

Renfrewshire Council

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

October 2009



 **AUDIT SCOTLAND**



Renfrewshire Council

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on the 2008/09 Audit**

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Key messages

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.

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

Financial statements

We have given an unqualified opinion on the 2008/09 financial statements of Renfrewshire Council. The council produced its annual accounts within statutory deadlines and the very good co-operation received from council officers was appreciated and enabled the audit process to progress well. 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.

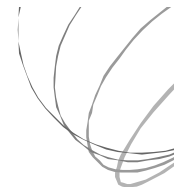
Use of resources

In overall terms, the council managed its resources well with an increase in general fund balances of £8.5 million against a planned reduction of £4.7 million. As explained by the Director of Finance in the Foreword to the accounts, the main factors associated with this positive variance were savings of £2.4 million relating to the deferment of expenditure on the council's waste strategy, general service department underspends of £3.3 million and a net saving of £8.6 million due to lower than budgeted financing costs.

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 council can afford. The length of time that public finances will be constrained is not clear but the council has already taken steps that will help protect the provision of services to the public. The importance of active management of workforce issues has been recognised by the council, as has the need to realise efficiencies through initiatives in procurement, asset management, etc. Other steps have also been taken to manage the council's capital programme in an affordable manner. 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.

Governance and accountability

The council's governance arrangements are generally sound and good progress has been made during 2008/09 on such matters as partnership working against the background of the Single Outcome Agreement and member training.



Performance management and improvement

The Council Plan and Community Plan set a clear vision and strategic direction for the council. Performance management is being developed and there is good engagement and leadership from members. The council has had success in improving performance in important strategic areas although, as expected, there are always areas of performance where efforts need to be renewed. The council has reacted positively to all performance reports produced by Audit Scotland and has received generally positive reports from three other scrutiny inspectorates covering aspects of housing, education and social work. The council has a Transformation Programme in place to drive best value in terms of efficiency and quality from shared services and it will be important that the momentum behind this project is maintained.

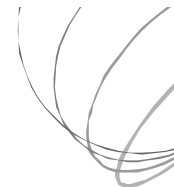
Outlook

The council currently faces a number of significant challenges in order to match commitments with the necessary resources. The opportunity to continue to generate capital receipts to help fund council priorities is less likely to arise in the future. The council is however aware of these issues and is proactively managing workforce costs. The council is also conscious of the need for effective budget monitoring. Care will be required however to ensure that the impact on services to the public is also actively monitored.

2009/10 sees a significant change in the mechanisms in place for reporting on council performance nationally. The Accounts Commission has now aligned Statutory Performance Indicator arrangements with the responsibilities authorities have under best value for selecting and using performance information to drive continuous improvement in services, and for reporting on those aspects of performance that are of most importance to local communities, service users and citizens. This means that far fewer statutory indicators will be required, with the current list of more than 50 indicators reduced to two statutory performance indicators and twenty-five specified performance indicators. We understand however that Renfrewshire Council has taken advantage of the reduced statutory burden to develop its own indicators to improve performance reporting on what they consider to be other key activities.

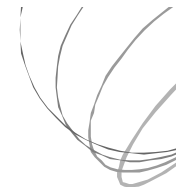
Audit Scotland is currently refining its approach to the audit of best value and from 2010 a new approach will be rolled out to councils. A shared risk assessment, involving all scrutiny bodies and inspectorates, forms part of this initiative and this assessment will inform the timing of the council's second best value review.

The co-operation and assistance given to us by Renfrewshire Council members, officers and staff during this year is gratefully acknowledged.



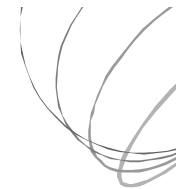
Introduction

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



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

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



Financial statements

Introduction

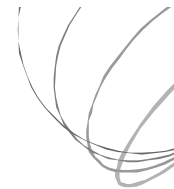
8. In this section we summarise key outcomes from our audit of the council's financial statements for 2008/09, comment on the significant accounting issues faced, and provide an outlook on future financial reporting issues.

Audit Opinion

9. We have given an unqualified opinion that the financial statements of Renfrewshire Council for 2008/09 give a true and fair view of the financial position and income and expenditure of the council 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.
10. 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 council to obtain assurances on systems of control.
11. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June 2009 and were made available for public inspection during July and August.
12. Working papers to support the 2008/09 accounts were of a good standard, however we highlighted several areas in final accounts discussions with the council where improvement is required in the quality of supporting working papers for reconciliations. The council has committed itself to improve associated working papers for future years.
13. The accounts were certified by the target date of 30 September 2009 and are now available for presentation to members and publication. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

Accounting issues

14. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the 'SORP'). No major changes were introduced by the 2008 SORP. Overall, we were satisfied that the council had prepared the accounts in accordance with the SORP albeit that a number of adjustments were required during the audit process. The council agreed to adjust the financial statements to correct all errors identified during the audit. These adjustments had a negligible effect on the deficit on the council's income and



expenditure account. The council's net worth increased by £4.5 million, primarily reflecting an agreed adjustment to the valuation of council housing earmarked for demolition.

15. As is normal practice, a number of qualitative issues were reported to the Director of Finance and IT and the Scrutiny and Petitions Board via our letter issued in line with International Standard on Auditing 260 (ISA 260) – Communication of audit matters with those charged with governance. Details of significant accounting issues arising in the course of our audit are summarised below.
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 of £15.049 million). When compared to the previous year, this has the effect of increasing the funding from revenue support grant and also increasing service net expenditure. As explained in the Foreword to the annual accounts this change limits comparability of income and expenditure with the previous year.
17. Within the council's group financial statements, Strathclyde Police Joint Board is consolidated as an associate. In 2008/09 Strathclyde Police Joint Board has elected to accept a qualification in respect of unadjusted costs related to the implementation of a new pension scheme. This qualification has no effect on the council's group accounts.

Audit testing

18. As part of our work, we took assurance from a number of the council's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:

- Payroll
- Housing Rents
- Main Accounting System
- Debtors
- Housing & Council Tax Benefits
- Capital accounting
- Creditors
- Council Tax
- Non-Domestic Rates
- Cash Income & Banking
- Treasury Management

19. We relied on the work of internal audit in the following areas to support our work:

- Main Accounting System
- Payroll
- Housing & Council Tax Benefits
- Treasury Management
- Cash Income & Banking
- Housing Rents
- Non-Domestic Rates
- Council Tax



Prevention and detection of fraud and irregularities

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

NFI in Scotland

21. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£40 million to 2008). If fraud or overpayments are not identified in a body, assurances may be taken about internal arrangements for preventing and detecting fraud.
22. The most recent data matching exercise was carried out in October 2008 and national findings will be published by Audit Scotland in May 2010. NFI matches have been available since February 2009. At the time of preparing this report, the council had fully investigated 1,392 matches with 106 matches in progress. This had identified 7 frauds and 14 errors. The combined total of these is £133,948. These all relate to housing benefit claims and were highlighted through matches against student loans, payroll and pensions records.
23. Progress to date against matches has been good with a planned, prioritised approach and activity focused on the red “high quality” matches. Progress against some matches (notably blue badge parking permits to Department of Works and Pensions deceased records and housing benefit claimants to housing rents, market traders and taxi drivers) is still at a very early stage.
24. The 2008/09 NFI exercise in Scotland involved authorities submitting types of information which were split into two categories. These being mandatory (which authorities were obliged to provide) and risk-based datasets (incorporating information such as accounts payable, insurance claimants and taxi driver licence records). It is noted that in the current exercise, the council provided both sets of data.

