

Comhairle nan Eilean Siar

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

October 2009



 AUDIT SCOTLAND



Comhairle nan Eilean Siar

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Key Messages

In our 2008/09 Report to Members, we report on the key strategic and financial risks currently facing the Comhairle. We have audited the financial statements and comment on the Comhairle's use of resources, governance and accountability framework and performance management and improvement arrangements.

Financial statements

We have given an unqualified opinion on the financial statements of Comhairle nan Eilean Siar for 2008/09. However, our opinion draws attention to the failure of the Building Maintenance significant trading operation to breakeven on a rolling three year basis. The Comhairle are in the process of reviewing this service and contract arrangements to ensure that it meets best value requirements.

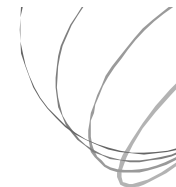
Care will be required to ensure that accounting developments associated with the impending adoption of International Financial Reporting Standards and other initiatives are implemented smoothly.

Use of resources

The Comhairle made a net revenue surplus in 2008/09 of £0.230million against a budgeted deficit of £0.355million. In year overspends including winter maintenance, children's residential placements and community care were offset by various items including savings in external interest payments, additional council tax income, a further BCCI dividend and a transfer from the capital fund. Some of the savings attained in 2008/09 were of a windfall nature that will not be sustained in future years.

In common with councils across Scotland, the current economic recession and outlook for future funding of local authorities has created an environment where strong fiscal disciplines will be required to ensure that services to the public are maintained at a level the Comhairle can afford. The length of time that public finances will be constrained is not clear but the Comhairle have identified the steps they need to take and savings they need to achieve to help protect the provision of services to the public. It is important that both these and the findings of the diagnostic pathway are progressed. It will also be necessary to demonstrate progress in the Comhairle's approach to asset management, procurement, and shared services to realise the savings that these could achieve. These initiatives need to continue and proactive monitoring of budgets and performance will be key in order to satisfy the public's expectation of best value.

The Comhairle have approved the £60million Western Isles Schools Project for the replacement of five schools. It is essential that this is actively project managed to ensure that costs do not escalate and that the affordability gap is addressed. Otherwise, there is the risk that this project adds to the financial uncertainties and pressures faced by other Comhairle services.



Governance and accountability

The Comhairle's governance arrangements are generally sound and good progress has been made during 2008/09 on partnership working against the background of the Single Outcome Agreement. The Comhairle requires to further develop its approach to community engagement.

Performance management and improvement

It is encouraging that the Comhairle have now procured and installed an electronic performance management system. However, this is still very early days in its implementation and the key challenge will be to embed a performance management culture throughout the Comhairle to ensure the production of reliable and meaningful performance information and to enable the re-launch of public performance reporting and reporting of the SOA.

The importance of addressing best value service reviews has been recognised by the Comhairle and a programme of reviews is underway. In view of the economic climate it is essential that these are completed, and that these include a strategic review of the ways that services are delivered with a view to identifying areas of service that could be carried out more effectively, efficiently, or not at all. As each review is completed it should be established whether the findings can be applied to other services.

Outlook

The Comhairle currently faces a number of significant challenges in order to match commitments with the necessary resources. An overspend is already forecast for 2009/10 mainly due to higher than expected Education Department energy costs and children's mainland placements costs. The current economic forecasts suggest that public finances are likely to face growing constraints over the foreseeable future. Councils need to plan now for a future where there is no real growth in funding. It will be very testing for the Comhairle to deliver services and meet new demands when resources are tight, especially when the ageing population and the effects of the recession are likely to increase the demand for some services. Delivering significant efficiency savings on a cumulative basis beyond 2011 will be difficult without a significant shift in how resources are managed and services are delivered.

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



Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of Comhairle nan Eilean Siar 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 uses 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 and other scrutiny bodies, we comment on the Comhairle'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. 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 the Comhairle's best value audit will be determined by a risk assessment.
4. The 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 Comhairle nan Eilean Siar, but it will also identify the timing and scope of other scrutiny work. Our intention is to build up the corporate assessment over time and for that to form the basis of a proportionate best value audit. Along with the other bodies, we intend to publish a scrutiny plan for each council covering all scrutiny activity over a three year period. We will report the risk assessment by April 2010.
5. 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 Comhairle 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.



6. We mention the key findings from some of these reports and the implications for Comhairle nan Eilean Siar 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.
7. 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 Comhairle 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.
8. This report is addressed to members and the Controller of Audit. It will be published on our website after consideration by the Comhairle. 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

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

Audit Opinion

10. We have given an unqualified opinion that the financial statements of Comhairle nan Eilean Siar for 2008/09 give a true and fair view of the financial position and expenditure and income of the Comhairle and its group for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
11. We have, however, drawn attention to a failure to comply with a statutory requirement. This does not impact on the fairness of the financial statements and, therefore, does not affect the opinion on the accounts. The Local Government in Scotland Act 2003 requires councils to maintain and disclose trading accounts for significant trading operations, which are required to break-even over a three year rolling period. The Comhairle's only STO, Building Maintenance made a loss of £0.089 million during 2008/09 and a cumulative loss for the three year period of £0.240 million and therefore failed to achieve the statutory requirement.
12. We were satisfied with disclosures made in the statement on the system of internal financial control and the adequacy of the process put in place by the Comhairle to obtain assurances on systems of control.
13. The Comhairle's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation processes and working papers were generally very good and this enabled the audit to progress smoothly. This was enhanced by regular meetings with officers to ensure early identification and agreement of issues. 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 Comhairle accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

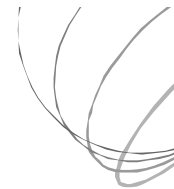


Accounting issues

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 were satisfied that the Comhairle prepared the accounts in accordance with the 2008 SORP.
15. The Comhairle made a number of adjustments to the accounts to reflect our findings. As is normal practice, some small errors remain unadjusted and these have been reported to the Director of Finance and Corporate Resources and the Audit Panel via our letter issued in line with International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*.
16. The introduction of the Concordat with the Scottish Government resulted in the consolidation of some separate funding grants within the revenue support grant in 2008/09 (including supporting people grant and community regeneration grants). When compared to the previous year, this had the effect of increasing funding from the revenue support grant by £5.8million and also increasing service net expenditure. This change may limit the comparability of some items of income and expenditure with the previous year.

Audit testing

17. The results of our review of key controls were reported to officers in our internal key financial controls assurance report in August 2009. As part of our work, we took assurance from key controls within the Comhairle's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:
 - Payroll
 - Cash, income and banking
 - Main accounting system/ financial ledger
 - Debtors and income
 - Fixed assets
 - Budgetary control
 - Creditors payments
 - Council tax
 - Non-domestic rates
 - Housing and council tax benefits
 - Treasury management
18. In arriving at these conclusions on key controls we relied on the work of internal audit for testing of the creditors payments system and the housing and council tax benefits system. This included identification of controls considered "key" within each system and an integrated and complementary process of testing these controls. We will continue to work together to improve this process further



and to avoid any potential duplication of audit resource. In each case we considered the impact of the identified weaknesses in planning our work on the financial statements.

Prevention and detection of fraud and irregularities

19. At the corporate level, the Comhairle has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: an anti-fraud and corruption policy and response plan; a whistle blowing policy; codes of conduct for elected members and staff; and defined remits for relevant regulatory committees.

NFI in Scotland

20. 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).
21. The 2008/09 data matching exercise commenced in October 2008 with the results from the first exercise being available from February 2009. National findings will be published by Audit Scotland in May 2010. The data matching exercises involved authorities submitting types of information which were split into two categories. The first category was mandatory (which authorities were obliged to provide); the other relates to risk-based datasets (incorporating information such as accounts payable, insurance claimants and taxi driver licence records). The Comhairle were one of five councils that failed to submit some mandatory data (payroll) in time for the first national matching exercise for 2008/09 and have not provided any risk based data sets. Hence the Comhairle were unable to investigate any risk based data matches.
22. Progress to date against mandatory data matches has been slow. The matching exercises identified 410 matches for the Comhairle but when the recommended filter was applied (used to identify matches which are most likely to result in fraud) the number of matches reduced to 12. At the time of preparing this report, the Comhairle had fully investigated 10 matches with 1 match in progress. This had identified no frauds or errors. The Comhairle have not investigated any of the pre-filtered mandatory data matches. We suggest that the Comhairle review their arrangements for addressing the NFI requirements and make more use of the information available.

Housing Benefit

23. 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.



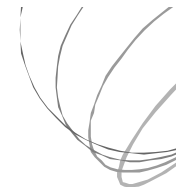
24. The risk assessment of the Comhairle's benefits service will be carried out during October 2009. A detailed report will be issued in due course.

Group accounts

25. The diversity of service delivery vehicles used by local authorities means that consolidated group accounts are required to give a true and fair view of a council's income and expenditure.
26. The Comhairle has interests in two associates. These are Highlands and Islands Fire Board and Northern Joint Police Board. They have been included in the group accounts in accordance with the SORP. Audit assurances for the financial statements opinion were obtained through a review of the Comhairle's own scrutiny arrangements including minutes, reports, consolidation packs, unaudited accounts, and assurances from the associates' auditor.
27. The Comhairle have not formally considered their group structure and arrangements since 2006. We have obtained assurances that this will be formally reviewed in 2009/10 to identify any potential material impact on the group accounts. This review will include an assessment of the Comhairle's relationship with the valuation board, transport partnership, and An Lanntair.
28. We would like to highlight the following issues:
- The Boards of Highlands and Islands Fire Board and Northern Joint Police Board have elected to accept a qualification on their audit certificates in respect of unadjusted costs related to the implementation of a new pension scheme from April 2006. The Comhairle has included a disclosure note within the group accounts concerning the qualification in the audit certificate of Highlands and Islands Fire Board and Northern Joint Police Board. No changes were required to the net worth in the Comhairle's consolidated balance sheet in respect of this matter.
 - The overall effect of inclusion of the Comhairle's associates is to reduce the net worth by £54.422million, mainly because of pension liabilities. The group has a negative net worth at 31 March 2009 of £27.298million. However, the group accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.

