financial Efficiency Strategy. The current economic climate has severely impacted the council's ability to generate further receipts from the sale of assets. Capital receipts in 2008/09 were £0.685 million against an original target of £ 2.086 million.

Treasury management

56. As at 31 March 2009, the council held cash and temporary investments totalling £30 million (£38m at 31 March 2008). In the light of reducing investment opportunities during the year the council utilised some of these cash surpluses to prematurely repay £14million and refinance £10million of longer term



debt. This has resulted in a net saving of £0.099million in interest payable in the current year with expectations of further savings in future years.

57. The current economic climate means that interest rates on investments are low. Despite this the council were able to generate investment income of £2.719million in 2008/09 compared with £ 2.071million in the previous year. However as interest rates fell and the number of approved counterparties reduced during the year, there were less investment opportunities open to the council. The council has a significant proportion of its debt at fixed rates and its average cost of borrowing over the year was 5.536%.
58. The council did not hold investments with any of the Icelandic banks affected by the economic events occurring in October 2008 and has well established Treasury Management Policies in place. These restrict investments to approved institutions and establish upper limits for investments in any single institution. The council uses Sector ratings to assess institutions and credit ratings are monitored on an ongoing basis.

Significant Trading Operations

59. 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.
60. The council now operates three STOs. Until 2007/08, there was also an STO for Property Maintenance but the loss of a major external contract led to a significant downsizing, which reduced the turnover to below the limit set by the council for designation as an STO. The financial performance of each remaining STO is shown in Exhibit 4 below :

Exhibit 4

Significant trading operations

	2008/09 surplus/(deficit)	3 year surplus/(deficit)
	£000	£000
Catering and Cleaning service	(639)	(1,727)
Cleansing and Grounds Maintenance Service	69	(1,054)
Roads Maintenance Service	447	1,275
Total	(123)	(1,506)



61. Apart from Roads Maintenance, the council's STOs have had a poor track record of financial performance against the statutory breakeven target. The first financial year for STOs was 2003/04. Since then Cleansing and Grounds Maintenance has returned deficits in four of the last six years with a small surplus in 2008/09. Catering and Cleaning made a modest surplus in the first two years but has consistently made deficits since. The closing 2008/09 surplus on the Cleansing and Grounds Maintenance STO of £0.069million is made up from a deficit in the Cleansing Service of £0.346million and a surplus of £0.415million in Grounds Maintenance.
62. Action has been taken in respect of the Cleansing Service with the introduction of the Corporate Waste Strategy in 2008. This has introduced amongst other things, charges for the uplift of side waste, terminated the blue box paper collection and revised the recycling points. These changes are expected to take time to return a surplus position and it is unlikely that a break even position will be achieved until financial year 2010/11.
63. Catering is proving an intractable problem with schools catering, in particular, difficult to resolve. The requirement to provide increasingly nutritious food and increasing food prices sit alongside a continuing drop in the proportion of pupils choosing to take school meals. The council is continuing to address this issue but a resolution is not immediately obvious and further deficits may occur. It is envisaged that the Catering and Cleansing STO will continue to return a deficit in 2009/10.
64. The council are reviewing the status of the current STOs with a view to potentially operating them in future on a non STO basis. As we have previously reported to members, it is essential that the council ensures that its in-house services, including the STOs can demonstrate their competitiveness and best value.

Refer risk 7

Pension fund

65. The council is responsible for the management and administration of Dumfries and Galloway pension fund on behalf of the council, along with three other scheduled bodies and ten admitted bodies. The scheme is a funded defined benefit final salary scheme, which operates through both the council and employees paying contributions into the fund. Contribution rates are set at a level intended to balance pensions liabilities against investment assets. The fund had net assets of £355.4 million at 31 March 2009 and is managed by seven external managers. The three other schemes which the council participates in, for Police, Fire and Teachers, are unfunded with no investment assets and the council pays annual amounts as they fall due.



Exhibit 5

Pension Fund Investments

	31/03/06	31/03/07	31/03/08	31/03/09
	£m	£m	£m	£m
Dumfries and Galloway Pension Fund	412.4	450.4	436.0	355.4

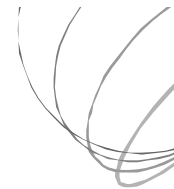
66. Total investment values had been increasing steadily since 2005, but have recently declined due to the global economic downturn. There have been significant movements in share prices particularly in the banking sector. This will affect the investment asset valuation, but the dynamic nature of the current market does not lend itself to a reliable long term estimate of the value of the investment assets.
67. The long term impact of these fluctuations will be monitored on an ongoing basis by the council. The effect on the asset values of the pension fund and the future outlook for employers' contributions was assessed at the triennial valuation of the pension fund, as reported at paragraph 31 above.
68. During 2008/09 we carried out a review of the pension fund. It concluded that overall operational and governance arrangements were sound although they could be strengthened, especially in the following areas:
- the current Statement of Investment Principles (SIP) has not been formally adopted
 - in-year reconciliations of contributions and investments are not formally documented
 - there are limited performance management arrangements for pension administration
 - public reporting and available information for members of the scheme and pensioners could be improved.

Seventeen risk areas were identified, of which four were deemed high, ten medium and three low priority. Management responded to the risks identified and an action plan has been agreed.

Financial planning

Current Economic Climate

69. Since mid 2008 Scotland's economy has been in recession. The public sector is coming under the greatest financial pressure since devolution ten years ago and it will be very challenging to sustain current levels of services and meet new demands when resources are tight.
70. The full effects of the recession are not yet known but it is clear there will be major implications for the public sector as the anticipated downturn in budgetary prospects are likely to be deep and prolonged. At this stage it is unclear what the actual reduction in budgets will be. This will depend on the depth of



the recession and the length of time the economy takes to recover. In August 2009 the CPPR published projections for the Scottish budget up to 2013/14. Over the 5 years to 2013/14, the Scottish Government's budget is estimated to reduce by £2.5 billion or 8.5% in real terms compared to 2009/10⁴.

71. The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services. In many cases, the public sector relies on income from various sources to pay for some services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.