Housing Benefit

25. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team are carrying out a programme of risk assessments of benefits services in all councils over a two year period.
26. The risks to Renfrewshire Council's benefits service were assessed in August 2009, and a detailed report was issued in October 2009. The council has been asked to respond to this report by November 2009, and it is expected that part of this response will include an action plan to contribute



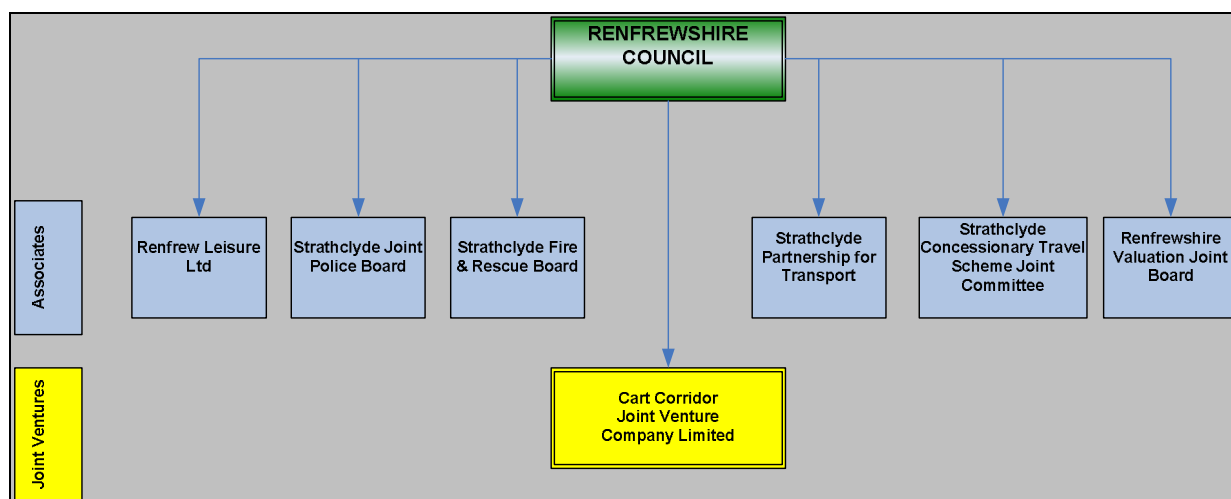
to ongoing improvement of the service. We will review the council's progress as part of the next round of risk assessments starting in April 2010.

Group accounts

27. 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.
28. The council has interests in six associates and one joint venture. They have been included in group accounts in accordance with the SORP (refer to Exhibit 1 below). Audit assurances were obtained through review of board minutes, internal audit reports and audited accounts. This provided useful context to enable us to conclude our audit of the group.

Exhibit 1

Renfrewshire Council Group Structure



29. We would like to highlight the following issues:

- As previously mentioned, the Board of Strathclyde Joint Police Board has elected to accept a qualification on its audit certificate in respect of unadjusted costs related to the implementation of a new pension scheme in April 2006. The council has included a disclosure note within the group accounts concerning the qualification in the audit certificate of the Strathclyde Police Joint Board. No changes were required to the council's consolidated balance sheet in respect of this matter.
- There are differences in the accounting policies of Renfrewshire Leisure Ltd (valuation of fixed assets) and Strathclyde Joint Police Board (valuation of stock) which have been disclosed in the



group accounts accounting policies. The impact of these differences has been considered and has been deemed to be immaterial to the group accounts.

Trust funds

30. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. This means a full set of financial statements is required for each trust fund. However the Office of the Scottish Charities Regulator (OSCR) has deferred the date of full implementation until 2010/11. This means that reliance can be placed on the existing disclosures for trust funds in the council's financial statements, supplemented by appropriate working papers.
31. Renfrewshire Council is sole trustee for 76 charitable trusts and endowments and work is ongoing within the council to reduce and reorganise existing trusts to ensure compliance with OCSR requirements by 2010/11.

Common good fund

32. In December 2007, Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note for practitioners. The guidance requires the common good fund to be disclosed within the financial statements and a separate common good asset register to be in place by March 2009.
33. A separate account for the common good is disclosed in Renfrewshire Council's financial statements and a separate fixed asset register is also maintained. While the council are unaware of any misclassifications relating to common good assets, it has given a commitment to undertake a review in 2009/10 in conjunction with legal services to confirm the position and ensure the completeness of common good assets.

Key Issue/ Risk 1

Legality

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

Outlook

35. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. As part of this initiative, councils will be expected to account for Public Private Partnership (PPP) projects on an IFRS basis in future

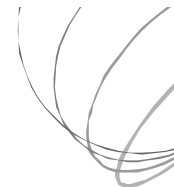


financial statements. In order to fully implement the required changes to ensure compliance with IFRS, work is required to prepare a comparative balance sheet as at 1 April 2009. The financial results of the council will also be required on an IFRS basis for whole of government accounts purposes for 2009/10.

36. The Local Authority Accounting Panel (LAAP) has issued a bulletin to assist councils with the application of the requirement for IFRS through the use of an outline project plan, which sets out recommended completion dates for a number of major milestones. While the use of this plan is not mandatory it provides a good gauge for preparedness. A project team (from the finance department) has been formed by the council to take forward IFRS compliance and a project plan has been drafted. As part of the planning process the project team has made use of the LAAP bulletin.

Key Issue/ Risk 2

37. From April 2010, a new and complex system of charging for carbon emissions will be introduced by the European Union. The council will be required to purchase and account for carbon credits to cover all of its non transport related energy usage. Incentives and penalties will be built into the system to encourage a reduction in carbon emissions. Due to various uncertainties, it is not currently possible to assess what the financial impact, if any, will be on the council.



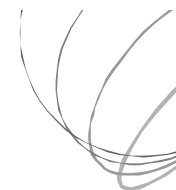
Use of resources

Financial results

38. In 2008/09, Renfrewshire Council spent £662.2 million on the provision of public services, with £603.1 million on revenue services and the remainder being spent on capital. The council's net operating expenditure in 2008/09 was £399.1 million. This was met by central government grant and local taxation of £388.3 million, resulting in a deficit on the Income and Expenditure Account of £10.8 million, 2.8 percent of the net expenditure for the year.
39. The budget set for 2008/09 was based on a Band D council tax level of £1,165, representing a freeze on 2007/08 levels. After taking into account various statutory adjustments, a contribution of £8.5 million was made to the council's General Fund balance compared with a planned deficit of £4.7 million. The main factors contributing to the better-than-planned financial position are service under-spends of £3.3 million, £2.4 million under-spend on planned investment of the council's key priority of recycling and waste management and lower than expected financing charges (£8.6 million) on borrowing, mainly as a result of rescheduling of a number of the council's capital projects.