Legality

29. Through our planned audit work we consider the legality of the Comhairle's financial transactions. In addition the Director of Finance and Corporate Resources confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the Comhairle's management team, the financial transactions of the Comhairle 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

30. 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. Indeed, next year, councils will be expected to account for PFI projects on an IFRS basis. It is important that the Comhairle are prepared for the transition period in 2009/10. A comparative balance sheet as at 1 April 2009 will be required and whole of government accounts will also be required on an IFRS basis from 2009/10.
31. The most significant impact to the Comhairle from the movement to IFRS accounting will be in relation to accounting for leases, PFI projects and accrued holiday pay. The Comhairle may be less affected than some other councils in the transition to IFRS. They have therefore elected not to participate in the training being provided by PriceWaterhouseCoopers and CIPFA. We are, therefore, concerned regarding the Comhairle's preparedness for IFRS accounting and the possible requirement that opening balance sheet figures at 1 April 2009 may need to be calculated and restated by as early as February 2010. It is essential that the Comhairle are aware of the requirements of IFRS and implement a phased timetable over the transition period.

Action plan no. 1

Carbon trading commitment

32. From April 2010 a new and complex system for charging for carbon emissions will be introduced by the EU. The Comhairle 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.
33. In April 2009 the Comhairle and NHS Western Isles jointly approved a Carbon Management Plan with a commitment to reduce carbon emissions by 20% (7,000 tonnes) by 2014. The plan includes fifteen carbon management projects which will form the basis of the targeted reduction, funded from existing revenue and capital and some external Grant Aid. The proposed cost and investment plan requires an additional £1.1 million to achieve a £2 million saving by the end of the financial year 2014/15. The plan also requires carbon and environmental management responsibility to be embedded in the culture and management of the two organisations. This is the first fully integrated management partnership project designed to deliver improvements in the environment, benefit to core service and an improvement in quality in public sector operations in the Western Isles.



Waste management

34. The Scottish Government set targets to increase the amount of municipal waste which is recycled or composted to 30% by 2008 and 55% by 2020. The Scottish Government are carrying out a review of the Landfill Allowance Trading Scheme and it is likely that fines will be introduced for councils that fail to meet targets. The Comhairle will continue to monitor this and have introduced the following local PIs which they intend to collect and report from 2009/10. These are:

- Quantity of waste recycled per household.
- Total tonnage of municipal waste recycled.
- Actual tonnage of bio-degradable municipal waste landfilled.

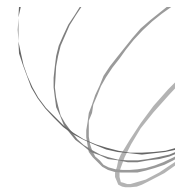
35. Exhibit 1 shows the progress made by the Comhairle over the last 4 years towards reducing the tonnage of municipal waste sent to landfill and increasing the tonnage sent for either recycling or composting. This demonstrates that the volume of municipal waste recycled or composted has improved each year, however as a percentage of total tonnes of municipal waste, there was a deterioration in 2008/09. The Comhairle could be at risk of incurring a financial penalty.

Exhibit 1

Municipal waste management

Description	2005/06	2006/07	2007/08	2008/09
Total tonnes of municipal waste	21,757	18,210	19,356	23,647
Total tonnes of municipal waste landfilled	18,693	14,721	15,324	19,240
Percentage of municipal waste landfilled	85.9%	80.8%	79.2%	81.4%
Total tonnes of municipal waste recycled or composted	3,064	3,489	4,032	4,407
Percentage of municipal waste recycled or composted	14.1%	19.2%	20.8%	18.6%

Action Plan no. 2



Use of resources

Current financial climate

36. Scotland's economy is in recession and the public sector is coming under the greatest financial pressure since devolution ten years ago. It will be very challenging to sustain current levels of public services and meet new demands when resources are tight.
37. The Institute for Fiscal Studies (IFS) predicts that real term reductions across all UK Government Departmental Expenditure Limits (DEL) will be around 2.3 per cent each year between 2011 and 2014. It is also predicting that real term growth will continue to be constrained during 2014 to 2018. 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. It also depends on UK Government policy on reducing debt levels.
38. This squeeze will have a significant impact on the amount of money available to the public sector in Scotland. By 2013/14, the Centre of public Policy for Regions (CPPR) has predicted that the Scottish budget could be between seven and 13 per cent lower in real terms. Reductions of this size will present a significant challenge for the Scottish public sector in sustaining and improving services.
39. There may be limited room for manoeuvre in adjusting the budgets, at least in the short term. This is because most costs are of a fixed nature – such as the costs of salaries and pensions, running costs of buildings, costs of capital and essential supplies. In addition, the ageing population and the effects of the recession are likely to increase the demand for some services. The Scottish Government expects that by 2011, the Efficient Government Programme for the public sector will generate a total of £1.6 billion of cash-releasing savings, based on two per cent of 2007/08 expenditure levels.
40. The Comhairle faces a huge challenge if it is to deliver across the board two per cent efficiency savings on a cumulative basis beyond 2011 without a significant shift in how services are delivered. It is essential that a medium term budget strategy is agreed, which incorporates the findings of strategic best value service reviews and which ensures that financial resources are shifted to corporate and SOA priorities.

Financial results

41. In 2008/09, the Comhairle spent £143.7million on the provision of public services. £128.2million was on revenue services and the remainder was spent on capital. The Comhairle's net operating expenditure in 2008/09 was £112.2million. This was met by central government and local taxation of £114.2million, resulting in an income and expenditure account surplus of £1.982million, 1.8% of the



net expenditure for the year. After taking into account statutory and non-statutory adjustments a surplus of £0.230 million was added to the general fund during the year.

42. The budget set for 2008/09 was based on a Band D council tax level of £1,024 with a budgeted deficit of £0.355 million. Overspends in winter maintenance, children's residential placements and community care were more than offset by various items, including savings in external interest payments, additional council tax income, a further BCCI dividend and a transfer from the capital fund. This contributed to the better than planned financial position.
43. We must highlight that the improvements in outturn compared to budget generated by the reduction in external interest payments, BCCI receipt, and the transfer from the capital fund were of a windfall nature which should not be viewed as sustainable going forward. These totalled £2.7million. However, the increased costs in relation to budget are a reflection of demand led services which require to be carefully managed, particularly when financial settlements from the Scottish Government are under severe pressure.
44. The Comhairle's only STO, Building Maintenance, made a loss of £0.089million during 2008/09 and a cumulative loss for the three year period of £0.240million and failed to achieve the statutory objective to break even over a three year period. The system software is being upgraded to improve management information on the profitability of jobs. Internal audit are in the process of carrying out a review of the financial outturn and performance to help establish whether trading operations are providing a best value service. The review will help to inform whether the Commercial Operations Unit (COU) should be integrated within the Technical Services Department and whether or not the work of the COU should continue to be carried out in house.

Quarterly revenue budgetary monitoring

45. Quarterly general fund revenue monitoring reports are presented to the Policy and Resources (P&R) Committee. Throughout the year the Comhairle projected budgeted overspends as recorded at exhibit 2. By the time the 3rd quarter was reported to members in February 2009 an overspend of £0.446million was projected. When added to the budgeted deficit of £0.355million this meant that a deficit of £0.801million for 2008/09 was forecast.
46. The year end surplus of £0.230million is a £1.031million improvement from the 3rd quarter monitoring report and a £1.473million improvement from the 2nd quarter. This is mainly due to the receipt of the £0.851million BCCI dividend (received between the 2nd quarter and the 3rd quarter) and the £0.990million transfer from the capital fund (between the 3rd quarter and the 4th quarter).
47. Improvements in outturn compared to budget were partly due to staff efficiencies and vacancy savings, however, these were outweighed by windfall receipts and additional un-forecasted costs which were incurred in other budget lines during the last two quarters of the year.



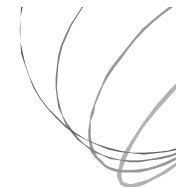
Exhibit 2

- Quarterly overspends by quarter 2008/09

Quarter	Forecast Overspend	Main Reasons for Forecast Overspend
1	£0.592 million	Education Department £0.45 million – energy costs, schools transport and statutory functions in relation to healthy eating. Domiciliary Care service £0.124 million – employee expenses and transport costs.
2	£0.888 million	Education Department £0.2 million Community Care £0.194 million Children's residential placements £0.239 million Waste management £0.1 million
3	£0.446 million	Community Care £0.194 million Children's residential placements £0.239 million

48. The Finance and Strategy Working Group meet regularly to review, amongst other things, the budget strategy for the short to medium term; and the actions necessary to align spending with budgets and department plans. This is an officer -member group which includes the Leader, Convenor, Chief Executive and Director of Finance & Corporate Resources. The group has highlighted the principal risks impacting future budgets and proposed the identification of savings and departmental efficiencies necessary to achieve a balanced budget. It is important that these proposals are realised.
49. The 1st quarter revenue monitoring for 2009/10 forecasts an overspend of £1.564million. This is principally due to energy costs in schools being £0.400million higher than budget; and children's mainland placements forecasting an overspend of £0.905million, mainly due to additional placements. Some of these overspends will be offset by savings on loans fund interest payments, however, the level of these savings will not become clearer until the end of the 2nd quarter.
50. These forecast overspends combined with the expected reduction in real - term funding from 2010/11 mean that the Comhairle face a significant challenge in setting its cost base and structure to meet its future funding streams.