72. It has been estimated that Scotland's councils may have to reduce their overall costs by up to one third if they are successfully to meet the challenges of the long term funding crisis. In summary, cost pressures in local government include :
 - cuts in central government funding
 - significant increases in social care costs
 - loss of revenue from property sales
 - pressure for cost reductions and efficiency gains
 - the need to top up funding of the local government pension scheme.

73. Councils should be preparing now for the social, financial and economic development challenges that lie ahead. Preparations for such cost pressures should enable better decision making when the time finally comes to accommodate reduced budgets. Effective long financial and service planning will be critical.

The Council's 2009/10 Budget

74. The council's budget for 2009/10 was set during February 2009 and highlighted a range of pressures including:
 - increased energy costs (required additional budget of £1million)
 - increased in fuel prices (required additional budget of £0.35million)
 - single status (additional budget of £8.75million in 2009/10 rising to £9.25million in 2011/12)
 - reduced capital receipts (reduced by £1.5million in 2009/10, 2010/11 and £1million in 2011/12).

⁴ *The Scottish Government's Budget, Growth prospects and Budget Options*, Centre for Public Policy for Regions , August 2009



In addition the council is seeking to make efficiency savings of £3.9million in 2009/10 whilst also allocating additional funding to support the local economy such as £0.5million for both the Economic Action Plan and Civic Pride Funding and £0.1million for Town Centre Regeneration and Modern Apprenticeships.

75. There remains a degree of financial uncertainty over the future costs resulting from the implementation of the newly agreed single status grading structures and shift arrangements. In addition, uncertainty continues over the final costs of equal pay compensation claims. At 31 March 2009, the council has allowed for a total of £18.91million on future spending on equal pay and single status made up from a mixture of one off earmarked reserves and provisions and allowances built into the 2009/10 budget.

The costs of single status and equal pay are significant future cost pressures for the council. The council believes that adequate provision has been made for these future costs and the actual outturn position will continue to be closely monitored.

The Council's 2010-13 Budget

76. The council recognises that there is a significant risk associated with potential material reductions in previously anticipated government grant support. The council has reported that, in light of these developments, the savings requirement of £3.9million for 2009/10 is estimated to increase by £4million in 2010/11 to £7.9million.
77. The council has anticipated that a review of the budget model will contribute towards reducing the funding gap (through revised inflation and pay award factors) and that corporate measures including Delivering Excellence, will make a further contribution. To allow members as much flexibility as possible in setting the, the council is requiring services to identify recurring savings options totalling £6.5 Million for 2010/11, increasing to £15 Million for 2011/12.
78. The council has identified that service plans should seek opportunities to amend services and also identify efficiency savings to address both corporate savings targets and service budget pressures. As part of this process consideration is to be given to longer term service needs and opportunities to introduce new approaches to service delivery.
79. In addition to these plans the council has recognised the need for an earlier and more detailed engagement with members during the budget setting process. The first real engagement with members as part of the 2009/10 budget process was through a member challenge day in December 2008. This was intended to give members sufficient time to adequately review service plans, savings options, budget pressures and growth items. For 2010/11 this process has been brought forward by three months to September 2009 to allow for greater scrutiny and public consultation of such plans and corresponding budgets.



80. Going forward far greater pressure will be placed on the council's systems for long term service and financial planning. A fully integrated approach to strategic and financial planning will be critical to support council decisions on future priorities and possible changes in how services will be delivered.

Refer risk 8

Asset Management

81. Effective management of council assets helps the council achieve its objectives and get best value from its investment in property. Effective management benefits service delivery by making council buildings work better for staff and service users now and in the future. It also reduces the opportunity cost of money locked up in surplus property and reduces the council's carbon footprint.
82. In 2009, we published the national report *Asset Management in Councils*. Our study found that strategic asset management was not well developed in most councils. For Scottish councils as a whole, over a quarter of all properties were in poor condition and slightly less than that were not suitable for the services being delivered from them.
83. The council's arrangements for managing assets have to date been poor and the need for improvement has been well documented in our previous final reports to members as well as the report on the audit of Best Value and Community Planning published March 2009. The council has included asset management as a specific action in its Best Value improvement plan and as reported to Full Council on 17 September 2009, has already agreed a property asset management plan and outline action plan. Next steps include the development of a corporate asset management plan. We will continue to monitor the progress in improving the council's asset management arrangements as part of the 2009/10 audit.
84. In March 2008, members agreed a range of short, medium and long term investment priorities for the future of the schools estate. Regular reports on progress against the school estate management plan are put to members. The Schools PPP continues to progress on time with the first phase of the project being completed with the opening of two new schools by the start of the new school year in August 2009. Three other new '2A' schools, financed under the council's investment programme, have also opened. While it is clear that progress is being made in taking forward the Schools PPP and the '2A' schools, there is still a need for the council to identify and plan for the level of investment needed for all schools within the estate.

Refer risk 9

Procurement

85. Local authorities spend significant sums of money annually on purchasing goods and services and as part of the efficient government initiative, the Scottish Government anticipated that scope existed for



significant financial savings through improved procurement procedures and practices. The McClelland report on procurement published in March 2006 confirmed that significant savings were possible but concluded that public sector procurement processes still had weaknesses in resources, skills, organisational structures and practices.

86. In response to the McClelland report the Scottish Government introduced the public procurement reform programme (the programme) in April 2006. In July 2009, Audit Scotland reported the extent to which the programme had progressed nationally. This report concluded that while some significant steps had been made, more work was required before the programme could achieve its full potential. The key findings of the report were that while the wider impact of the programme appears positive:
- there was no systematic basis for reporting savings directly attributable to the programme
 - savings from collaborative contracts, a key feature of the programme, are being achieved more slowly than expected
 - there are wide variations across public bodies in the quality of purchasing data, practice and skill levels.
87. Dumfries and Galloway Council participates in the national centre of procurement expertise. The Scottish Government's eProcurement Scotland system is used by the council in every school and service department and going forward, will be the cornerstone of the council's procurement improvement programme. However in common with most local authorities across Scotland, the majority of the council's procurement is still arranged and processed within the council. In the light of this, Audit Scotland recently surveyed Scottish local authorities to establish the nature of information held on procurement processes. Questions also sought information on some key procurement statistics as well as establishing if individual councils had plans to implement the key recommendations of the McClelland report.
88. For Dumfries and Galloway Council the main priorities in procurement are to:
- ensure the procurement strategy is approved by members and the council's senior management team
 - develop an advanced procurement plan as set out by the McClelland report
 - begin to measure the Best Practice Indicators in procurement
 - improve management information systems to ensure key procurement measures such as the number of contracts entered into by the council, the level of spending with suppliers within the council boundary and the level of spending across collaborative and non collaborative contracts, can be readily identified.