Budgetary Control

40. This year, because of the heightened importance of good budgetary control, we paid particular attention to how the council set and managed its budgets. We found that the process for budget setting had elements of good practice with Directors expected to manage their approved budget on a bottom line basis in accordance with the financial regulations. Significant variances are regularly reported to relevant policy boards along with a projected year end position.
41. In light of emerging uncertainties arising in the early stages of 2008/09 from the economic downturn, pay negotiations and volatility associated with certain commodities, the council continued to review its financial position with a view to ensuring that relevant financial risks were effectively managed. Members were updated regularly on the summary budget position throughout the year. The Director of Finance and IT however urged caution in projecting the anticipated year end position. In June 2008, it was recognised that greater than anticipated energy cost inflation was beyond what directors could realistically be expected to manage on a bottom line basis. Accordingly, £1.5 million of resources was redirected by the council to fund these pressures.
42. In line with mid year forecasts, which projected an under-spend of £1.9 million associated with waste disposal projects, no additional significant cost pressures arose in 2008/09. Deterioration in income levels was however experienced within certain council service departments due to the economic recession. Planning fees were worst affected with a shortfall of £423,000 in anticipated income which resulted in an adverse variance in the associated departmental budget of £187,000 at 31 March 2009.



Outside the monitoring process of departmental budgets, a significant positive variance in financing costs was recognised by officers. Consideration should be given however as to how these variances could be better incorporated in the budget monitoring process.

43. Whilst the council acknowledges that its response to managing the impact of the recession to date has been sufficient, it recognises that there is a need to keep the 2009/10 financial position under constant review.

Key Issue/ Risk 3

Reserves and balances

44. Exhibit 2 shows the balance in the council's funds at 31 March 2009 compared to the previous year. Funds include a capital fund (Education) which may be used to defray capital expenditure or repay loan principal, and a repair and renewal fund (Reservoir Repairs) to finance expenditure incurred in repairing, maintaining, replacing and renewing fixed assets. At 31 March 2009, the council had a total of £56.6 million cash backed reserves, an increase of £8.1 million on the previous year.

Exhibit 2

Reserves

Description	31 March 2008 £ Million	31 March 2009 £ Million
General Fund	28.6	37.2
HRA Balance	6.6	6.8
Capital Receipts	8.4	9.3
<i>Capital / Repair Funds:</i>		
Insurance Fund	2.5	2.5
M74 Extension	1.5	0.0
Council Headquarters	0.1	0.0
Reservoir Repairs	0.3	0.3
Education	0.5	0.5
Total Balances Held	48.5	56.6



45. The general fund increased by £8.6 million during the year to a balance of £37.2 million which equates to 9.3 percent of the council's net annual expenditure. Of this balance, £28.1 million has been earmarked for specific purposes. The main components of this sum are as follows. £8.9 million has been reserved to fund the future availability of educational establishments to be replaced under the Public Private Partnership (PPP) and £10.0 million has been reserved to support the council's ongoing service modernisation and reform programme. £3.0 million has also been set aside to support the council's waste management strategy. A further £2.0 million has been allocated to support the modernisation of the council's terms and conditions of employment. £3.1 million has been earmarked to meet 2009/10 commitments.
46. This leaves an unallocated balance of £9.0 million (2.2 percent of the council's net annual running costs), which concurs with the council's approved strategy for 2008/09 to maintain working balances at the 2007/08 level of £9.0 million. In order to mitigate increased financial risks emerging in the context of the wider economic downturn, the council has budgeted to increase this balance by a further £2.0 million during 2009/10.

Key Issue/ Risk 3

Capital performance 2008/09

47. Capital expenditure in 2008/09 totalled £59.0 million (£47.3 million Non-Housing and £11.7 million Housing), an increase of £3.9 million from 2007/08. This was however, £11.9 million less than the total budget (split £13.0 million under-spend for Non-Housing and £1.1 million over-spend for Housing). A key reason for the Non-Housing budget under-spend is the shortfall in capital receipts arising from asset sales used to fund the capital programme. We believe this is associated with the slow down in the property market due to the recession. In October 2008, the council reported that a review of the capital programme had been undertaken with the objective of identifying projects which would be not be commenced until associated capital receipts were secured and banked. To ensure a deliverable and sustainable capital programme from a funding perspective, the council agreed to the deferment of £28.3 million of programmed expenditure between 2008/09 and 2010/11 (£5.8 million in 2008/09), pending the generation of capital receipts.
48. In addition to the planned £5.8 million deferment in 2008/09 several capital projects suffered general project slippage, namely:
- Penilee Pavilion and Playing field (£1.4 million)
 - Seedhill Pavilion and Playing field (£1.4 million)
 - Cocklesloan Residential Care Home (£0.9 million)
 - various corporate support systems (£0.9 million).



49. In May 2009, the council reviewed the priority of projects previously deferred for reinstatement to the capital programme. The report outlined that deferred projects to the value of £7.4 million had effectively been removed from the deferred list through a range of approved actions undertaken to that date which included the use of prudential borrowing and revenue flexibility. In addition, in order to further minimise adverse impacts on service performance, the council agreed to medium term proposals to reinstate a further £19.245 million of priority project projects through the use of prudential borrowing.
50. The trend in capital investment and sources of funds is reflected in exhibit 3.

Exhibit 3

Sources of finance for capital expenditure 2006/07 – 2008/09

	2006/07 Actual £M	2007/08 Actual £M	2008/09 Actual £M	2008/09 Budget £M
Borrowing	30.4	21.4	39.8	41.0
Fixed Asset Disposal	16.0	14.2	3.9	18.5
Government Grants/Other	18.7	19.5	15.3	11.4
Total	65.1	55.1	59.0	70.9

51. The world's financial markets are experiencing unprecedented turbulence and uncertainty. There is limited scope to achieve savings through debt restructuring. It is increasingly difficult to forecast interest rate movements as the balance between preventing recession and managing inflation is sought. The trend of capital receipts being less than forecast is likely to continue. As the council recognise, proactive management of sources of capital funding and the size of future capital programmes is required.

Key Issue/ Risk 4

Rents and Housing Revenue Account

52. The Housing Revenue Account (HRA) is required by legislation to fund the provision of council housing. In 2008/09 the HRA incurred a surplus on its balance for the year of £0.253 million compared to a budgeted surplus of £0.249 million. This increased the HRA reserve balance to £6.825 million as at 31 March 2009. As part of the 2009/10 agreed budget the council plan a contribution of £0.258 million during 2009/10 to further increase the reserve balance to £7.083 million by 31 March 2010.



53. The 2008/09 budget was based on an agreed rent increase for council tenants of 2.5 percent and includes efficiency and other savings in 2008/09 totalling £1.1 million. In line with agreed council policy, 50 percent of the 2008/09 Building Services trading surplus (£0.331million) was transferred to the HRA.
54. A report to council in May 2009, outlined the investment needed to deliver the Scottish Housing Quality Standard and detailed the implications for rents for the period 2010-2015. At this time the council agreed to a minimum rent increase of 4.5 percent per annum during the period 2010/11 to 2014/15.

Treasury management

55. In recent years, some councils have held significant amounts of cash and temporary investments to take advantage of favourable interest rates for planned capital programmes. In these circumstances, the early borrowing must be justified in its own right as representing the best time for borrowing the amount required. This should be assessed without regard to temporary investment possibilities, otherwise the action may be judged to be unlawful or to have subjected public money to unnecessary speculation risk.
56. The council held no investments in Icelandic banks. The crisis in the banking sector during 2008/09 and the collapse of Icelandic banks in particular, prompted councils to review their treasury management strategies. Renfrewshire Council took appropriate measures to minimise investment risk.
57. As at 31 March 2009, Renfrewshire Council held cash and temporary investments totalling £70.5 million, a decrease of £38.2 million since 31 March 2008. This decrease reflects the use of funds to finance capital projects and the council's pro-active measures to reduce its level of debt.
58. Early in 2008/09, the council took advantage of longer-term investments that provided a higher than average rate of return in the last 6 months of the year (5.61 percent against an average of 3.69 percent). This was done only after reviewing and strengthening the criteria for placing financial institutions on the council's approved counterparty list. Uncertainty in the banking system during 2008/09 led to a change in the council's strategy and in the final quarter of the year investments were placed with the HM Treasury Debt Management Office and immediately accessible call accounts or very short-term deposits. This was to reduce exposure to institutions with lower credit ratings.
59. The council's long-term borrowings have decreased by £27.2 million from £308.8 million as at 31 March 2008 to £281.6 million as at 31 March 2009. This was principally due to the repayment of £25.5 million to the PWLB, a decision taken to mitigate the treasury risks arising from instability in the banking sector. The council's short-term borrowings have increased by £4.3 million from £5.2 million



as at 31 March 2008 to £9.5 million as at 31 March 2009. This was due to an increase in deposits from Joint Boards and other Agencies which invest temporarily in the council's Loan Fund.