Action Plan no. 3



Financial planning

2009/10 financial planning

51. The Comhairle is party to the concordat with the Scottish Government which means, amongst other things, that council tax will not be increased in the current year. This means that the Comhairle has had to look at other sources of income and reductions in expenditure to balance its budget.
52. The Comhairle continues to face difficult financial pressures. Efficiency savings of £2million were incorporated into the 2009/10 budget. The winter maintenance earmarked reserve was fully used up during 2008/09 therefore the 2009/10 budget is only £1.355million compared to expenditure in 2008/09 of £1.921 million. The cost of mainland placements, social care, waste disposal, connected communities and energy costs continue to be areas of unavoidable growth that are difficult to contain.
53. The Comhairle is currently funding 10 full time residential placements out with the Western Isles. The forecast overspend of £0.905million for 2009/10 reflects an increase in the usage of such placements, increased unit costs, and the recognition that the complex needs being met are often medium to long term in nature. This is not sustainable in the long term. A detailed option appraisal will be carried out to assess the viability of developing alternative residential/respite resource on the Western Isles for children and young people with a range of disabilities and to develop a wider range of foster care.
54. The newly integrated Education and Children's Services Department and the Integrated Children's Services offer the opportunity to bring forward strategic proposals for further developments of foster care and residential/respite provision for children with disabilities on the Western Isles.

2010/11 financial planning and beyond

55. The Scottish Government has made it clear that public expenditure will be constrained for the medium term. This means that councils need to plan now for a future where there is no real growth in funding. This means that savings will require to be met from within existing resources, whether by efficiencies or service cuts.
56. Over the medium to long term, the Comhairle has identified the two major areas that are likely to continue to put pressure on resources. Firstly, demographic changes predict more elderly people (and therefore more pressure on care services) whilst at the other end of the spectrum there continues to be reducing school rolls. Secondly, changing legislation especially in waste disposal and carbon management is pushing up costs in these service areas. The Comhairle has identified that efficiency savings in the region of £4.1million will be required for 2010/11. This excludes estimated additional savings of £0.900million which will be required to finance the Western Isles Schools Project, which will have an impact from 2012/13.



57. In September 2009 the P & R Committee approved a strategy for financial planning for 2010-13. The approach requires:

- quantification of the savings required to achieve a balanced budget, reflecting budget pressures and commitments
- identification of corporate and departmental efficiencies that can go towards these savings, and
- choices about where service reductions should be made.

58. Work has started to identify areas where the Comhairle can become more efficient, largely based around the Diagnostic Pathways Project. This is an internal review of cross-Comhairle services concerned largely with economies and efficiencies, people and processes, with a view to providing cost effective public services. Service choice decisions will be based on a previous exercise when services were prioritised by Members.

Reserves and balances

59. Exhibit 3 shows the balance in the Comhairle'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 capital receipts reserve. At 31 March 2009, the Comhairle had total cash backed funds of £11.289 million, a decrease of £0.709 million on the previous year.

Exhibit 3 Reserves

Description	31 March 2009 £ Million	31 March 2008 £ Million
General Fund	9.466	9.236
Capital Fund	1.306	2.296
Capital Receipts Reserve	0.517	0.466
	11.289	11.998

60. The general fund increased by £0.230 million during the year to a balance of £9.466 million which equates to 8.4% of the Comhairle's net annual expenditure. Of this, £5.878 million is earmarked for specific purposes. This leaves an uncommitted balance of £3.588 million. The Comhairle's policy is to maintain an uncommitted general fund balance of £3 million. The forecast overspend for 2009/10 means that the uncommitted general fund balance could fall below its desired minimum level just as the Comhairle are entering a long term period of sustained real term reductions in funding.



Capital performance 2008/09

61. The decision to hold back 25 new projects totalling £12million from the capital programme at the beginning of the financial year (while the WISP funding gap was explored) contributed greatly to the very low level of capital expenditure in 2008/09. This was only £15.4million, much of which related to projects brought forward from 2004-08. This is significantly less than previous years' expenditure of £21.8million in 2007/08 and £21.5million in 2006/07.

Exhibit 4

Sources of finance for capital expenditure 2005 - 2010

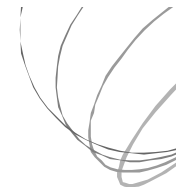
	2005/06 Actual £000	2006/07 Actual £000	2007/08 Actual £000	2008/09 Actual £000	2009/10 Budget £000
Borrowing	13,384	15,939	14,173	7,735	10,606
Fixed Asset Disposal	1,129	74	390	55	0
From Revenue Account	0	0	45	0	0
Government Grants/Other	11,849	5,486	7,548	7,642	6,152
Total	26,362	21,499	21,766	15,432	16,758

62. The moratorium on projects totalling £12million was lifted in December 2008 to help stimulate more work in the local community during the economic downturn. This was too late in the financial year to have an impact on the capital expenditure outturn for 2008/09 and the practical effect of this decision is to delay these projects by a year into 2009/10.

63. Despite the reduced capital programme budget there was slippage of £1.7million, the most significant of which was the Gisla to Enaclete roads to communities project. In addition to this there were other projects delayed until 2009/10. This was partly due to circumstances outwith the Comhairle's control, but was also due to the delay in recruiting the vacant post of Head of Building and Property Services, and difficulties in recruiting architectural staff in the Technical Services department. There is an increasing risk that important or strategic capital projects are not being progressed.

64. In some cases the reduction in the capital programme was for justified pro-active reasons i.e. the introduction of an asset management planning approach to the core and statutory programme which necessitates a PID for each project; and the set up of a Capital Programme Review Group to monitor the progress of strategic capital projects such as Harris House care home. However, this requires to be weighed against the risk of poor project management arrangements as there have been delays on a number of projects that are not being compensated by bringing forward other capital projects.

Action plan no. 4



Future capital programme

65. In April 2009, the Comhairle agreed to extend the 2008-12 capital programme for a fifth year to 31 March 2013 to coincide with local government elections being put back a year. In continuing to develop the timetable for the capital programme, as well as the intention to accelerate as much work as possible given the current economic climate, it will be essential to ensure there is a consistent flow of construction work tendered across the period to March 2013. This may prove to be very difficult for the Comhairle, given the combined budgeted expenditure for the capital programme and the WISP over this period is £139million.
66. Over 35% of Comhairle properties have not had a formal condition or suitability survey carried out. Those condition surveys that were carried out identified that many properties required investment or repair. This, together with the ongoing review and development of the asset management plan are likely to identify further capital requirements which will be either unaffordable or will compete with funding required to finance the WISP. This requires to be carefully managed to enable a more proactive approach to building maintenance at a time when financial resources are scarce. Steps being taken to improve asset management planning are covered in the performance section of this report.

Treasury management

67. Treasury management and, in particular, investment management has received wide publicity in the last year due to the collapse of Icelandic banks, and the government bail out of other institutions. The Comhairle continues to adopt a well structured and prudent approach to treasury management.
68. As at 31 March 2009, the Comhairle held cash and temporary investments totalling £9.117million. We received specific representation from the Director of Finance & Corporate Resources that all borrowing in advance of immediate requirements was made for a legitimate purpose in accordance with legislation and was invested in the interests of prudent cash management. In the Director's assessment any early borrowing is justified in its own right as representing the best time for borrowing the amounts required, without regard to temporary investment possibilities and the 'profit' that might arise from these.
69. Long term borrowing increased slightly during the year from £144.906million at 31 March 2008 to £145.238million at 31 March 2009. Borrowing rates are at a historic low. Most of the Comhairle's debt is at fixed rates over a long term period. Small savings from a minor restructuring of around £9million of loan debt during the year helped to reduce the pooled rate for all borrowing from 6.59% in 2007/08 to 6.37% in 2008/09.



Western Isles Schools Project (WISP)

70. The complex WISP funding arrangements for the hybrid PPP adds to the existing financial pressures. The affordability gap currently stands at £2.4m. This figure includes various assumptions regarding construction costs which could vary significantly. At this stage it is planned that £1.5m of the gap will be addressed from the discontinuation of the S1/2 stage of education (though around £1m of this is dependant on the government agreeing to the Comhairle's proposals) The Comhairle's policy is that the remainder (£0.9million) should be found from within the Education department. This is a major project for the Comhairle and any project overspends or financing shortfalls could have far reaching consequences on reserves, service delivery, and the ability to set a balanced budget.
71. These issues, together with issues regarding project management have been highlighted by the Chief Executive and Director of Finance and Corporate Resources in reports to members. It is therefore essential that the project is effectively managed, has the necessary technical and educational input, and that costs are controlled otherwise future revenue budgets could be significantly impacted.
72. Internal audit carried out a review of the project management arrangements during the year. Their report to officers and members recommended that:
- An effective risk management process should be put in place so that significant risks are identified, assessed, allocated, managed or mitigated.
 - A continuous review of resources should be carried out.
 - The affordability model should continue to be developed together with the identification of any savings that will close the affordability gap.
 - Arrangements should be put in place for robust monitoring of expenditure at all levels of the project, with regular monthly reports presented to the relevant Project Boards and Committees of the Comhairle.
 - The role of advisors should be constantly reviewed so that the right balance between the use of consultants and staff is achieved.
73. We concur with the findings of internal audit. The increasingly difficult economic climate and reductions in future funding highlight the requirement to ensure good project management and tight controls over building costs and future life cycle costs. These will represent fixed costs at a time when there is pressure on all other Comhairle costs.
74. Preliminary expenditure totalling approximately £3.2 million has been incurred on the WISP since 2005. This consists mainly of professional, technical and consultancy work, with approximately £1million capitalised and the remainder being charged to revenue. As time moves on there is a risk



that the value of this work becomes more tenuous as the specification is changed. There is also a need to ensure that the running costs of the project demonstrate value for money. The Comhairle recognises though, that a balance needs to be struck between the costs associated with delays encountered thus far in the project and the financial risks associated with making the wrong investment decision.