89. In the current economic climate, even greater emphasis will be placed on achieving savings from better procurement practices. Savings will be needed to reduce the costs of goods and services without affecting quality, especially as many of these goods and services are vital to delivering council services.

Refer risk 10

Managing People

90. The council's arrangements for the effective and efficient management of its workforce have to date been underdeveloped and in need of improvement if best use is to be made of this key resource. The council's Best Value improvement plan recognises people as one of the main themes to be taken forward. Specific targets have been set for the completion of appraisals for all staff by July 2010. Priority has also been given to the development and roll out during 2010 of a programme of staff consultations including formal staff surveys. Action will also be necessary to develop workforce planning within the council.
91. The council has been successful in reaching agreement on a single status pay and grading structure. The new structure is effective from 1 April 2009 and changes to pay and conditions are to be backdated to this date. The agreement of Single Status is a significant step forward by the council in the management of its staff and the removal of staff uncertainties and potential unrest. The implementation of single status should also help reduce the risk of further equal pay claims for compensation. A specific project board led by the Chief Executive is to oversee the implementation of the new grading and pay structure along with finalising the payments to staff and updating the new HR and payroll system.

ICT

92. The council makes good use of ICT to support and deliver services. It has a clear strategy for the future development of ICT that is clearly linked to the council's objectives and plans.
93. The council re-launched its website in late 2008. Our overview of the council's website found significant improvements in its usability including an improved search engine and that the layout of the web pages were easy to follow and straightforward to use. However, further work is required to improve access to the website for all users.

New Computer Suite at Monreith House

94. One of technology solutions' major projects for the last three years has been the design, building and commissioning of a new computer suite at Monreith House. The initial target date for the transfer was the summer of 2007 and we had first highlighted this project as a potential risk area and priority for the



council in our 2006/07 Audit Risk Analysis and Plan. Building work is now complete and it is expected that all services will be migrated by the end of December 2009.

95. With the relocation of the new server room it will be necessary to review the corporate business contingency arrangements taking into account the introduction of the new equipment. We note that the council has drafted a corporate business continuity plan. Further work is required before finalising this plan including identifying the systems that support the services and embedding the review cycle within council processes.

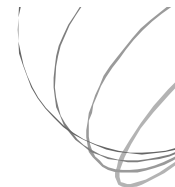
Data handling and security

96. 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 control could amongst other things, lead to loss of stakeholder confidence, an investigation from the Information Commissioner and legal costs resulting from civil and criminal litigation.
97. Our review of the council's data handling arrangements found a number of weaknesses in control. This is a cause of concern and action should be taken immediately by management to address the following fundamental weaknesses :
- no member of the management team has overall responsibility for information and data handling
 - only some of the council's laptops are encrypted
 - no information asset register is in place
 - the council does not record the information that is transferred routinely as well as informally to third parties regardless of the type of media involved.

Refer risk 11

Shared Services

98. The Accounts Commission commented on the lack of progress in developing shared services in its *Overview of the local authority audits 2008*. They recommended that councils should give this high priority in the light of financial pressures and the drive for efficiency. Dumfries and Galloway Council has worked with other local authorities to complete the National Shared Services Diagnostic Project. The output from the Shared Services Diagnostic Project has been used to inform the council's Delivering Excellence Programme. This programme includes a collection of eight themed projects. Detailed implementation for the agreed projects should be in place by December 2009. Given the current economic climate it is important that the council progresses its Delivering Excellence Programme to maximise the potential for future efficiencies and savings.



Outlook

99. We are clearly in a period of reduced economic growth with significant implications for the council's resources and the demand for services. The council needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services. The council's economic action plan needs to be closely monitored. At the same time as the council tries to support its local economy and provide best value services, it is likely to face a considerable reduction in resources.



Governance and accountability

Introduction

100. We believe that an effective council is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers. An effective council is committed to public performance reporting as a key element of public accountability. It clearly sets out service standards which reflect the needs of local people and other stakeholders, and is balanced in its presentation of the council's strengths, weaknesses and challenges for the future.
101. Corporate governance is about direction and control of organisations. Councils are large complex organisations and so good governance is critically important. The council has assessed its own arrangements against the CIPFA/SOLACE guidance: Delivering Good Governance in Local Government and has approved and adopted a revised Local Code of Corporate Governance in accordance with its principles and requirements. The revised CIPFA/SOLACE Framework builds on the work of the Independent Commission on Good Governance 'The Good Governance Standard for Public Services'. The six core principles from the Good Governance Standard have been adapted for the local government context and form the basis of the Framework.
102. The council has recognised the need to strengthen both the leadership provided by members and their role in scrutinising performance and holding management to account. The Best Value improvement plan highlights improving political management as a priority theme and includes specific actions such as providing training to members on understanding and applying effective scrutiny techniques as well as targeted leadership training. The council's training needs analysis for members has categorised performance management, risk management and diversity awareness as high priority areas and individual training needs have been identified so far for 36 of the 47 members in individual personal development plans.
103. A programme of future development and challenge days is currently being developed. Challenge days are open to both members and officers and provide opportunities for members to engage in planning and setting the direction for the council and services. Topics covered include the development of the Single Outcome Agreement and the review of budget development and options.



104. The council's Audit and Risk Management Committee has a key role to play in delivering good governance. The committee is well attended and in overall terms its remit and working practices are in accordance with the good practice principles. For example, the committee:

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

105. There is still scope however to strengthen the scrutiny of performance by members. There should be greater challenge of officers for delays in implementing previously reported audit findings.