60. The council continually monitors its borrowing portfolio and, in addition to the repayment of long-term debt, the council was able to take advantage of favourable interest rates to repay £28.2 million of a 44 year PWLB debt at 4.33 percent and re-borrow at 2.64 percent over 5 years.
61. An internal audit review of the council's treasury management practices found that they comply with CIPFA guidance but made some recommendations for minor improvements.

Financial planning

62. Against the backdrop of economic recession and anticipated severe constraints on levels of future public expenditure plans the council will continue to face difficult financial pressures in 2009/10. The introduction of the concordat with the Scottish Government means, amongst other things, that council tax has again been frozen in the current year. Whilst the agreement to freeze council tax levels made available additional funding from the Scottish Government, resources have been directed to fund delivery of a number of concordat commitments including class size reductions, allowances for kinship carers and provision of additional respite care. This has required the council to balance its budget through agreed efficiencies and revision of service priorities in both 2008/09 and 2009/10.
63. 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 are real cuts in funding. And assuming that the council remains party to the concordat, there will be no increase in council tax income for at least another year.
64. Renfrewshire Council has produced medium term financial plans from which it can understand the impact of reduced funding and identify areas where demands on services are likely to increase. These plans should be regularly reviewed.

Key Issue/ Risk 3

65. In September 2008, the Director of Finance and IT provided members with an overview of the council's anticipated financial position over the two years from 1 April 2009 to the 31 March 2011. This took account of the Government's Comprehensive Spending Review and subsequent grant settlement for local government. It was reported at this time that anticipated funding pressures were estimated to be in the region of £35.0 million.
66. A further report on the financial outlook for the council was submitted to council in May 2009. This report updated members on the recession, and the anticipated impact of the Chancellor's budget statement on public finances. The report also outlined the council's expected budget position in the



medium to longer term, taking account of the amount of economic uncertainty and financial pressures facing public sector bodies.

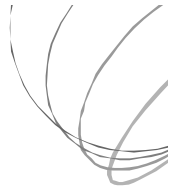
67. As part of strengthening the council's approach to strategic planning, work has been ongoing to develop longer term financial planning.

Asset Management

68. Effective management of council assets helps the council achieve its objectives and get best value from its investment in property. Effective management benefits service delivery by making council buildings work better for staff and service users now and in the future. It also reduces the opportunity cost of money locked up in surplus property and reduces the council's carbon footprint.
69. In 2009, Audit Scotland published a report entitled *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 position in Renfrewshire is not substantially different from the national picture. 73 percent of the council's operating properties are classified as being in a satisfactory condition, although the council has a higher percentage of properties suitable for their current use.
70. A Strategic Investment Group has been set up with membership from the Leadership of the council, the General Management and Finance Policy Board and the senior officers of the council's Management Team in order to improve and clarify governance arrangements for asset management.
71. The council is progressing towards having an approved Corporate Asset Strategy in place by November 2009. Formal strategies have been approved for corporate property and ICT but strategies for other asset categories (such as roads infrastructure and fleet) have still to be formally approved. Without strategies for all categories of assets there is a risk that the council cannot demonstrate a corporate approach to asset management.

Key Issue/ Risk 5

72. Service Property Asset Management Strategies for each of the council service departments are expected to be in place by October 2009. We understand that in future years these strategies will be integrated into the annual Service Improvement Plans process.
73. Following the approval, in June 2009, of £0.5 million to undertake condition surveys on non-housing properties, the council is currently devising a strategy to carry out this work. This strategy will aim to address resourcing, data collection and data handling issues. It is anticipated that an external supplier will carry out the surveys with work due to commence prior to the end of March 2010. At the same time, the council continues to progress the planned Asset Management Information System



which is scheduled for implementation in around 18 months time. In the short to medium term there remains an absence of comprehensive condition surveys which means the council are still unable to obtain a comprehensive picture of the its back-log maintenance position.

74. As noted in our 2007/08 Report to Members the council is completing its development of a Gateway Review framework for the management of the council's Capital Investment Plan. Once fully implemented this framework will apply to all projects that exceed £0.5 million. The framework will compliment the existing Project Management Framework by ensuring accountability of the project to the wider organisation and focussing attention on key stages of the project. Consideration is being given by the council to appointing an external reviewer to carry out Gateway Reviews for significant projects. Without a fully implemented Gateway Review process the council cannot demonstrate a consistent approach to projects that ensures more effective delivery of benefits together with more predictable costs and outcomes.

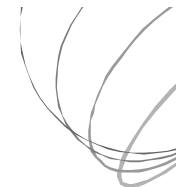
Key Issue/ Risk 6

Housing investment plan

75. By 2015, all Scottish socially rented properties are required to ensure that housing stock meets the Scottish Housing Quality Standard (SHQS) set by the government. In our 2007/08 Report to Members we raised the importance of delivering a business case to the Scottish Government on how the council could meet this objective. In May 2009, the council submitted its Standard Delivery Plan (SDP) to the Scottish Government on how the standard will be achieved. The plan outlines the council's strategy and investment programme for delivery of £149 million of investment in housing stock over the period 2009/10 - 2014/15. Key elements of the investment plan include:
- rent and service charge increases are limited to 4.5 percent over the period of the plan
 - HRA debt of £32.5 million will transfer to the General fund during 2011/12
 - income from land sales are excluded due to the current economic climate.
76. The council recognise the challenges in the delivery of the investment plan and as such has set up a SHQS Progress Group to manage delivery. This group meets regularly to monitor progress and manage project risks. Progress reports are submitted to the Housing and Safety Policy Board and the council is required to submit an annual progress report to the Scottish Government.

Procurement

77. 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*

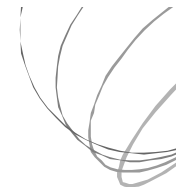
To demonstrate Best Value when purchasing goods and services public bodies should:

- 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.

78. Evidence exists to confirm that the council is well attuned to these issues and has recognised that significant scope exists to improve its general contracting arrangements. As reported in this year's Strategic Audit Risk Analysis, the council has in place a new corporate procurement strategy and has recently embarked on a number of initiatives to further develop its procurement processes and management arrangements. These recent developments address the issues raised by Audit Scotland's national report as well as the concerns identified in a recent review by consultants. This review concluded that the council is only conforming to the basic requirements of good procurement practices and still has a long way to go to achieve "Superior Performance" as defined by the McClelland Report. Key initiatives adopted by the council include:

- With effect from April 2008, membership of the organisation created to help develop and promote, as the centre of procurement expertise for local authorities in Scotland – Scotland Excel - collaborative purchasing.
- The creation of a new post, Head of Strategic Procurement, to address the concern that in the past procurement was not being managed at a sufficiently senior level within the council.
- The adoption of an action plan designed to ensure that procurement arrangements are improved to allow the realisation of significant financial savings as well as supporting the achievement of corporate objectives such as local regeneration and sustainable development.