Action plan no. 5

Budgetary control

75. Recent changes to the Comhairle structure, together with the resultant re-profiling of budgets and responsibilities inevitably add a degree of risk to the budget process. As part of the project management of the new financial ledger system, which is planned for implementation from April 2010, the Director of Finance and Corporate Resources plans to review the monitoring framework with a view to bringing together the different reporting streams and including performance reporting.
76. This year, because of the heightened importance of good budgetary control, we paid particular attention to how the Comhairle set and managed its budgets. We found that the process for budget setting had elements of good practice. This included improvements to the alignment between business plans and budgets; and the option to carry forward departmental under or overspends within pre-determined limits. Despite this, and the ability to vire budgets from centrally held budgets, there continues to be overspends in the Children's Residential Mainland Placements budget, and the Social and Community Services budget.
77. Budget monitoring reports, comparing actual spend to date against budget, are produced monthly by the finance department and issued to all departments. Departments are then required to provide a narrative report to explain any forecast over or under spend. Reliance is placed on each budget holder's knowledge of the service when completing these reports and the projected final outturn. We are satisfied with these arrangements, but noted several occasions when departments did not provide monthly narrative reports to the finance department. This increases the risk of variances not being appropriately captured, or outturn not being accurately forecast.

Asset management

78. Effective management of council assets helps councils achieve their objectives and get best value from their 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 a council's carbon footprint.
79. In 2009, Audit Scotland published *Asset Management in Councils*. This 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

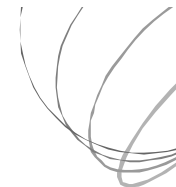


services being delivered from them. The Comhairle did not know the condition or suitability of over 35% of its buildings. Of those buildings which the Comhairle have assessed, 13% were reported as poor in terms of condition and suitability. The report also highlighted that Comhairle property costs were over 20% of the gross revenue budget compared to between 5 and 12% in most councils. Also, the report noted that over 80% of maintenance work carried out by the Comhairle was reactive maintenance. This is well in excess of expected good practice of 60:40 (or better) in favour of planned maintenance rather than reactive maintenance.

80. Progress on asset management issues such as usage, aligning investment planning with service planning and option appraisal has been slower than anticipated and desired mainly due to resource issues. The Comhairle have also had to start from a very low base. It is recognised that, in the past, the Comhairle have been poor at looking after assets and they have not taken a sufficiently corporate approach to asset management.
81. The Corporate Asset Manager Issued a Corporate Asset Management Strategy to Committee in December 2008 for consultation and in June 2009 the Policy and Resources Committee approved the Corporate Asset Management Policy, Strategy and Plan.
82. The policy underpins the strategy and its single aim is to maintain and improve Comhairle services through competent asset management and investment planning. The strategy is modelled to ensure best value and is presented in a five tier model to identify the various levels and component parts of asset management (assets, outcomes, key asset management planning, enablers and resources). It is the base reference document for the management of all the assets used by the Comhairle for service delivery. The Plan represents the translation of the policy and strategy into an action plan for application and implementation. It lists 15 separate plans with target completion dates ranging from August 2009 to July 2010.
83. The assessment of the physical condition of all Comhairle buildings (other than Education) is still progressing very slowly due to a lack of staffing resource and revenue budget allocation. It had been anticipated that significant progress would be made in 2009/10 with an exclusive focus from the Corporate Asset Manager. However, he has recently left and this will impact progress.

Action Plan no. 6

84. Since 2004/05, through the statutory performance indicator, the Comhairle have had to report on the percentage of their service buildings which are suitable for, and accessible to, disabled people. For 2008/09 the percentage had increased to 31% compared to 28% in the previous year. However in 2007/08 the Comhairle were ranked 30th out of the 32 councils in Scotland for this indicator. Budgetary provision has been made available in 2009/10 to enable the Comhairle to meet its legal obligations in relation to disability access audits. As yet, implementation has not started. The



requirement to report on this indicator is being maintained under the new 2009/10 approach to reporting SPIs and local PIs. We will continue to monitor the Comhairle's progress.

Procurement

85. It is recognised that in a climate of diminishing resources and challenging economic circumstances, it is essential that all organisations maximise the benefit they gets from external spending. This was reflected in Audit Scotland's national report "Improving public sector purchasing" which was published in July 2009. The report found that while the Scottish public sector has made significant savings since 2006 from better purchasing, there is still a lot of potential to deliver more, particularly from increasing the use of collaborative contracts. Other high level recommendations highlighted the good purchasing practice that public bodies should adopt to demonstrate Best Value.

Extract from Audit Scotland report *Improving public sector purchasing*

To demonstrate Best Value when purchasing goods and services public bodies should:

- Have high-quality purchasing strategies and plans in place, including a plan to meet future workforce needs.
- Have up-to-date information on their purchasing activities such as supplier details, volume of transactions, value and type of spend.
- Ensure all purchasing practices, including control of spending, comply with good practice as set out in national and centre of expertise guidance.
- Work with the Scottish Government and centres of expertise to identify and develop opportunities for collaboration and for improved purchasing practice.
- Use procurement Best Practice Indicators to assess their performance and to continually improve how they buy goods and services.
- Report savings and other benefits on a regular and consistent basis.

86. As reported in this year's Strategic Audit Risk Analysis, the Comhairle's procurement strategy is unchanged since 2005, its approach to procurement was not sufficiently viewed as a corporate function, and there wasn't a robust methodology for identifying or calculating efficiency savings generated by improved procurement practices. However, we did acknowledge that the Comhairle are a member of Scotland Excel and that there are ongoing developments in the Comhairle's approach to procurement. It is encouraging to note that the electronic procurement system (eButh) continues to be implemented and has now been rolled out to all schools.

87. Audit Scotland recently surveyed Scottish local authorities to establish the nature of information held by councils on procurement processes. Questions also sought information on some key procurement statistics as well as establishing the extent to which councils had implemented the key recommendations from the McClelland report relating to weaknesses in resources, skills, organisational structures and practices.



88. For the Comhairle, the main points of interest were that:

- A draft revised strategy has been prepared but it has not yet been circulated for consultation.
- The Comhairle transact with a relatively high number of suppliers (4,200).
- The Comhairle did not have a contract register which recorded all existing contracts for the procurement of goods and services. A register is being developed.
- The Comhairle could not identify the amount of procurement expenditure through collaborative contracts, non –collaborative contracts, and purchasing where no formal contract with a supplier exists.
- The Comhairle did not capture information about how much is spent with suppliers within the council boundary although they could provide details of payments made to suppliers with a Western Isles postal address.
- The 2008/09 Efficiency Statement identified only £0.040million of procurement savings. Savings of £0.124million are incorporated into the 2009/10 budget.

89. The Comhairle have introduced two local PIs relating to procurement that they intend to report from 2009/10. These are:

- Percentage of procurement spend with contracted suppliers.
- Percentage of procurement spend with contracted suppliers (through e-buth).

90. The Comhairle, however, needs to refine its information management systems in order to provide more reliable information on which procurement can be managed and savings calculated. This will help identify and potentially reduce the level of procurement currently placed with suppliers with no contract. The Comhairle also needs to continue to develop a register of all Comhairle contracts.

Action point no. 7

Managing people

91. The Comhairle faces a specific challenge regarding succession planning due to the location of the islands, the ageing population, and the recent retirement of several senior officers. The varying recruitment arrangements across departments and historical inconsistencies in the approach to staff development will make this challenge more difficult to address. It will be necessary to adopt a more corporate/formal approach to staff development and retention.

92. The Comhairle has embarked on the process of gaining corporate Investors in People recognition. In November 2008 the Comhairle carried out its first comprehensive survey of employee opinion. The results were considered by the Corporate Investors in People Group and the Corporate Management



Team and a Corporate Improvement Plan was approved by the P & R committee in April 2009. It addresses concerns including internal communication, change management and job satisfaction. It includes a requirement for all departments to develop Departmental Improvement Plans and fully costed departmental training plans.

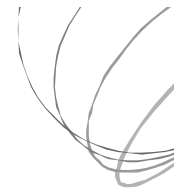
93. In January 2009 two departments took part in a pilot to test the new performance appraisal scheme and management standards. This incorporates personal development plans to assist employees with career development. Following completion of the pilot and feedback the P & R Committee approved the new performance appraisal forms and management standards in September 2009. These will be rolled out across the Comhairle in the autumn. Software incorporating a Personnel Evaluation System was recently purchased which links the appraisal system to the Interplan business planning modules. It is essential that a consistent personal evaluation system is rolled out across the Comhairle and that this leads to the identification of training needs and succession planning requirements that can be approached corporately.

ICT

94. The Comhairle's IT strategy for 2009-2011 was approved in October 2008 and capital funding was secured. The strategy is ambitious and contains advanced technology projects such as the implementation of Voice over Internet Protocol technology to replace the old telephony system, the implementation of the second phase of the data sharing project for single shared assessment and the rationalisation of hardware through server virtualisation. In addition, a project to implement disaster recovery arrangements locally to replace the reliance on third parties is under way.
95. The progress on the projects resulting from the IT Strategy is reported twice a year to the ICT & Asset Management Sub-Committee. As a result of the funding available, staffing issues in the IT Unit have been addressed with three staff previously on fixed term contract now hired permanently. Two additional fixed term staff were hired to provide system support for the technology support contracts with the Hebridean Housing Partnership and Consumer Direct.