Partnership Working

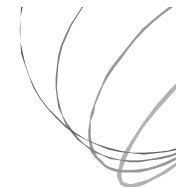
Single Outcome Agreement

106. The Single Outcome Agreement (SOA) is the result of a concordat concluded between the Scottish Government (SG) and the 32 Scottish councils in November 2007. Under the terms of that concordat, all councils were expected to have completed agreements by June 2008. In October 2008, further guidance was issued requiring councils to review and develop these agreements for 2009/10. This work was to be carried out in conjunction with partners in the Community Planning Partnership (CPP), which encompass the NHS, police and fire, other public bodies and the third sector e.g. voluntary organisations.

107. Under the guidance, SOAs must:

- have a strategic focus and be about actual outcomes
- be evidence based
- be capable of delivery
- promote continuous improvement.

108. The agreements must also address the SG's five strategic objectives, 'wealthier and fairer', 'smarter', 'healthier', 'safer and stronger' and 'greener' and also link to the SG's fifteen national outcomes.



109. The council has made good progress in completing the 2009/10 SOA and has :

- followed the recommended methodology wherever practical
- worked well with its partners to develop protocols and appropriate procedures.

110. Going forward the following areas require further action:

- there is now a general need to focus on the implementation of the SOA rather than the continuing need for review and revision. The need to focus on delivering the SOA targets is recognised by partners
- the need for strong performance management across the community planning partnership
- funding remains largely under the control of the individual partners with significant joint resourcing not yet in place. The council's Best Value improvement plan has included the development of a joint resourcing protocol for the SOA as a priority area to be taken forward. This however will be particularly challenging under the current economic climate and the forecasted budget cuts across the public sector.

Refer risk 12

Contingency Planning

111. The Contingency Planning (Scotland) Regulations 2005 describe how the provisions of the Civil Contingencies Act 2004 are to be implemented in Scotland. The Scottish Government guidance, *Preparing Scotland*, outlines the new arrangements and provides statutory guidance on how to apply the Regulations. Audit Scotland's report, *Improving civil contingencies planning*, looked at what progress has been made since the Act was passed, assessed the pace of change and identified ways in which improvements can be made.

112. Scotland is subdivided up into eight Strategic Coordinating Groups (SCGs). Each SCG is based on police force boundaries. They bring together local authorities, health boards and organisations such as utilities and telecommunications companies, and also provide for some involvement from the voluntary and private sectors. The main messages from the report were that :

- organisations generally work well within their groups and good progress has been made in developing joint emergency planning arrangements
- the arrangements for dealing with incidents that cross organisational boundaries or borders are often untested and mutual aid agreements for sharing resources between different parts of Scotland during emergencies are often too informal
- greater clarity is needed on leadership, roles and responsibilities, accountability and priorities.



113. The national report highlighted that Dumfries and Galloway:

- was the only SCG with full member attendance at all of its meetings during 2007 and 2008
- had well above the average number of full time equivalent staff dedicated to civil contingency duties
- was one of the three SCGs which had produced annual reports informing the public about what the SCG is doing in the field of civil contingencies.

Public performance reporting

114. The Best Value audit highlighted that public performance reporting was not balanced and that performance against the council's corporate objectives was not being systematically reported. The council has taken a number of steps to improve public performance reporting including reporting progress against the Corporate Plan on a six monthly basis on the council's website and local media. A similar approach has been taken with reporting progress against the Single Outcome Agreement targets. We will keep under review the improvements made by the council in this area.

Governance and internal control

115. The 2008/09 Statement on the System of Internal Financial Control has again highlighted the need for improvements to the reconciliations of the bank accounts held by Dumfries and Galloway Constabulary. This point was originally raised in the 2007/08 statement and acknowledges that there continues to be a number of risks in the operation and reconciliation of these accounts. While there have been a number of improvements in this area the fundamental review of police systems has yet to be completed. Other risks highlighted in the statement include the need to further develop risk management and business continuity systems within the council and the lack of cash controls at DGOne.

116. Our concerns regarding the completeness of Constabulary bank accounts required us to seek specific assurances from management that all bank accounts had been reflected in the 2007/08 financial statements. Despite receiving these assurances we have identified a further two designated client bank accounts held by the Constabulary with funds totalling £0.020 million. These accounts relate to funds given to the council in respect of the Lockerbie trial and were originally unknown to the council and not included within their financial statements. This has since been rectified.

Early Retirements

117. As part of our 2008/09 audit we carried out a review of early retirements.



118. Early retirement provides local authorities with a useful tool for managing its workforce and generating savings by reducing employee costs. However it can sometimes also come at considerable costs to both local authorities and the pension fund.
119. The Accounts Commission for Scotland studied the management and control of early retirement in local government and published the 'Bye Now, Pay Later?' report in 1997. A follow up study on the initial recommendations was reported in 2003. Although these reports are now over six years old, they are still regarded as containing best practice and measures against which local authorities should assess their practices in managing early retirements.
120. Over the three years to 2008/09 there have been 85 early retirements from Dumfries and Galloway Council on the grounds of either efficiency or redundancy.
121. In March 2009 the report on the audit of Best Value and Community Planning at Dumfries and Galloway Council was published. During the Best Value audit process there was considerable press and public interest in the early retirement of the former Chief Executive. Our review of early retirements in 2008/09 has focused on employees who had been granted early retirement on the grounds of either efficiency or redundancy and our sample of retirals included those relating to the former Chief Executive and three other members of the council's senior management team. These were the Executive Director of Community and Support Services, the Corporate Director for Planning and Environment Services and the Director of Finance.
122. Exhibit 6 shows the gross costs to the council's revenue account of the early retirements of these senior officers. In most cases these gross costs will be offset by future savings.