79. Since joining, the council has been an active participant with Scotland Excel and in September the new Head of Strategic Procurement took up post. Progress on taking forward the action plan designed to ensure the council's procurement processes, etc, meet the best standards is on target with the council achieving "superior performance" by December 2010.



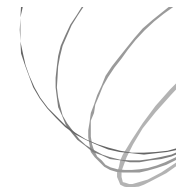
80. Efficiency savings arising from procurement for 2008/09 totalled £3.030 million, a significant increase over the £2.190 million target. In the main, these savings arise from the contract negotiation stage of the procurement process although changes in procurement practices and methodology will also generate savings. The council plan to identify further procurement savings of £0.865 million during 2009/10.
81. Audit Scotland acknowledges that the council is making good progress towards its aim of being a council with best value at the heart of its purchasing arrangements. Work is however required to further develop its benefit tracking methodology so as to provide better information on procurement efficiencies.
82. A survey on procurement activity in all Scottish local authorities, carried out by Audit Scotland during 2009, confirmed that Renfrewshire Council was well positioned to address current shortcomings and deliver anticipated savings. At the time of the survey, the council was only one of 14 councils to submit 2007/08 best practice indicator information to the Scottish Government as required and was well positioned to submit 2008/09 data. The council however, needs to refine its information management systems in order to provide more reliable information on which procurement can be managed. This will help reduce the level of procurement currently placed with suppliers with no contract. The council also needs to continue to develop a full register of all council contracts and not limit it to contracts with an annual value of over £40,000.

Key Issue/ Risk 7

Managing people

83. The council has made good progress in developing workforce planning during the year. The council's workforce plan was presented to the Leadership Board in September 2009. The plan is aligned to the Single Outcome Agreement 2008-2011, the Community Plan (2008-2017), the Council Plan (2008-2012) and Service Improvement Plans and identifies the key challenges facing the council over the next three years. These challenges have been categorised as follows:
 - capacity planning
 - recruitment and retention
 - workforce development
 - partnership working
 - workforce culture
 - equality.

The council has developed a number of key priorities to address these challenges. These will be taken forward over the next 3 years through the Workforce Planning action plan by the Workforce



Development and Equality Group. While key indicators are already monitored throughout the council, the key areas identified in the priorities section of the plan will also require to be reviewed.

84. In addition to this, the Chief Executive submitted a report to a meeting of the full council in June 2009 outlining a number of issues to be addressed in light of the forecast reduction in central government funding. The report proposed a series of actions to ensure flexibility to manage the size and shape of the workforce, such as the use of vacancy management, a review of temporary employees, redeployment of existing staff and the use of voluntary redundancy/early retirement. These actions were subsequently approved.
85. The council carried out employee surveys in 2001 and 2004. The 2004 survey was based on a random sample of 10 percent of staff and was primarily telephone based. Overall results were found to be positive. In May 2009, a report to the Leadership Board outlined the proposal to carry out another employee survey in 2009 to enable the council to engage with and seek the views of employees. The 2009 employee survey was launched on 21 September 2009 and offered all employees the opportunity to participate. A report on the comprehensive analysis of the results will be brought to the CMT in November 2009.
86. The council had approximately 315 equal pay cases outstanding at the end of March 2009 and has made a suitable provision in the annual accounts. The settlement of outstanding claims is being actively managed. The pay and grading elements of a single status agreement were implemented in April 2006. In June 2009, following detailed negotiations with the trade unions, a proposed package to modernise the terms and conditions of employment was approved by council. As promised in our 2007/08 Report to Members, the council has issued revised terms and conditions for staff which were effective from October 2009.
87. In 2008/09, 176 employees left the council's service through voluntary redundancy, early retirement or efficiency of service. In each case the council carried out an assessment of the costs and the savings attributable to the case. The council has reported that the average period for savings to arise from early retirements and redundancies is currently less than 6 months.

ICT

88. The council is making good progress in establishing a sound information management environment and is making good use of ICT to support and deliver services. This is being achieved through the implementation of policies, guidance and standards needed to improve information governance, and supported by plans for implementing an information asset register.
89. The council is working closely with the Improvement Service as the lead council for implementing a national citizen account and is currently running stages 3 and 4 of the pilot scheme. The basket of services which will be available to a customer under the scheme will include council tax and housing.



In addition, the Renfrewshire Children's Services Partnership (RCSP) is to receive over £500,000 from the Big Lottery Fund for a project, to be delivered in partnership with the Improvement Service (IS).

90. Renfrewshire Council has also been recognised for another joint Improvement Service project - the Customer Service Professional Qualification. This qualification forms a key strand of the Improvement Service's Customer First Programme.

Data handling and security

91. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions and other government departments. Information security is now a service delivery issue where a significant failure of controls could lead to loss of stakeholder confidence and opt out from services, higher compliance costs due to enforcement action, withdrawal of third party services such as payment card processing and legal fees relating to civil and criminal litigation.
92. The council's Information Security Policy was approved by the General Management and Finance Policy Board in April 2009. A key aim of this policy is to facilitate the provision of a more robust reliable, and secure service to customers of the council. Responsibility for the actions outlined in the policy are currently being finalised by the Information Technology Management Team.
93. Further work being carried out to progress the council's information management plans, include:
- the development of an information asset register (due to commence in last quarter of 2009) which will be considered as part of the Electronic Document and Records Management system (EDRMS) project.
 - a review of the level of compliance with council policies in respect of the control measures implemented for information management security has to be undertaken by each service.

Shared Services

94. 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. Renfrewshire Council is involved with a number of shared processes with partner councils, including:
- the Business Gateway economic development function
 - a joint service model to deliver the Civil Contingencies Service
 - a joint NDRI billing & collecting service



- membership of Scotland Excel (for joint procurement arrangements)
- membership of the National Recruitment Portal.

95. The Clyde Valley Partnership, of which Renfrewshire Council is a member, has commissioned a strategic review of Joint Working and Shared Services. The review, led by Sir John Arbuthnott, is currently collecting evidence from individuals and organisations and is due to report in November 2009. Areas being considered by the review include waste management, asset management, procurement of Social Care Services, fleet transport and roads.

Outlook

96. We are clearly in a period of reduced economic growth with big implications for the council's resources and the demand for services. The council needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services. At the same time as the council tries to support its local economy and provide best value services, it is likely to face a reduction in resources. The council's intentions to carefully monitor additional pressures on revenue budgets as well as managing the size and delivery of its capital programme will be key for sound financial management in the current economic climate. Opportunities for efficiencies should be constantly sought and initiatives such as planned improvements in the arrangements for procurement and asset management should create important efficiencies for the council.
97. The council has made progress in developing new shared services with partners although there remains scope for developments. The results of the Arbuthnott Review should identify significant opportunities for the council and its partner organisations and it is expected that the review will provide proposals for areas of joint working and shared services that will deliver cash efficiencies within a 3-5 year timeframe.



Governance and accountability

Introduction

98. 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

99. Corporate governance is about direction and control of organisations. Councils are large complex organisations and so good governance is critically important. A recent review of the council's corporate governance arrangements confirmed its compliance with the CIPFA/SOLACE guidance: *Delivering Good Governance in Local Government*. This review was carried out by the council's internal audit section and subsequently reported to the Scrutiny and Petitions Board in March 2009.

100. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. To this end the council's Scrutiny and Petitions Board remit includes the review of:

- all audit reports (both internal and external)
- the council's internal control systems
- the performance management arrangements
- service delivery
- decisions taken by other policy boards
- other public bodies which have an impact on the council
- standards and ethics.

101. The board also has a role to consider petitions from members of the public. Full details of the petitions process are contained within the Terms of Reference document which is available on the council website. A pre-requisite of any valid petition is that it should either be concerned with the



functions of the council or issues which are of concern to some or all of the residents within the authority boundary.

102. The board is generally well attended and in overall terms its remit and working practices are in accordance with the good practice principles. For example, the board:

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

103. The board complies with the recommended practice found in CIPFA's 'Audit Committee Principles in Local Authorities in Scotland'. In line with recommendations made to enhance this good practice, members of the board have received training on various matters such as the role of internal and external audit, risk management and audit planning.

104. The council also operates an audit panel, which is made up of senior officers within the authority. Members of this panel include the Chief Executive, Director of Finance and IT, Director of Corporate Services and two other departmental directors which alternates on a rotational basis. The remit of the audit panel is to consider operational matters, whilst the scrutiny and petitions board reviews more strategic issues.

105. The council approved a revised salary structure for Directors and Heads of service in June 2008. Following interest from members of the press and public during 2008/09 we undertook a review of the steps and processes followed by the council in presenting the proposal to members of the council for approval. Our review comprised discussions with the council's Chief Executive and other relevant senior officers, supplemented by a review of relevant council documentation generated as part of the proposal for the pay review. Our review concluded that the pay award was adequately researched and fully disclosed to and authorised by members.

Roles and relationships

106. The Accounts Commission recommends that councils give priority to the continuous professional development of its members. By March 2009, all 40 elected members of the council had received a training needs assessment and agreed a personal development plan. This constitutes good progress against our 2007/08 Report to Members action plan. Member training is mainly in the form of internal briefings by council officers with some external courses and attendance at conferences. The council



is also considering tailoring existing employee training courses for members. A training register is maintained of attendance at member briefings.

107. The council is currently conducting a six monthly review of member's personal development plans. It is intended that reviews will continue to be carried out on a six monthly basis. However, at this stage, there are no formal arrangements for reporting on the result of the review or the progress of member training.

108. The creation of multi-member wards has required new ways of working to support efficient representation and sharing of the workload. The council has an elected member protocol and interparty protocol which provide good practice guidelines on multi-member ward issues. Whilst members within individual wards make their own working arrangements for allocating ward responsibilities, the basic principal of the elected member protocol is that constituents are free to contact any ward member irrespective of the working arrangements.

Partnership working

109. In June 2009, the Scottish Government and the Renfrewshire Community Planning Partnership signed the Renfrewshire Single Outcome Agreement 2009-11. The Single Outcome Agreement (SOA) sets out Renfrewshire's commitment and contribution to achieving the fifteen National Outcomes of the Scottish Government.

110. Renfrewshire Council shows evidence of good partnership working. Community planning structures and governance arrangements are well developed at council and local levels with appropriate political, official and community representation on each. The structure of the Renfrewshire Community Planning Partnership is aligned with the Scottish Government's five national strategic objectives of Wealthier and Fairer; Smarter; Healthier; Safer and Stronger; and Greener. There are also two demographic based partnership groups relating to Children's Services and Adult Protection.

111. Action plans have been developed for each of the five thematic partnership working groups. These action plans are based on the existing Community Plan targets which are linked to the council's strategic objectives and the national strategic objectives. Regular progress reports on these action plans will be submitted to the Community Plan Executive Group and Leadership Group.

Key Issue/ Risk 8

Community engagement

112. As part of the council's scheme of decentralisation, five Local Area Committees (LAC) were established in Renfrewshire from April 2008. LACs meet on a quarterly basis and are a key development in enhancing public involvement. They report progress on key issues to local residents and generally consult on local issues. Members of LACs directly participate in the Community Plan

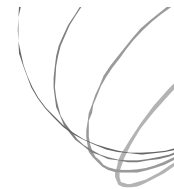


Leadership Group. Community sector and voluntary sector members also participate in Community Plan thematic working groups. The remit of these working groups is to identify, through partnership working, ways to achieve the targets and priorities set out in the Community Plan.

113. Community planning conference events are held annually and participation from the public is invited. Conference results are submitted to Renfrewshire Council's Leadership Board and to appropriate community planning working groups, to discuss and consider responses to the issues raised. Sections of the conference report, where appropriate, are also remitted for discussion to council departments and partner organisations.
114. Renfrewshire Community Plan 2008-2017 took account of feedback from a number of events held to consult and engage with stakeholders including the 2007 and 2008 community planning conference events.
115. The council make use of the Public Services Panel, opinion meters, online polling, consultation through the Service Review Process, Charter Mark and other assessment frameworks to inform policy setting. The council's Public Services Panel is used to gauge the views of Renfrewshire residents on a wide range of issues. The panel is currently made up of 2,000 people, 1,000 of whom live in areas designated as 'Regeneration Outcome Areas' and 1,000 of whom stay in other areas. Panel members are sent four postal questionnaires per year to collect their views on a wide variety of issues such as health, community safety, the environment, roads and transport, customer service and online public services.
116. Feedback is used to produce a newsletter which provides a summary of the results from the questionnaires and gives information on what the council is doing to tackle the issues on which panel members have expressed concern.

Outlook

117. The council has introduced good governance arrangements with its partners to permit a good standard of review to ensure the delivery of the Renfrewshire Single Outcome Agreement 2009-11. It will be important that the regular progress reports on the action plans of the thematic partnership working groups underpinning the SOA are pro-actively managed.
118. As the SOA demonstrates, partnership working is critical to the council's success. We are developing our approach to the audit of partnerships through the new approach to best value. In future, we shall increasingly be looking at the contribution of partners as well as the council's own contribution to the delivery of outcomes.



Performance management and improvement

Introduction

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

Vision and Strategic Direction

120. The Council Plan 2008-12 and Community Plan 2008-17 set out a clear vision and strategic direction for Renfrewshire Council. The council has 6 strategic themes of which 5 are in line with the national priorities set by the Scottish Government of: Safer and Stronger; Wealthier and Fairer; Greener; Smarter and Healthier. The additional strategic theme of the council is Developing our Organisation. The council's strategic objectives are supported by the priorities of its Community Planning partners and aligned with national objectives set out in Renfrewshire's Single Outcome Agreement.

121. There is a clear community planning structure within Renfrewshire with the key strategic group of the Renfrewshire Community Planning Partnership being the Community Plan Leadership Group. The Leadership Group is chaired by the Leader of the Council with members from the administration, the opposition and senior officers of the council's community partners.

Performance management

122. The Leadership Board receives bi-annual progress reports on the Council Plan and annual progress reports on the Community Plan. Quarterly performance reports on the Council Plan Scorecard are submitted to the Corporate Management Team. All Services departments use the corporate performance management system, Covalent, for monitoring and managing performance. Covalent provides a standard and consistent format for corporate performance reporting.