Data handling and security

96. Recent years have seen a huge increase in the risks associated with information systems. Databases are larger, more comprehensive and more accessible. Data is easier to move around, whether over networks, the internet or through simply using physical media. The biggest challenges to information security are of a cultural and behavioural nature. Increased awareness of the risks involved in dealing with information and awareness of the legal and regulatory requirements surrounding personal and sensitive information are paramount.
97. Our review of the Comhairle's information handling environment has highlighted that efforts should be made to increase awareness of staff and members of the issues surrounding handling of information. Tools such as induction training, bulletins, on-line training packages can be of help in this area. In



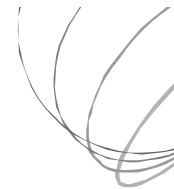
addition, the Comhairle should explore the technical measures which could be implemented to ensure that information can be handled securely.

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. The Comhairle and NHS Western Isles have made a formal commitment to the integrated service delivery project and funding has been secured to facilitate this. The project group identified opportunities for integration in five service areas. These include the sharing of estates management services and printing facilities.
99. It is important that partners now make a commitment to driving this process forward and ensuring that momentum gained is not lost. Some progress is being made to combine asset management, in particular regarding projects with a common interest such as Harris House and St Brendan's. However, it is uncertain if this and the other projects will proceed to implementation and we do not observe significant activity to progress shared services.
100. The Comhairle and NHS Western Isles participate in the Northern Territory Hub initiative. This is financed through the Scottish Futures Trust and is a procurement vehicle for delivering fit for purpose, value for money, public sector facilities to provide better public services to communities involving Public/Private Sector partnerships and pooling of resources. Benefits could accrue from this joint working, however, the initiative is still at a relatively early stage, and the commitment from NHS Western Isles is uncertain at this time. The Comhairle have identified suitable 'pipeline projects'. These are in the process of being submitted.
101. The economic downturn poses a significant challenge to the retention of public services in the Outer Hebrides. Some work such as the Community Health and Social Care Partnership (CHaSCP), with NHS Western Isles, has been done in this area. However, there have been signals from the government that this should progress further. Opportunities need to be grasped locally to integrate services which retain both governance and delivery of services on the islands, but which also produce financial efficiencies to secure long-lasting sustainable jobs and services. It is important to recognise the need to make choices over difficult decisions when allocating resources.

Outlook

102. Clearly we are in a period of reduced economic growth with big implications for the Comhairle's resources and the demand for services. The Comhairle 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. At the same time as the Comhairle tries to support its local economy and provide best value services, it is likely to face a reduction in resources.



Governance and accountability

Introduction

103. 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.

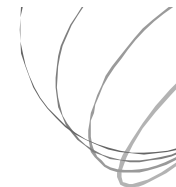
Structure and policies

104. Following Audit Scotland's best value review, the Chief Executive carried out a review of the Comhairle, including the political and managerial structures and processes. The final elements of the departmental structure review were completed in 2008/09. However, given the recent retiral and subsequent appointment of several senior officers, the internal structures within some departments are still to be implemented.

105. The Comhairle approved a new Scheme of Administration following the 2007 election which resulted in the number of service committees reduced from seven to four. The P&R committee is now supported by three sub committees and more emphasis has been placed on the Audit and Scrutiny committee. Officers consider that the new structure is working well in practice and that committee remits ensure that there is more focus in ensuring that all policies are addressed and reported. It is vital that there is a formal process in place for reviewing the effectiveness of the new committee structure to ensure that key strategies are progressed as intended, and that members do not get bogged down with operational issues.

106. Internal audit carried out a review of the Comhairle's arrangements against the CIPFA/SOLACE guidance: *Delivering Good Governance in Local Government*. Overall, the results suggest that the Comhairle has an appropriate governance framework assessment, however the review identified a number of areas for improvement, including:

- the requirement to develop a local corporate governance code of practice. This has subsequently been completed
- there should be specific and approved scheme of delegations in relation to community planning partnerships and other cross organisation bodies. The purpose of such guidelines should



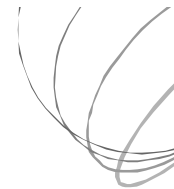
provide clear and definitive protocols in terms of what delegation officers and Members have in such circumstances

- the production of a Community Plan which meets the requirements of the community as outlined in the Single Outcome Agreement
- arrangements should be in place for monitoring how service delivery, performance targets and standards have improved equality of access to Comhairle services.

107. A significant role for members is to scrutinise performance, hold management to account and support the modernisation agenda. Overall, the Comhairle's Audit Panel is effective and complies with most of CIPFA's good practice principles for audit committees. The panel also fulfils a scrutiny function by requesting follow up work in relation to areas of concern. All members of the audit panel are also members of the Audit & Scrutiny Committee. This committee receives audit panel minutes but has a wider role. It considers performance reports, business plans, risk management and follow up of the best value improvement plan.

108. There is scope for further learning and development opportunities so that members are appropriately supported and equipped to challenge officers and increase the effectiveness of each committees' work. In particular, we would highlight the following matters where committees could focus attention:

- We have reported in previous years that the absence of a suitable performance management system has restricted the Comhairle to ensuring that services are delivered to a satisfactory standard, rather than measuring them or demonstrating improvements. Timely and accurate performance information needs to be provided to members to assist them in making effective decisions. As noted later in the performance section of this report, the Comhairle is not as far ahead with the development of its electronic performance management system (EPMS) as they would have desired. As a result, full year performance against the 2008/09 SOA and performance against 2009/10 business plans have not yet been reported to members. It is essential that performance information is routinely incorporated into reports to members; and that periodic performance reports are approved by members.
- Over the last year, Comhairle services such as social work and education services were inspected by relevant inspection agencies. The detail of these reports are addressed by the relevant service committees but good practice suggests that audit committees should have a role in monitoring implementation to ensure that key risks faced by the Comhairle are being addressed. It is not clear whether the audit & scrutiny committee has determined its scrutiny role with regard to inspection reports.
- The Accounts Commission issue a range of national study reports and an overview of local government each year. Recommendations are generally directed at all councils so it would be appropriate for the Audit & Scrutiny committee to consider findings and ensure that significant matters are being addressed by the Comhairle.



Roles and relationships

109. The Accounts Commission recommends that councils give priority to the continuous professional development of its members. Induction training was provided to all members post election. Since then, there has been further member training at each committee cycle. Training to date has been diverse and has included budgeting, an overview of the Comhairle's IT systems, options for addressing winter maintenance costs, how to access homecare, and the balanced scorecard approach to performance management.
110. Job descriptions were provided to all members as part of their induction pack. The Chief Executive has held meetings with all members by September 2008 regarding their needs assessment and agreement of a personal development plan (PDP). It is intended to review all of these by December 2009 and to use this information to develop a structured training plan for members.
111. The creation of multi-member wards has required new ways of working to support efficient representation and sharing of the workload. The Comhairle are satisfied that members are working in a collaborative and constructive manner, however, logistical issues mean that issues are dealt with geographically in some wards.

Partnership working

112. Areas of good partnership working include the joint agreement in place with NHS WI to reduce carbon emissions by 7,000 tonnes by 2014; and the joint officer group between the Comhairle, NHS WI, and UHI to promote and preserve the Gaelic language. A joint strategy with partners successfully averted major job losses following QinetiQ's proposals to rationalise Command and Control functions at Hebrides Range on Benbecula.
113. Community planning structures are well developed at council and local levels with appropriate political, official and community representation on each. During the year, the Outer Hebrides Community Planning Partnership (OHCPP) worked effectively to develop a single outcome agreement (SOA), a real milestone for effective partnership working. Good leadership by the Comhairle ensured that all members of the OHCPP signed up to the SOA.
114. It is essential that the Comhairle can demonstrate progress and achievement against the SOA. Primary responsibility for all SOA objectives has been set. In the majority of cases this rests with the Comhairle, particularly in relation to education, planning and environmental objectives. There are, however, some objectives where the primary responsibility rests with partner organisations.
115. The prohibitive cost meant that partners did not buy into the CAM electronic performance management system. Instead, the Comhairle will be responsible for collecting information from



partners, initially on a quarterly basis. The SOA Steering Group will drive the implementation of the SOA and intend to present regular monitoring reports to the OHCPP.

116. It was recently confirmed that there will be no third round of SOAs in 2010-11. Instead, focus will turn to continuous improvement and delivery of outcomes already agreed. It will therefore be important to focus on areas of activity that are likely to deliver the most significant contribution to delivering outcomes. There is also the strong possibility that the next spending review will be linked to outcome delivery. This highlights the importance of having good collaboration between partners locally.
117. Audit Scotland's national report "Improving Civil Contingencies Planning" published in August 2009 highlighted the duty placed on local authorities to provide business continuity management advice and assistance to commercial and voluntary organisations in their area. Only seven local authorities had developed a strategy to describe how this duty would be met. The Comhairle provide general advice and assistance for local businesses and the voluntary sector.

Community engagement

118. The Comhairle aims to ensure that community engagement structures deliver effective and inclusive community involvement with communities fully engaged in the decision-making processes which affect them. This is an area that both the Comhairle and its planning partners recognise needs to be further developed. More use could be made of established community bodies such as community councils, parent councils and residents associations.
119. A community survey was carried out earlier in the year which required feedback regarding the local outcomes contained within the SOA. The Chamber of Commerce carried out a similar survey on businesses. There have been public meetings with the business community in Stornoway and Benbecula to discuss the impact of the economic downturn. Each of these activities form an important platform for engaging with communities, however, more structured procedures should be implemented which meet the national standards for community engagement.
120. The Chief Executive's Department has undertaken to lead in this area in 2009/10 and aims to make significant progress with Community Engagement Action Plans, taking the Scottish Government's forthcoming Community Empowerment Action Plan as the model. This plan, which is being developed by CoSLA and the Scottish Government, is currently in draft. The key aim will be to evidence the Comhairle's commitment in this area to the Scottish Government and Audit Scotland.
121. From October 2009, four of the six annual meetings of the OHCPP will be at geographical locations (spread out in Lewis, Harris, Uist, and Barra). Each of the four key topics (Business, Economy and Population; Health and Environment; Education, Training and Skills Development; and Empowering Communities and Delivering Services) will be discussed at each meeting. The OHCPP will also hold six open meetings throughout the year.