Exhibit 6

Gross costs to council's revenue account

Officer	Grounds for early retirement	Total costs ⁵ £
Chief Executive	Efficiency	0.340 million
Executive Director of Community and Support Services	Efficiency	0.070 million
Corporate Director for Planning and Environment services	Efficiency	0.327 million
Director of Finance	Redundancy	0.499 million
Total		£ 1.236 million

⁵ Source: Dumfries and Galloway Council. Total costs made up from: additional annual pensions, additional lump sum, strain on the fund, capitalised costs of additional annual pensions



123. Overall early retirements were being made in compliance with the regulations and the main requirements of the council's policy. However based on the findings of our review the council's governance arrangements for early retirements were inadequate and fell short of the best practice highlighted in the Accounts Commission report 'Bye Now, Pay Later?' This is of particular concern given the seniority of some of the officers who were granted early retirement in 2008/09 and the likely public interest and scrutiny that results from such high profile retirements within local authorities. Improvements are needed to ensure :

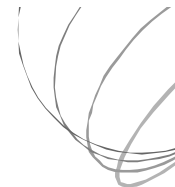
- discretionary enhancements given to employees' pension entitlements are properly approved and fully documented
- reports to members seeking the approval of early retirements give full information on alternative options and related costs and benefits
- conflicts of interest in decision making are avoided
- full and proper records are maintained of all aspects of the decision making process.

124. A draft report summarising our findings from our review of early retirements is currently with management.

Outlook

125. We recognise the challenges posed by the SOAs and The Accounts Commission acknowledges that SOAs are still at an early stage of development. At this stage in the evolution of this new approach to planning, we are interested in the processes rather than the outcomes. The council has kept pace with its peers in its approach to the SOA. In 2010/11, we expect to see further developments in clarifying accountability, governance and public performance reporting.

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



Performance management and improvement

Introduction

127. We believe that an effective council has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high quality services and effective outcomes for local people. The vision is effectively promoted by the member and officer leadership of the council and supported by staff and partners. It is backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery. An effective council has a performance management culture which is embedded throughout the organisation. The council's performance management framework is comprehensive and integrated with service planning and delivery. Staff have a customer first culture. The council is able to demonstrate significantly improved outcomes for citizens and more effective and efficient services because of its performance management arrangements.

Audit of Best Value and Community Planning

128. The report on the audit of Best Value and Community Planning in Dumfries and Galloway Council was published in March 2009. The high level conclusions from the audit were that the council demonstrates strengths in community planning and area working. It engages well with local communities. However political and managerial leadership and direction for the council were found to be weak. There were significant weaknesses in the council's internal arrangements for securing best value and continuous improvement.

129. Since the publication of the report the council has put in place a number of key building blocks necessary for delivering change and improvement. The management restructuring of the council is now complete. A new Chief Executive is in post along with a newly formed senior management team.

130. The council's improvement plan was approved by members and submitted to the Accounts Commission in June 2009. The production of the improvement plan involved a number of development sessions attended by members, planning partners and the council's senior management team. The council also obtained assistance from the Improvement Service in the process and are in the process of visiting other Scottish local authorities to identify good practice.



131. To address the main issues identified in the Best Value report, the improvement plan has been prioritised into the following themed areas:

Exhibit 7:

Dumfries and Galloway Council Best Value Improvement Plan

Theme	Improvement action
Political Management	<ul style="list-style-type: none">▪ identify the council's highest priorities▪ develop new methods of officer and member working▪ review partnership arrangements and strengthen governance▪ review remit and operational arrangements for the Police and Fire and Rescue Service Committee.
People and Leadership	<ul style="list-style-type: none">▪ develop a leadership framework for members and senior managers▪ improve elected members training and development▪ undertake staff appraisals and develop a programme of staff consultation.
Operational Business	<ul style="list-style-type: none">▪ implement evidence based strategic and operational plans▪ update and implement the performance management framework▪ update and implement the Area Management Framework▪ finalise and implement a strategic commissioning and delivery framework▪ develop and implement a resourcing protocol for the Single Outcome Agreement▪ update and implement a public involvement strategy.
Other improvement issues	<ul style="list-style-type: none">▪ sustainable development▪ risk management▪ workforce strategy▪ equalities and diversity▪ joint working with the third sector▪ asset management.

132. In drawing together the improvement plan the council has taken a focused approach that concentrates on the specific findings of the Accounts Commission and the improvement agenda included in the Best Value audit report. Consideration has also been given to the findings from the council's own strategic level assessment. As a result, the improvement plan comprises a limited number of priority activities from which other outcomes should flow.

133. Where relevant, strategic and operational plans will be adjusted to reflect the agreed improvement actions and service committees will also monitor progress against specific actions. The first monitoring report on the improvement plan was put to the full council meeting in September 2009. Future progress reports will be submitted to the Corporate Policy Committee.



134. Overall the council has applied a well structured approach to identifying and agreeing its improvement plan. Going forward however it will be critical that the momentum which currently exists is not lost and that attention now moves away from planning to the delivery of real improvements. The council have been aware for some time now of what needs to improve, with many of the findings of the Best Value audit being the same as those previously reported to members in our final reports as well as the council's own strategic level assessment. However despite this, the pace of change in the council to date has been very slow. It is now essential that real progress is made and that strong leadership and support is given to implementing the necessary improvements. The council should ensure that the improvement plan is now translated into a targeted implementation programme which is reflected in strategic and operational plans and which clearly identifies required resources and timescales. This will embed the improvement plan actions into the council's activities for the medium and long term and will enable members and senior managers to effectively monitor and challenge progress. We will review the council's progress in improving its arrangements for best value as part of the 2009/10 audit.

Risk area 13

Performance management

135. One of the key cornerstones of best value is sound performance management. The failings of the council's approach to managing performance have been well documented by previous external audit reports. In addition the Best Value audit reported an urgent need to make performance management effective to provide members and services with the information needed to drive improvement. The council recognises the need to instil a corporate culture of performance management and to improve performance monitoring and reporting. Strong scrutiny and challenge by both members and senior management will be critical if the pace of improvement in services is to increase and implementing the performance management framework is one of the top priorities of the council's best value improvement plan.