123. Performance information is available to the public through the council's website and also in the 'Renfrewshire Magazine' which is issued quarterly to all Renfrewshire households. In addition larger Services departments produce their own public performance reports which are available at council reception areas and libraries and distributed to relevant stakeholders. Performance updates are provided to council employees through Team Talk, bulletins and briefings.
124. Each of the council's services are required to produce a Service Improvement Plan (SIP) which is updated annually. Service priorities detailed in SIPs are aligned with the council's corporate objectives which are linked to the five national strategic objectives of Wealthier and Fairer; Smarter; Healthier; Safer and Stronger; and Greener. SIPs contain an action plan and progress reports are submitted on a six monthly basis to the relevant Policy Board.
125. The council has recognised the need to adopt a self assessment framework to monitor progress and performance, and to drive improvement. As such, the CMT approved a proposal to pilot the Public Service Improvement Framework (PSIF), to provide a consistent approach to self assessment across the council. Six service departments were selected for involvement in the pilot with completion of pilots scheduled for October 2009. Following completion, the council plan to carry out a full evaluation which will be used to determine how the PSIF is rolled out across all services.

SOA monitoring

126. As noted in our 2007/08 Report to Members clear reporting arrangements have been established for monitoring progress of the Single Outcome Agreement (SOA) objectives. Each spring and autumn a six monthly progress report on the SOA and Community Plan objectives is submitted to the Community Plan Leadership Group and the Executive Group. Additionally, each spring an annual progress report is submitted to the council's Leadership Board and the Scottish Government.

Overview of performance in 2008/09

127. In September 2009, a report by the Chief Executive on Council Community Plan performance highlighted a number of areas where headline targets were being met, including:
- new businesses being set up across Renfrewshire
 - social rented landlords achieving annual targets to ensure that all stock meets the Scottish Housing Quality Standard by 2015
 - reduction in crimes of public disorder
 - stabilise the annual growth of traffic to 0.5 percent.



The council also reported positive performance in the numbers of employees covered by the Customer Service Excellence Standard and reduced levels of energy consumption in council premises.

128. In some areas performance was reported as being below target. Examples include:

- levels of crimes of violence
- the level of obesity amongst primary school children
- the number of workless people across Renfrewshire.

From a corporate perspective, the council should refocus its efforts to improve the percentage of council tax collected and levels of staff absence.

Statutory performance indicators

129. One of the ways of measuring council performance is through the statutory performance indicators (SPIs). Overall the council reported a mixed performance in 2008/09 with significant improvement in performance in some areas, including:

- the percentage of care staff in Local Authority residential homes and residential children's homes with qualifications
- proportion of gross internal floor area in a satisfactory condition
- average time to process new benefit claims.

130. However there were some areas where a decline in performance was reported in 2008/09, including:

- total daytime respite care hours provided
- number of primary and secondary schools with occupancy of 101 percent +
- refuse collection complaints per 1000 households.
- From 2009/10 there will be a change to performance reporting by Local Authorities across Scotland. The number of pre-defined Statutory Performance Indicators will reduce significantly and councils will be required to select a range of additional indicators to report that demonstrate how best value is monitored. This new approach is a move towards councils' self-assessment of performance. Councils will also be expected to make use of a greater range of qualitative information available from other scrutiny bodies and user satisfaction surveys.

131. In response to the new performance reporting requirements the council has developed a Council Plan Scorecard Plus which is an expansion of the CMT Council Plan Scorecard and includes indicators covering corporate objectives, pre-defined SPIs and best value. Work is ongoing to establish



arrangements to monitor, report and review the indicators and to obtain the qualitative information required. Internal Audit will carry out a review of progress on the Council Plan Scorecard Plus arrangements to help ensure that the council will be in a position to meet its 2009/10 performance reporting requirements.

Equality and Diversity

132. Renfrewshire Council is committed to promoting equality and tackling discrimination while aiming to ensure that all of its activities comply with best practice in the field of equality and diversity. At present the council has a Public Sector Duty in relation to the equality strands of race, gender and disability.
133. In 2009, annual progress reports on the council's race, gender and disability schemes were submitted to the Leadership Board and in June 2009 the Leadership Board approved the Corporate Equalities Framework 2009-11. This Framework draws together the monitoring and reporting of the existing equality duties of the council and looks ahead to the new Single Equality Duty that the council will have to meet from 2010 when, following the enactment of the Single Equality Bill, the existing Public Sector Duty will be expanded to include age, sexual orientation and religious faith/belief.
134. The Corporate Workforce Development and Equality Working Group are responsible for the implementation of the Corporate Equalities Framework and annual progress reports will be submitted to the Leadership Board.
135. In 2008, Audit Scotland published a report 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.
136. The council is currently working on the issues raised by the national report. The council has developed a three year programme of Equality Impact Assessments (EIAs) to understand how its policies and services affect different groups and how existing policies and services should be changed to ensure they promote equality and diversity. All high priority EIAs and 1,090 of the 1,256 (87 percent) medium priority EIAs have been completed with the remainder due for completion by December 2009. Once the medium priority EIAs are complete work will start on the low priority EIAs with a target completion of December 2010.



Efficiency

137. The council's 2007/08 efficiency statement (submitted to the Scottish Government), outlined planned savings for 2008/09 totalling £5.673 million. The proposed actions intended to achieve the projected savings targets were set out in the council's Efficient Government Action Plan 2008/09, which was reported to the Leadership Board in October 2008. Actual savings achieved during the year were reported in the 2008/09 Efficiency Statement, reported to the General Management and Finance Policy Board in August 2009. A comparison between the expected and actual savings is presented in the exhibit below.

Exhibit 4: Comparison between planned and actual efficiency savings 2008/09

Work-stream	£	£	£	
	Planned	Actual	Difference	Difference
Procurement	981,500	3,030,451	2,048,951	208.76%
Streamlining Bureaucracy	1,525,370	1,409,870	-115,500	-7.57%
Asset Management	399,500	288,500	-111,000	-27.78%
Absence Management	288,500	144,100	-144,400	-50.05%
Shared Services	225,000	225,000	0	0.00%
Income Generated Efficiencies	0	299,400	299,400	N/A
Other Efficiencies	2,252,800	1,141,600	-1,111,200	-49.33%
TOTAL	5,672,670	6,538,921	866,251	15.27%

138. The council has reported significant efficiency gains on procurement activities and once the reforms designed to achieve "superior performance", as defined in the McClelland report, are completed further gains should accrue. Attention should however be paid to establish the reasons for the non achievement of efficiencies in other key work-streams.

Transformation Programme

139. In 2008, a diagnostic review was carried out in conjunction with East Renfrewshire and Inverclyde Councils. This was part of a national diagnostic programme involving all Scottish councils. The aim of the review was to identify service areas where redesign, standardisation or sharing could lead to improvements in efficiency and/or quality. The results of the review identified five cross-cutting work-streams that the council could take forward to its Transforming Renfrewshire programme. These include:

- customer management
- information management
- transport
- procurement
- property asset management.



140. In June 2009, following a more detailed review of the high-level business cases for the identified work-streams, the Leadership Board agreed the potential for the Transforming Renfrewshire programme to realise significant improvements and efficiencies for the council and to make a significant contribution to achievement of the aims and objectives set out in the council and community plans. The recommendations for the next stage of this key project have been agreed and a further report on the projects progress will be submitted to the Leadership Board in spring 2010.

Key Issue/ Risk 9

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

141. A full review of best value and community planning was published in July 2006. This report concluded that overall the council understands what needs to be done to develop best value and is making good progress in developing systems and processes to support continuous improvement. As previously reported, the council has made significant progress in the implementation of actions to address the reports finding. There remain several actions where work is ongoing or has been delayed. These include developing a long term financial strategy, the implementation of the portal development plan, the development of a corporate equalities framework, and increased use of benchmarking across the council. These areas will continue to be reported to the Leadership Board.