Public performance reporting

122. The Comhairle have not produced any annual reports on performance since 2005/06. Following the recent implementation of the new electronic performance management system (EPMS) and the identification of local performance indicators for 2009/10, it is planned to re-launch public performance reporting using the expanded scope of information available from this system. It is intended to make more use of the community portal element of the EPMS and make this available on the Comhairle's website. However, it is unclear when this will be implemented or what steps will be taken to ensure that this is presented in a balanced and user friendly manner.

Action plan no. 8

Governance and internal control

123. As mentioned earlier in this report, we carried out an assessment of the Comhairle's main financial systems, and the key internal controls operating within them. In most cases we assessed these as operating effectively. Following our review we issued a report to officers summarising our findings in these areas. The report included some areas for improvement on which the Comhairle has agreed to take action.

Outlook

124. We recognise the challenges posed by SOAs, and that they are still at an early stage of development. At this stage we are interested in the processes rather than the outcomes. The Comhairle 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.

125. As the SOA demonstrates, partnership working is critical to the Comhairle'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 Comhairle's own contribution to the delivery of outcomes.



Performance management and improvement

Introduction

126. 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 effective council's performance management framework is comprehensive and integrated with service planning and delivery. Staff have a customer first culture. The effective council is able to demonstrate significantly improved outcomes for citizens and more effective and efficient services because of its performance management arrangements.

Vision and strategic direction

127. In general, the Comhairle's concentrates on delivering its core objectives which, while challenging, are considered to be sustainable. These are closely linked to the objectives in the SOA and are focussed mainly on the provision of services that the community needs, with particular emphasis on safety, schools provision, and care of the elderly. The OHCPP meetings arranged throughout the islands include the impact of the economic downturn as a standard agenda item.

128. The SOA forms the basis for the Comhairle's corporate strategy, and currently supersedes any previous community plans. Its objectives are incorporated into departmental business plans and performance measures and outcomes for 2009/10 will be monitored by services and reported to the P & R Committee and to the OHCPP.

129. The Comhairle has identified the two major areas around which it needs to frame its service structure and raise awareness regarding future financial modelling. These relate to changes in demographics which predict more elderly people thus putting more pressure on care services and an ongoing reduction in school roles. Secondly, changing legislation in waste disposal and carbon management is expected to push up costs of these service areas.

130. A key role for the Comhairle is to clearly communicate priorities and expectations. There is evidence of good communication with businesses and community planning partners. However, difficulties have



been faced by the Comhairle in finding the right balance and means to engage with the community. This was referred to earlier in the governance and accountability section of this report.

131. It is also essential that the Comhairle's vision and priorities are clearly communicated to staff. An Ipsos Mori employee survey carried out in November 2008 highlighted that only 31% of staff feel they are informed of corporate policies and priorities, compared to the Scottish LA average of 44%. The Communications Strategy Planning Group has considered the results of the survey. Steps being taken to address this include developing the internet and intranet in conjunction with the web users group; introducing an internal newsletter; and forming an internal and external communications policy. These should all be in place by the end of the year.

Performance management

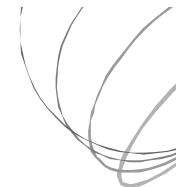
132. In our 2007/08 final report to members we highlighted that the Comhairle did not have robust information to demonstrate whether or not service performance was improving, or why there were improvements or deteriorations in service.

133. The implementation earlier this year of the EPMS is a key component for enabling the performance of Comhairle services to be monitored and reported more frequently, including an improvement in public performance reporting.

134. The system installed is Interplan: integrated strategic planning and performance management software. This system went live from August 2009. This provides the Comhairle with a single real time system for strategic, corporate, business and service level planning and performance management. It offers Key Performance Indicator (KPI) management including scorecard, digital dashboard and external reporting capabilities. It also allows benchmarking and trend analysis and includes an integrated risk management module and a Community Connect Portal.

135. Information from the 2008/09 SOA, Corporate Strategy, and Service Business Plans is held on the system. Service Business Plans incorporate forward work plans and KPIs with clear links to the 15 SOA National Outcomes and the 7 OHCPP Local Outcomes. The SOA 2009/10, agreed by Scottish Government and the OHCPP on 4 August 2009, has yet to be input on Interplan. The SOA 2009/10 will form the basis of the Comhairle's Service Business Plans 2010/11.

136. The Comhairle's progress against the 2008/09 SOA up to December 2008 together with further progress to the end of March 2009 was reported to the P&R Committee in April 2009 and published on the Comhairle's web site thereafter. It is intended to present a half year progress report, on both the 2009/10 business plans and performance indicators, to the P&R Committee in November or December 2009. Thereafter, it is intended to present quarterly progress reports to the OHCPP.



137. Key challenges for the Comhairle which are currently being addressed include:

- Embedding a performance management culture across the Comhairle, ensuring that all services accurately and regularly update actions, tasks and key performance indicators, thereby producing meaningful and reliable performance information.
- Ensuring a successful roll out of Interplan training within the Comhairle to secure a high take-up among staff thus maximising usage.
- Ensuring service managers/staff use Interplan to produce timely real time reports.
- Determining the style, format and frequency of reporting to committees.
- Developing appropriate public performance reporting mechanisms through the Community Connect Portal and other means to ensure that a balanced account of the Comhairle's performance is reported in a variety of accessible formats, and
- Providing the necessary resources to successfully develop and use the full functionality of Interplan to the Comhairle's benefit.

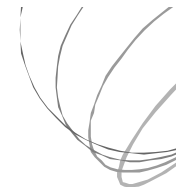
Action plan no.9

Statutory performance indicators (SPIs)

138. SPIs form the principal means by which the Comhairle reports its performance to the public. In 2008/09, 51 SPIs were required. Each year we review the reliability of the Comhairle's arrangements to prepare SPIs. Overall, the quality of working papers provided to support the SPIs was an improvement on the previous year. However, this was largely due to the good work carried out by the PI co-ordinator. We still required to make corrective adjustments to ensure that some of the reported SPIs agreed to the direction or to working papers.

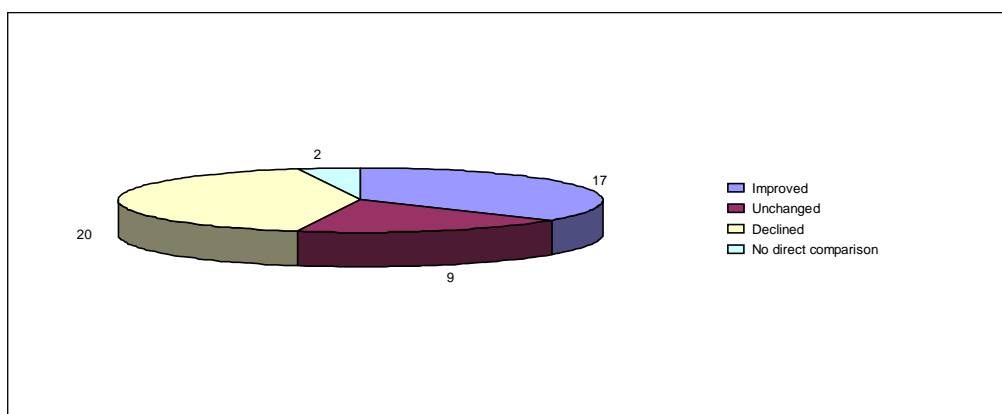
139. Two indicators were classed as 'unreliable' compared to three in 2007/08. One indicator was classed as 'failure to report'. Data submitted needs to be improved with regard to recording the number of visits to and uses of museums, and the amount of daytime respite care provided by third parties.

140. The SOA means in future years the Comhairle will monitor internal performance and improvement, with less emphasis on how it performs against other councils. From 2009/10, 20 specific indicators remain which will continue to be applicable to all councils. As part of the new Interplan performance management system the Comhairle has identified 50 new local performance indicators which it will gather and report. It is essential that the Comhairle identify and develop appropriate benchmarks with comparable councils to compare performance and that they use the greater range of performance information generated by the Interplan system to manage and report performance.



141. In the meantime, we have summarised year on year SPIs to determine whether or not performance is improving and where this is arising. The following chart demonstrates that, in 2008/09, the Comhairle made improvement in a number of areas, but a decline in others.

Chart: Improvements and declines in performance demonstrated by SPIs (Total 48 indicators)



142. Substantial Improvement have been made in the following areas:

- **Planning applications processing time** – The percentage of planning applications dealt with within 2 months.
- **Equal Opportunities** – the number of women in the top 5% of earners in the Comhairle has improved.
- **Culture & Community** – the number and percentage of library users expressed as a percentage of resident population has increased.
- **Refuse collection complaints** – the number of refuse collection complaints per 1,000 households regarding the household waste collection service.
- **Traffic light repairs** – the number of traffic light failures repaired with 48 hours.

143. However, performance has declined in the following areas:

- **Planning** – number of successful appeals against planning decisions.
- **Street lighting** - the proportion of street light failures completed within 7 days.
- **Food safety: hygiene inspections** – the number and percentage of food hygiene inspections undertaken within the prescribed period.
- Refuse collection and disposal costs – the **net cost of refuse disposal** per premise.
- **Abandoned vehicles** – proportion removed by the Comhairle within 14 days.
- **Refuse recycling** – the amount and percentage of municipal waste collected by the Comhairle that was recycled.