Overview of performance in 2008/09

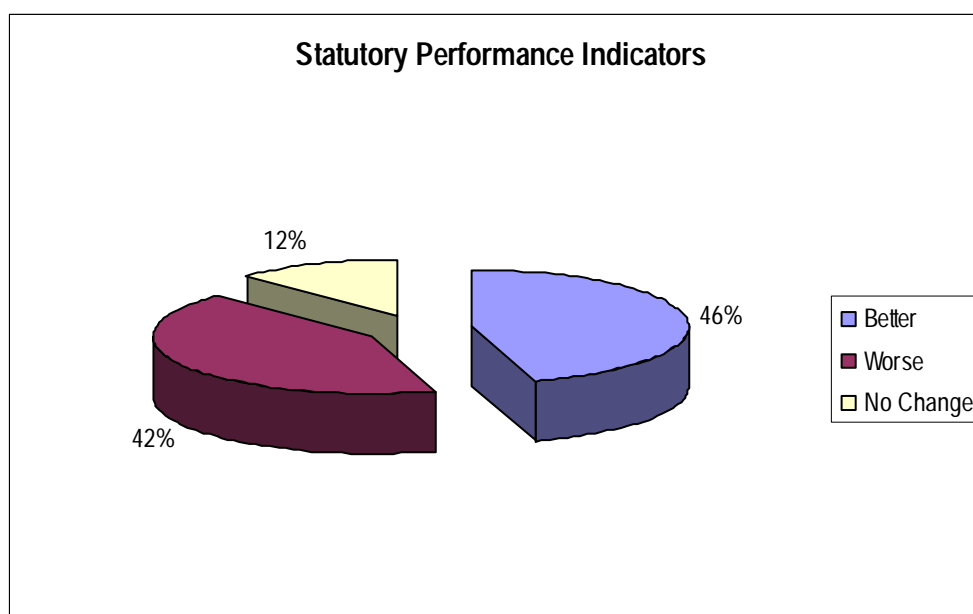
Statutory performance indicators

136. Until the further development of local performance measures, the main way of measuring council performance is through the statutory performance indicators (SPIs). The council's performance against the SPIs was made available to the public using various channels by 30 September 2009 and is due to be formally reported to members later in the financial year. Based on our own analysis of the 2008/09 SPIs, the following chart shows that the council has seen more areas improve (46%) than worsen (42%) with approximately 12% remaining static. While this shows a generally better picture than the previous year when 48% worsened and only 42% improved, a continuous trend of improvement across all areas is not yet apparent.



Exhibit 8

Chart showing the percentage of indicators that have improved



137. Each year we review the reliability of the council's arrangements for preparing SPIs. Overall, the quality of working papers provided to support the SPIs has improved.

138. Initially, three areas were classed as unreliable but substantial effort by both council staff and audit resulted in only one of these being finally classed as such. The council had collected data on refuse collection complaints using a narrower definition than that required under the statutory provisions and it was unable to provide correct data for the return.

Equality and Diversity

139. In 2008, we published a study examining how councils responded to their race equality duty, *The impact of the race equality duty on council services*. This study found that all councils have developed policies and processes on race equality. A number of initiatives are in place to meet the diverse needs of local communities, such as the provision of interpretation and translation services, and information packs for recent migrants. However, councils lack information about minority ethnic communities, their needs and experiences. Councils are also unable to show how race equality is routinely built into the design and delivery of services.

140. The council is aware of the need to improve its processes for equality and diversity and have included this in its Best Value improvement plan. The identification of a number of members by the council as 'diversity advocates' provides an opportunity to demonstrate visible political leadership and commitment to diversity communities. In addition, there has been an increase in the awareness and undertaking of impact assessments over the recent months.



Efficiency

141. The Council submitted their third Annual Efficiency Statement (unaudited) to COSLA in 2009. This details the efficiency gains achieved in 2008/09 and the projected efficiencies for 2009/10.

142. The key areas of efficiency noted in the statement for 2008/09 included :

- the financial efficiency strategy which included: control of spending, service reviews, sale of capital assets and the release of service reserves
- the business transformation programme which included various Scottish Government initiatives (e.g Delivering Excellence), new ways of delivering services (e.g. HR and payroll), 21st Century Government (e.g. e-records and document management) and asset management planning
- improved procurement systems which saved £0.532 million in 2008/09 of which £0.245 million is recurring
- implementation of a revised management structure which will realise £0.340 million from 2009/10 onwards.

143. The key areas of efficiency targeted for 2009/10 included:

- the council's Best Value improvement plan
- a reduction in senior management costs
- the modernisation of working practices following the introduction of the single status agreement.

Energy Efficiency

144. Tackling climate change and making the best use of resources require the efficient use of energy. In 2008, we published a report on this subject: *Improving Energy Efficiency*. Our report concluded that the public sector in Scotland has made progress in using energy more efficiently, recording a 5% decrease in energy consumption in councils for the three years to March 2007. However, the amount spent on energy, over the same period, increased by 47% due to price increases. Public bodies are recommended to develop and implement robust energy strategies and to encourage the necessary changes to culture and behaviour.

145. In the case of Dumfries and Galloway Council, the report has not yet been discussed by members. However, the council has a Carbon Management Plan (CMP) which includes an action plan detailing projects to reduce the carbon emissions by 20% over a five-year period. The CMP will cover buildings, street and sign lighting, transport, waste produced by the council and water usage by the council. The CMP has been developed and completed in partnership with the Carbon Trust and has had its formal approval.



146. The council has set up two groups, the Carbon Management Project Board and the Project Team Steering Group. The former will determine strategy and priorities while the latter will bring service champions together to provide information and enable the completion of the action plans. Both will be under the wing of the newly appointed Director of Sustainable Development.

Risk Management

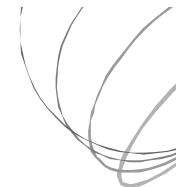
147. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance.

148. The need to improve the council's arrangements for managing risk has been a long standing external audit recommendation and the pace of strengthening the council's processes has been slow. Providing assurance on the adequacy of the council's risk management framework falls under the remit of the Audit and Risk Management Committee. The committee has over the last year received a number of presentations by service directors on their approach to managing service risks. A service level and an interim corporate risk register was approved by members in June 2009 pending further member training and review. While this represents a step in the right direction, much still needs to be done to ensure the development and operation of comprehensive risk registers and the existence of a risk management culture across all of the council's activities.

Outlook

149. Effective performance management is the cornerstone of delivering Best Value and continuous improvement in services. In the future the long term and complex nature of many of the outcome targets included in SOAs will pose many challenges for performance management. We recognise these challenges and while we have no plans to audit future outcome progress reports, we will pay attention to the systems Dumfries and Galloway have in place for reviewing progress against the SOA.