Equality and diversity

144. In 2008, Audit Scotland 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.
145. The Comhairle continue to make progress to the requirements to meet equal opportunity and disability discrimination legislation. Disability, equality, gender and race equality schemes are in place together with action plans for these equality strands. There is also an equal pay policy statement and an equality of treatment and access to employment and service provision policy statement. Annual equality monitoring statistics are published in compliance with the Race Relations Act.
146. The Comhairle needs to ensure that its equality policies are communicated and fully understood by all employees. The new equalities training programme and the Equality Impact Assessment (EQIA) training have been up and running since April 2009. Work is ongoing with Democratic Services to embed EQIA in the new policy development process.

Efficiency

147. Tackling climate change and making the best use of resources require the efficient use of energy. In 2008, Audit Scotland 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. The Comhairle have approved the appointment of an Energy Efficient Officer within the Education Department to monitor and manage energy consumption and to provide advice and training on energy efficiency measures.
148. The ongoing achievement of efficiencies will continue to be a challenge for the Comhairle as it seeks to improve services and address service pressures. The Comhairle is committed to the Concordat objective of 2% cost savings per annum and the achievement of targets as set out in the Single Outcome Agreement (SOA).
149. The Comhairle aims to achieve efficiencies through service improvements and the modernisation and development of processes. However, opportunities need to be identified to reduce spending in areas



no longer viewed as priorities in the Corporate Strategy and the SOA. A key element of the efficiency programme for 2009-11 will be the implementation of the findings of the Diagnostic Pathway exercise which has identified potential net savings of £3.2m from the implementation of 11 corporate projects.

150. As a member of Scotland Excel, the Comhairle aims to achieve procurement savings through the increased use of national contracts and the expansion of the electronic procurement system. However, as mentioned in our 'use of resources' section of this report, improvements are required to information management systems and contract registers require to be completed to help identify and manage any improvements in procurement practices.

151. Efficiency savings anticipated in the course of 2009/10 total £1.758million made up of streamlining bureaucracy £1.539 million, income generation £0.095million and procurement £0.124million. The importance of achieving efficiency savings will become more acute from 2010/11 once real term budget reductions kick in.

152. The SOA includes the commitment to contribute to the achievement of National Outcome 15, "Our public services are high quality, continually improving, efficient and responsive to local people's needs". This commitment underpins the work undertaken to improve efficiency throughout Comhairle services. The SOA also includes a local objective to continuously improve the integration and efficiency of the delivery and quality of public services and customer satisfaction therewith. However, the SOA does not contain any specific financial or efficiency targets. The local PIs from 2009/10 do, however, have objectives regarding attaining efficiencies in waste management and procurement.

Progress on delivery of the council's best value improvement plan

153. The findings of a Best Value audit of Comhairle nan Eilean Siar were published in August 2006. In response, the Comhairle approved a Best Value Improvement Plan (BVIP) in October 2006 setting out the 16 improvement agenda items from the report together with the planned actions and timescales for implementation. Since then, the improvement plan has been incorporated into performance management arrangements and progress reports to each Audit and Scrutiny Committee meeting.

154. The Comhairle are moving in the right direction but progress has been slow. Each improvement plan action is progressing or was redeveloped to suit changes in circumstances since the improvement plan was agreed. However, some items in the BVIP are not progressing within the timescale that was originally planned and are now scheduled for further progress later in 2009 or 2010.

155. Areas where progress is not within the timescale originally planned include assessment of the physical condition of all Comhairle buildings, implementation of disability access audits, departmental training plans and improving workforce communications. The EPMS went live in August 2009, later than planned. These are discussed in more detail elsewhere in this report.

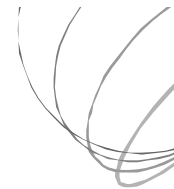


156. The Comhairle is committed to a rolling programme of Best Value service reviews. A new programme of Best Value service reviews for 2009/10 was agreed in April 2009 and is underway. It was agreed that the key focus of Best Value reviews should be aimed towards high value/cost areas which are critical to the achievement of corporate objectives or key goals. The 2009/10 programme covers services provided by significant trading operations and trading operations (with a focus on the client/contractor split), external funding, project delivery and integrated transport.
157. A Best Value Officer was appointed in January 2009 to provide dedicated support. She has developed new guidance, reviewed procedures and updated the website in respect of Best Value to ensure that the reviews meet the quality standards required by both the Comhairle and Audit Scotland.
158. In view of the economic climate and impending real term reductions in budgets, it is essential that a full range of service best value reviews are completed and solutions identified and addressed. These should include a strategic review of the way services are delivered with a view to identifying areas of service that could be carried out more effectively, efficiently, or not at all. As each review is completed it is useful to identify any cross sector reviews to establish whether any good practice or savings can be applied to other services.

Action plan no. 10

Risk management

159. 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.
160. Our "Strategic Audit Risk Analysis 2008/2009" (SARA) of the Comhairle, which was issued to members in April 2009, recognised that a risk management framework was in place. However, we also highlighted that limited progress regarding departments' approaches and attitudes towards risk management meant a complete re-vitalisation of the process and culture was required.
161. Our SARA also highlighted that the risks of using partnerships to help fulfil Comhairle objectives should be fully evaluated; project risk management and its integration with service plans and key decisions should be developed; there should be more focussed training to help ensure that officers and members take ownership of risk management; and there was a lack of integration between risk management with other corporate processes such as performance and financial management.
162. These issues still require to be fully addressed. For example, the new performance management system has a risk management module, however, this is not extensively used and would require training to ensure it is used properly; there is only a tenuous link between departmental risk registers and department business plans; and a guidance document has been issued to help identify and



address the main risks associated with dealing with partnerships, however, it is impractical to backtrack these to existing arrangements.

163. Following the restructuring of departments, the Comhairle agreed to update the strategic risk register to include emerging risks and appoint a Strategic Risk management Group (SRMG). The SRMG is intended to be the “driving force” behind the ongoing implementation and development of the corporate risk management strategy. However, this group has not yet been able to make the impact it desires. As a result, the issues recorded in its action plan have slipped and none of the agreed actions have been fully progressed.

Action Plan no. 11

Other scrutiny and inspection reports

Education and children’s services

164. HMIE issued a report in February 2009 which evaluated all quality indicators as good apart from leadership and direction which was evaluated as satisfactory. The report noted the challenges due to the remote location and scarcity of population which is projected to fall further over the next 16 years. It highlighted the need for the Comhairle to rationalise the school estate, something which is now being addressed.
165. The report highlighted strengths including the well judged leadership of the Director of Education and the effectiveness of the senior management team. Other strengths included quality improvement officers improving outcomes for children and young people, pupils’ strong performance in SQA examinations at S6, the wide range of effective provision for pupils with additional support needs and the effective promotion of Gaelic language, heritage and culture.
166. The main points of action were to improve communication with parents to involve them more in their children’s learning, strengthen partnership working between the Education Department and Social Work and Community Services and improve aspects of the Comhairle’s strategic and political leadership and direction.
167. The Education and Children’s Services Department’s 2009-10 Business Plan has clear links to the Single Outcome Agreement, Corporate Strategy and Scottish Government strategic objectives and national outcomes. It is also consistent with the department’s vision statement *Ag Amas air Adhartas - Aiming for Advancement*. Key objectives include:
- Implementation of the Curriculum for Excellence.
 - Improving attainment in literacy and numeracy and SQA performance.



- Meeting the needs of all children in the Outer Hebrides.
- Procuring construction and long term maintenance of 5 new schools.
- Establishing Learning Communities.

Social work and community services

168. The need to review the service delivery for Children's Services was highlighted in the SWIA report of November 2006 which judged the Social Work department to be weak in leadership and capacity for change. It also highlighted that the senior management structure in Social Work was under severe strain.

169. Two consultants were appointed during 2007 and 2008 to review the findings of the SWIA report, and to make recommendations on the establishment of an Integrated Children's Services Department. Following this, Community Care and Criminal Justice Services became part of the newly established Social and Community Care Service Department from 1 July 2008; and the Education and Children's services department was implemented from 1 January 2009.

170. SWIA carried out a follow up review to their performance report and issued a report in October 2008. This cited improvements to service users and to processes within children and families services and in criminal justice services. However, it identified that big improvements were still required within community care services; such as increasing the frequency of reviews and closing gaps in case files, addressing lack of training and knowledge on the Carefirst system, and noting the concerns that there was insufficient capacity and support to managers.

171. More generally, the SWIA follow up report concluded that service plans had been prepared for 2008-11, but noted that these were very general and were not based on any information about how services had performed or which linked this to any projected costs. They also noted the lack of a workforce plan or related training strategy.

172. In response to these findings managers stated that the quality of planning still suffered because of the lack of leadership, management capacity, and because data (e.g. demographic, performance) was still insufficient to properly inform plans. The Director of Finance & Corporate Resources noted that Social Work have recently begun to establish budget priorities, but there was scope for further improvements. He noted, however, that these required better performance information so that more informed budget decisions could be made.

173. A management review group has been set up to review the operation of the home care service to consider ways to improve management of the service and move to a contracted workforce.