150. Each December, the Accounts Commission considers what performance information it will direct local authorities to report in the following financial year. The 2008 Direction, which covers financial year 2009/10 signals a major change from what has gone before. There has been a considerable reduction in the range of information that all councils must report, with performance information being required for only two Statutory Performance Indicators which cover twenty five specified indicator measures. The change in approach is designed to place increased emphasis on self determination by councils of the performance material, both qualitative and quantitative, that they choose to report to the public, in accordance with the principles and guidance underlying best value.



151. We are currently developing our approach to Best Value 2 by working with five pathfinder councils. From April 2010, we shall be rolling out the new approach to all Scottish councils. The timing of Dumfries and Galloway's next best value audit will be determined by a risk assessment. We will report the risk assessment in March 2010.
152. The shared risk assessment will be carried out in conjunction with other scrutiny bodies. That means that not only will it determine the timing and scope of the best value 2 audit of Dumfries and Galloway, but it will also identify the timing and scope of other scrutiny work. Along with the other bodies, we intend to publish in April 2010 a scrutiny plan for each council covering all scrutiny activity over a three year period.



Appendix A

External audit reports and audit opinions issued for 2008/09

Title of report or opinion	Date of issue	Date presented to Audit and Risk Management Committee
Annual Audit Plan	30.1.09	28.4.09
Strategic Audit Risk Analysis	26.3.09	28.4.09
Overview of Internal Audit	30.6.09	20.10.09
Review of Website	20.2.09	28.4.09
Data Handling Follow up	31.8.09	20.10.09
Review of Pension Fund	31.7.09	20.10.09
Statutory performance indicators	1.9.09	Not presented
ISA 260 letter to those charged with governance	15.9.09	22.9.09
Audit opinion on 2008/09 Financial Statements	22.9.09	22.09.09
Review of Early Retirements	23.9.09 (draft)	Outstanding
Review of Main Financial Systems	30.9.09	20.10.09



Appendix B: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p>Year end reconciliations</p> <p>Improvements are required to certain aspects of the year end reconciliation processes, in particular those relating to the council tax and non domestic rates systems. All supporting evidence is to be retained and processes fully documented.</p> <p>Risk <i>There is no supporting evidence to confirm the closing balances shown in the financial statements.</i></p>	<p>A review of the reconciliation process for Council Tax and NDR is currently being undertaken and will ensure that all supporting evidence is retained and processes fully documented.</p>	<p>Director of Community & Customer Services/ Operations Manager Accountancy</p>	<p>March 2010</p>
2	<p>Use of resource transfer monies</p> <p>The council has continued to underspend the resource transfer funds received from Dumfries NHS. There was an accumulated underspend of £ 2.8 million in 2008/09.</p> <p>Risk <i>The council is not providing services to those in need despite having available funds.</i> <i>(Refer to 2006/07 and 2007/08 Report to Members)</i></p>	<p>Discussions with NHS Dumfries and Galloway to increase flexibility in the application of the resource transfer funding, to ensure monies are fully utilised, are currently at an advanced stage and are expected to materially contribute to reducing/removing this issue over the upcoming period.</p>	<p>Chief Executive/ Director Social Work Services</p>	<p>December 2009</p>
3	<p>Outstanding trunk road balances</p> <p>The 2008/09 financial statements included debtors balances of £3.6 million and creditors balances of £3.1 million relating to work carried out by the council for the Scottish Government on trunk roads. These balances are very old with some dating back over 10 years. The current status of these balances is unknown.</p> <p>Risk <i>These balances may be in dispute or may not still be due to be settled. Including them in future financial statements may result in material misstatements and an adverse audit opinion.</i></p>	<p>The council has previously written to Transport Scotland which is responsible for progressing payment for work. No response has been received although discussions are continuing. The service will consult with legal advisors as to what further action could be taken.</p>	<p>Managing Director DG First/ Head of Service Business Strategy</p>	<p>March 2010</p>



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	<p>International Financial Reporting Standards (IFRS)</p> <p>The application of IFRS to future financial statements will be demanding and will need to be closely monitored to ensure compliance with the target timescales.</p> <p>Risk</p> <p><i>The systems are not in place to allow future financial statements to comply fully with the requirements of IFRS</i></p>	<p>Significant preparatory work for the introduction of IFRS is being undertaken in Financial Services, in consultation with other council services to ensure compliance with the new requirements. The council, in common with almost all other Scottish councils, has sought external assistance through participation in a CIPFA led programme.</p>	<p>Director of Support Services/ Operations Manager Accountancy</p>	<p>March 2010</p>
5	<p>Budget pressures within Social Work services</p> <p>Considerable financial pressures exist within Social Work services and overspends against budget continue. The costs of social care are likely to increase in the future due to the increasing demands from an aging population.</p> <p>Risk</p> <p><i>There are inadequate budgets to accommodate the level of future demand for social work services and future savings cannot be achieved without adversely impacting on services.</i></p> <p><i>(Refer to 2006/07 and 2007/08 Report to Members)</i></p>	<p>The budget available to Social Work services has been increased from 2009/10 onwards to reflect additional costs associated with Free Personal Care and further pressures on Social Work will be considered as part of the current and future budget development process.</p>	<p>Director Social Work Services/ Operations Manager Accountancy</p>	<p>February 2010 & ongoing</p>
6	<p>Capital slippage</p> <p>There was an underspend of £ 7.4 million (22%) against the 2008/09 capital programme. This is the fifth consecutive year that the council has not delivered its capital plan.</p> <p>Risk</p> <p><i>Delays in the completion of capital projects may prevent the delivery of services and achievement of the council's objectives. The capital investment programme included in the council's Economic Action Plan is not delivered and fails to support local employment and the local economy.</i></p> <p><i>(Refer to 2006/07 and 2007/08 Report to Members)</i></p>	<p>The Capital Officers Working Group are currently looking at the capital planning system to ensure that becomes more robust and the timetables for capital spend are more realistic.</p>	<p>Director of Support Services/ Operations Manager Strategic Property Services</p>	<p>Review of process January 2010 Reduction in slippage evidenced March 2011</p>



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
7	<p>Significant trading operations (STOs) and competitiveness of services</p> <p>Two out of the council's three STOs have continued to return a deficit over the previous three years and have failed to achieve the statutory breakeven target.</p> <p>Risk The council cannot demonstrate the competitiveness of its in house services. <i>(Refer to 2006/07 and 2007/08 Report to Members)</i></p>	<p>The Council, in December 2008, agreed a Corporate Waste Strategy that will address deficits on the Cleansing Service from financial year 2010/11 onwards.</p> <p>A Best Value Review of the Building Cleaning Service will be reported to Members during 2009/10.</p> <p>The Council's agreed model for Strategic Commissioning and Delivery will address the ongoing funding issues to ensure the ongoing demonstration of competitiveness.</p>	<p>Managing Director DG First</p>	<p>April 2010</p> <p>March 2010</p> <p>March 2011</p>
8	<p>Current economic climate and future budgetary pressures.</p> <p>It is forecast that there will be significant cuts in the level of central funding available to the public sector. The current economic recession is likely to place even greater demands for council services along with the impact of the increasing aging population. The council are facing other significant financial strains from the potential costs of single status, increases in pension contributions, further pressures for cost reductions and efficiency gains and loss in revenue from asset sales.</p> <p>Risk The council is not adequately planning ahead for the effects of the current economic climate and predicted cuts in future funding and increases in service demand. The council's approach to integrated strategic and financial planning fails to support future council decisions on priorities and possible changes in how services will be delivered. <i>(Refer to 2006/07 and 2007/08 Report to Members)</i></p>	<p>The Council's budget strategy continues to be developed on a three year basis and measures/ approaches to further develop budget planning are currently being reviewed.</p>	<p>Director of Support Services/ Operations Manager Accountancy</p>	<p>February 2010 & ongoing</p>



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
9	<p>Asset management and funding the schools estate management plan</p> <p>The council's approach to managing assets is underdeveloped. A financial plan has not been completed for the funding of the necessary repairs to all schools within the estate.</p> <p>Risk</p> <p><i>The council's assets are not being effectively managed and fail to support the council's corporate objectives and priorities.</i></p> <p><i>The funding required for the necessary improvements to the schools estate is not identified and built into longer term financial plans. The council do not have the resources to improve all of the schools estate.</i></p> <p><i>(Refer to 2006/07 and 2007/08 Report to Members)</i></p>	<p>Strategic Property Services are restructuring to provide a more focused department which will include a more focused asset management planning regime.</p>	<p>Director of Support Services/ Operations Manager Strategic Property Services</p>	<p>March 2010</p>
10	<p>Procurement</p> <p>The council has yet to formally approve a corporate procurement strategy and develop an advanced procurement plan as set out by the best practise in procurement. The council's management information systems do not adequately inform management decisions and the future planning of council procurement.</p> <p>Risk</p> <p><i>The council's approach to procurement is inefficient and fails to secure all potential savings.</i></p>	<p>New policy and strategy documents together with an advanced procurement plan will be presented to Council committees for approval.</p> <p>Management information – in the short – medium term management information will be enhanced with an expanded contracts register and software programmes written to extract procurement information for existing financial system. In the long term procurement requirements will be incorporated into the specification for the new Council finance system.</p>	<p>Director Chief Executive, Services/ Corporate Procurement Manager</p>	<p>February 2010</p> <p>March 2010</p>



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
11	<p>Data handling and security</p> <p>The council's data handling processes are poorly controlled and little progress has been made in improving controls.</p> <p>Risk</p> <p><i>Data is either lost or used inappropriately, leading to amongst other things, loss of council reputation, loss of stakeholder confidence and litigation against the council.</i></p>	<p>Data Security Awareness training being rolled out to all network users.</p> <p>Laptop encryption.</p> <p>PDA encryption.</p> <p>Encrypted USB replacement.</p>	<p>Director of Support Services/ Operations Manager Technology Solutions</p>	<p>January 2010</p> <p>February 2010</p> <p>March 2010</p> <p>Ongoing</p>
12	<p>Single Outcome Agreement</p> <p>The council has continued to work jointly with its partners in reaching agreement on the 2009/2010 Single Outcome Agreement. Approaches in performance management and reporting as well as joint financing are priority areas to be developed further.</p> <p>Risk</p> <p><i>The council cannot monitor the single outcome agreement and cannot demonstrate the achievement of agreed objectives and priorities. Funding is not available to take forward the agreement.</i></p>	<p>The Community Planning Joint Board are to receive quarterly monitoring reports on progress on the 36 indicators, drawn from Covalent, and have a discussion about any areas not on target and requiring additional or amended action by one or more partners.</p> <p>The emerging Resource Protocol focuses on the alignment of partners' plans, strategies and budgets towards SOA indicators and also mutual consultation on partners' individual budgets.</p> <p>Securing sufficient funding for the SOA is one of the Council's key lobbying issues.</p>	<p>Chief Executive/ Operations Manager Corporate & Community Planning</p>	<p>November 2009 & quarterly thereafter</p> <p>Draft to be completed Autumn 09.</p> <p>Full implementation by end of 2011.</p> <p>Ongoing.</p>



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
13	<p>Best value improvement plan</p> <p>The council approved its improvement plan to the Audit of Best Value and Community Planning in June 2009. The key improvement actions are being progressed and will be reported to members and the senior management team on a regular basis.</p> <p>Risk</p> <p><i>The council fails to make the necessary changes and secure the required improvements to its arrangements for best value as highlighted in the report on the Audit of Best Value and Community Planning published in March 2009. Failure to deliver carries reputational risk for the council and would attract critical audit comments.</i></p>	<p>A progress report, based on Covalent information, is to be submitted to the Corporate Policy Committee on a monthly basis. Service Committees also consider progress for the actions within their remit. There is therefore political leadership and ownership of the Plan.</p> <p>The improvements required are embedded in Strategic and Operational Plans so that they are mainstreamed into service delivery and budgets. There is therefore management action to implement the Plan.</p> <p>The Council has agreed an improvement action plan grouped around the three themes of political management, people & leadership and operational business. A number of actions will be taken to deliver the action plan over various dates in 2009/10.</p>	<p>Chief Executive/ Operations Manager Corporate Policy & Community Planning</p>	<p>March 2010 & ongoing</p>