Outlook

174. We have already mentioned the importance of developing the governance aspects of the SOA. The performance management aspects of the SOA are vitally important, especially since the Comhairle have yet to embed a culture of performance management. The long term and complex nature of many of the outcome targets in the SOA pose many challenges for performance management. For example, how can the council tell if its resources are making a difference? We recognise the challenges and whilst we have no plans to audit the outcome progress reports in 2010/11, we will pay attention to the systems the Comhairle have in place to monitor progress and take remedial action.
175. 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 the Comhairle's best value audit will be determined by a risk assessment. We will report the risk assessment by April 2010.
176. The 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 Comhairle nan Eilean Siar, but it will also identify the timing and scope of other scrutiny work. Along with the other bodies, we intend to publish 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 Panel
Annual Audit Plan	29/1/09	26/3/09
Review of Internal Audit	4/3/09	26/3/09
Data Sharing Partnership arrangements follow up	11/3/09	26/3/09
Strategic Audit Risk Analysis	31/3/09	28/5/09
Information Security and Handling (Cultural Aspects)	26/5/09	24/9/09
Web Overview	21/7/09	24/9/09
Education Maintenance Allowance	22/7/09	n/a
Statutory performance indicators	27/8/09	n/a
Internal Key Financial Controls Assurance Report	8/9/09	24/9/09
Local Government procurement survey	11/9/09	24/9/09
Report on financial statements to those charged with governance	24/9/09	24/9/09
Audit opinion on the 2008/09 financial statements	24/9/09	24/9/09
Benefits subsidy grant	22/10/09	n/a



Appendix B: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer (title)	Target Date
1	30-31	<p>IFRS Adoption</p> <p>IFRS will be introduced from 2010/11 with WGA reported on an IFRS basis for 2009/10. A comparative balance sheet as at 1 April 2009 is required.</p> <p><i>Issue/ Risk: If the Comhairle does not prepare properly it may be unable to meet IFRS compliance requirements.</i></p>	<p>A Project Team is being established by the Director of Finance and Corporate Resources to manage the transition to IFRS effectively.</p> <p><i>(Refer to 2008/09 Strategic Audit Risk Analysis (SARA) point 23).</i></p>	Director of Finance and Corporate Resources	Nov 2009
2	34-35	<p>Waste management</p> <p>The percentage of municipal waste recycled or composted reduced during the year and is well below the targets set by the Scottish Government.</p> <p><i>Issue/Risk: If the Comhairle does not meet the Scottish Government target they could incur financial penalties.</i></p>	<p>The Comhairle is currently responding to the SG Zero Waste consultation, urging them to allow the Comhairle to exceed the proposed cap of 25% on Energy from Waste (EFW), whereby the Comhairle will then seek to develop an EFW solution as an alternative to landfill and to complement the Anaerobic Digester treatment of organic waste. The penalties under the Landfill Allowance regulations are currently suspended.</p> <p><i>(Refer to 2008/09 SARA point 42).</i></p>	Head of Community Services	Ongoing



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer (title)	Target Date
3	41-50	<p>Financial Results</p> <p>The better than expected results for the year were largely due to items of income or savings that are not sustainable. Meanwhile, the current economic downturn has increased the financial pressures on the Comhairle. The expected funding constraints over the next few years will further increase these financial pressures with possible adverse impact on services to the public.</p> <p><i>Issue/Risk: Over reliance on unsustainable income could add to the Comhairle's challenge of reducing its costs to the level necessary to meet future real term reductions in funding.</i></p>	<p>The Comhairle agreed a three year budget strategy for 2011 -13 in September 2009. This identified a number of strands of work that would be undertaken to identify efficiencies and savings, both in the short term and also the longer term. The appointment of a Diagnostic Pathway Manager in September is an important step in developing longer term savings proposals and a timetable is currently being drawn up on how these will be delivered.</p> <p><i>Refer to 2008/09 SARA point 19).</i></p>	Director of Finance and Corporate Resources	Feb 2010
4	61-64	<p>Capital Performance 2008/09</p> <p>Capital expenditure was considerably less than budget or previous years; and there was slippage that was not compensated by bringing forward other projects.</p> <p><i>Issues/Risk: Important or strategic capital projects may not be progressed. Capital projects may not be effectively managed.</i></p>	<p>The Comhairle has set up a Capital Review Group to monitor progress and identify changes to ensure that the programme is delivered on time. This includes more detailed reporting for Members.</p> <p><i>(Refer to 2008/09 SARA point 21 and to 2007/08 Report to Members point 2).</i></p>	Director of Finance and Corporate Resources	Ongoing



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer (title)	Target Date
5	70-74	<p>Western Isles Schools Project (WISP) funding</p> <p>There is an affordability gap in the financing of the WISP which is on top of other financial pressures faced by the Comhairle.</p> <p><i>Issues/Risk: Financing of the WISP may place an intolerable burden on medium term financial planning. Construction costs may be far higher than budget if the project is not effectively project managed.</i></p>	<p>The Comhairle has agreed that the WISP affordability gap will be funded from within Education budgets. An affordability review will be completed before the project goes to tender. However, the real test of affordability will be on tender return from bidders. This issue remains a significant one that will continue to be considered as part of the Comhairle's financial plans.</p> <p><i>(Refer to 2008/09 SARA point 20 and to 2007/08 Report to Members point 1.)</i></p>	<p>Chief Executive</p> <p>Director of Finance and Corporate Resources</p>	April 2010
6	78-83	<p>Asset Management</p> <p>The asset management strategy and plan are now in place. However, the condition of all properties has not been assessed, and the Comhairle are spending a high proportion of their property budget on unplanned maintenance. The loss of the officer who was driving the corporate approach to asset management could mean that recent momentum is lost.</p> <p><i>Issues/Risk: Fixed assets may not be used to their full potential, long term capital decisions may not make the best use of scarce financial and operational resources and approved projects may have unplanned long term financial consequences.</i></p>	<p>A Head of Estates has been appointed and will take up post in November 2009. This appointment, following a long period of vacancy, will enable the Comhairle to progress the asset management strategy and plan.</p> <p>It is intended to advertise for a replacement Asset Manager by the end of 2009.</p> <p><i>(Refer to 2008/09 SARA points 30-32 and to 2007/08 Report to Members point 9).</i></p>	Head of Estates	Dec 2009



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer (title)	Target Date
7	85-90	<p>Procurement</p> <p>The Comhairle are improving their approach to procurement but do not have a contract register or essential management information regarding the amount of procurement with collaborative or non collaborative suppliers.</p> <p><i>Issues/Risk: The Comhairle are unable to demonstrate BV in their procurement nor are they able to demonstrate the extent of their improvement in procurement practices or the impact/savings that this is having.</i></p>	<p>A report on the procurement Strategy for 2009-12 will be presented to the ICT, Procurement and Asset Mgt Sub-Committee in October 2009. Following approval, an action plan will be presented to the next meeting of the committee. This strategy will provide a framework for continuous improvement and measuring performance and address the deficiencies in management information. A contract register is in place and is currently being reviewed for completeness.</p> <p><i>(Refer to 2008/09 SARA point 36).</i></p>	Head of Customer and Central Services/Procurement Manager	<p>Strategy Oct 2009</p> <p>Action Plan Dec 2009</p> <p>Dec 2009</p>
8	122	<p>Public Performance Reporting</p> <p>No performance report has been issued to citizens since 2005/06.</p> <p><i>Issues/Risk: The Comhairle cannot demonstrate BV and the public are not aware of how effectively the Comhairle is meeting its corporate priorities.</i></p>	<p>The new EPMS will enable a report to be produced either on portal or website with appropriate publicity and public events.</p> <p><i>(Refer to 2008/09 SARA point 12 and to 2007/08 Report to Members point 5).</i></p>	Head of Executive Office	March 2010



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer (title)	Target Date
9	132-137	<p>Performance Management</p> <p>The Comhairle have taken significant steps in the development of its EPMS, however, it has still to embed the culture of performance management within its staff and prepare regular reports to demonstrate improvements or otherwise in performance.</p> <p><i>Issue/Risk: The capabilities of the EPMS may not be fully realised and high level performance information may not feed through to management, members, the public, or SOA monitoring.</i></p>	<p>The Corporate Management Team accept the importance of a performance management culture. The performance report for the six month period to 30 September 2009 will be presented to Comhairle in November 2009. CMT has agreed that reports will be prepared on a quarterly basis thereafter. Ongoing training being arranged.</p> <p><i>(Refer to 2008/09 SARA point 11 and to 2007/08 Report to Members point 6).</i></p>	Head of Executive Office	Nov 2009 Quarterly thereafter
10	153-158	<p>Best Value Improvement Plan</p> <p>Some best value service reviews are underway or planned in 2009/10. However, other than the Education Department, no service wide best value reviews have been completed. Given the economic climate, these should be prioritised to identify strategic areas where services can be carried out more effectively, efficiently or not at all.</p> <p><i>Issue/Risk: The planned best value service reviews may not come up with effective solutions to problems. Also, an absence of strategic reviews may increase the risk of efficiencies being reactive cuts, rather than strategically determined.</i></p>	<p>A programme of BV reviews for 2009/10 has been agreed. These will be completed and the lessons learned implemented and applied to other service reviews. These reviews, but principally the Diagnostic Pathways Project, will help identify efficiencies.</p> <p><i>((Refer to 2008/09 SARA point 17 and to 2007/08 Report to Members point 7.))</i></p>	Head of Human Resources	Ongoing



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer (title)	Target Date
11	159-163	<p>Risk Management</p> <p>Risk management is not embedded throughout the Comhairle and the link with departmental plans and reports to members is tenuous.</p> <p><i>Issue/Risk: Significant risks facing the Comhairle may not be fully identified or addressed throughout the organisation. This could result in important strategic or departmental decisions being taken without fully understanding all of the risks or options.</i></p>	<p>The Strategic Risk Management Group and Corporate Management Team have agreed an action plan to implement risk management. This will be presented to the Comhairle for approval in December 2009.</p> <p><i>(Refer to 2008/09 SARA points 13 and 16 and to 2007/08 Report to Members point 3).</i></p>	Director of Finance and Corporate Resources	Dec 09