142. In June 2009, both the Leadership and Scrutiny and Petitions Boards considered reports outlining the proposed process for Best Value 2 (BV2). BV2 criteria and shared risk assessment is currently being piloted in five pathfinder councils. The lessons learned from these pathfinder councils will shape the programme for the remainder councils and it is anticipated that the BV2 programme is likely to commence in early 2010. It was reported that preparations are already in hand to ensure that the council is well placed for the BV2 audit when it takes place. The council has established a BV2 working group to monitor the progress of BV2. The group will:

- learn from the experience from pathfinder councils
- conduct a high level self evaluation against the proposed BV2 criteria
- develop an action plan setting out the best value issues to be addressed over the coming year.

143. It is anticipated that further reports will brought to the Leadership Board once the results of the pathfinder site have been published.



Other scrutiny and inspection reports

144. Renfrewshire Council was inspected by the Housing Regulator in 2008. The report has been issued and has been considered by the council's Housing and Community Policy Board. Key recommendations include:

- improving performance in reducing rent arrears owed by its tenants
- developing a strategic focus for the management of its property assets and improve its understanding of its stock condition
- improving information around how applicants access the homeless service.

145. In January 2009, HMIE published a report, Improving Scottish Education 2005-2008 which found that the Scottish education system continues to demonstrate the strengths identified in the earlier 2006 report and is showing steady improvement. However, there is a need for further and faster improvement in relation to a number of significant issues, including consistency in provision for children and young people with social, emotional and behavioural needs, the quality of provision offered by pre-5 partners and the performance at S1 and S2. A plan has been established by the council to address the improvements highlighted by the HMIE report. The council will be comparing the performance in Renfrewshire schools and services with national performance levels to help identify the areas for improvement.

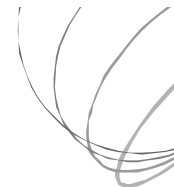
146. The Social Work Inspection Agency (SWIA) published a performance inspection of the council's Social Work Service in August 2009. SWIA found that most people agreed the services they received were reliable and of good quality. The service was found to be either good or very good in 8 out of the 10 areas evaluated. However, improvements were required in some areas, particularly learning disability and home care services. Overall the report highlighted that a clear vision for social work had been established by the council.

National studies

147. As mentioned in the introduction, Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. The following paragraphs in this section relate recent national studies not already covered elsewhere in this report.

Drug and alcohol services in Scotland

148. The impact of drug and alcohol misuse in Scotland is widespread. In 2007/08, the public sector spent £173 million on drug and alcohol services in Scotland, £84 million specifically on drug services and



£30 million on alcohol services. Our national report on drug and alcohol services in Scotland, published in March 2009, highlighted that public sector bodies should:

- ensure all drug and alcohol services are based on an assessment of local need and are regularly evaluated
- ensure service specifications are in place for services and set out requirements relating to service activity and quality
- set clear criteria of effectiveness and expected outcomes for the different services provided.

149. In line with the New Framework for Local Partnerships on Alcohol and Drugs the council plans to develop the present Joint Performance Planning and Implementation Group into the local Alcohol and Drugs Partnership. In August 2009 the council agreed to establish an Integrated Alcohol Service which will improve the early intervention initiative and access to treatment and care.

Improving energy efficiency

150. Most energy is currently produced by the burning of fossil fuels which release carbon dioxide into the earth's atmosphere. Direct emissions from the public sector account for around two per cent of greenhouse gas emissions in Scotland. Our national report on energy efficiency, published in December 2008, found that:

- funding has been made available by the Scottish Government and public bodies to improve energy efficiency
- there is a need for stronger leadership within public bodies to improve energy efficiency and ensure that the necessary cultural and behavioural changes are made
- there is a lack of formal monitoring and reporting of progress in improving energy efficiency.

151. The council's energy strategy and policy is currently under review by the council and it is expected that a new energy strategy and policy will be in place by March 2010. The council has provided an assurance that the new arrangements will address the recommendations in our report.

Improving civil contingencies planning

152. The Civil Contingencies Act 2004 was introduced to establish a new legislative framework for civil protection across the UK. Our national report, published in August 2009 reported the following:

- overall, key organisations work well together, but barriers to joint working exist
- there is no clear information on how much is spent on civil contingencies planning across Scotland



- there is potential for more collaboration between organisations to increase capacity and improve resources
- Councils should ensure elected members are aware of their role in an emergency and in the development of civil contingencies planning.

153. The joint Civil Contingencies Service (CCS) covering East Renfrewshire, Inverclyde and Renfrewshire has extracted the nine key learning areas from our report and will be incorporating them into the CCS work programme to develop local improvements across the area. The CCS will also be collaborating with the Strathclyde Strategic Co-ordinating Group to discuss the report and consider how best to take forward its recommendations.

Overview of mental health services

154. It is estimated that there are up to 850,000 people with mental health problems at any one time in Scotland. People with mental health problems may require different services depending on their condition. Services are provided by the NHS, in hospital and community settings, councils, education, housing and employment services and voluntary and private organisations. Our national report, published in May 2009, highlighted the following:

- better information is needed about socially excluded people to identify unmet need and ensure resources are targeted on those most in need of support
- there have been significant developments in the way that mental health services are delivered, with a focus on shifting resources from hospitals to the community
- NHS boards and councils use different information systems and this limits their ability to plan and deliver joined-up, responsive services, services out of hours and at times of crisis are not well developed in all areas.

Risk Management

155. 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.

156. The council has a sound approach to managing risk with an established Risk Management Strategy. The Corporate Risk Management Group (CRMG) meet quarterly to ensure a clear and consistent approach to risk management across the council. The CRMG includes representatives from all services and other officers with responsibility for managing specific functions such as insurance and civil contingencies. The corporate risk register is reviewed by the CRMG on a quarterly basis. Individual services maintain their own annual risk management plans and risk registers.



157. Services must use a standard template and follow guidance provided by the Risk Manager when preparing their annual risk management plans. This ensures service risks are linked to the council's corporate objectives which are themselves aligned with the Scottish Government's five strategic objectives. Service department's risk management plans are approved by the relevant Policy Board in March each year. A mid-year progress report for each risk management plan is again submitted to the Policy Board. Service risk management plans are being added to Covalent (a public sector corporate performance management system used by the council) which should facilitate and improve the management and reporting of the plans.
158. The Strategic Risk Management Action Plan (SRMAP), approved by the CRMG in June 2008, summarises the planned corporate risk management activities to support the council's strategic risk management objectives set out in the Risk Management Strategy. The SRMAP is reviewed annually by the CRMG and progress on the SRMAP is a standing item on the group's agenda. The SRMAP action plan assigns responsible officers and timescales for each action.

Outlook

159. The long term and complex nature of many of the outcome targets of the Council Plan 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 Renfrewshire have in place to monitor progress and take remedial action. Against this background, we welcome the council's plans to develop its performance scorecard system during 2010/11.
160. Audit Scotland is currently developing its approach to BV2 by working with five pathfinder councils. From April 2010, we shall be rolling out the new approach to all Scottish councils. The timing of Renfrewshire's best value audit will be determined by a risk assessment which will be reported to members in March 2010.
161. 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 BV2 audit of Renfrewshire, 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 for 2008/09

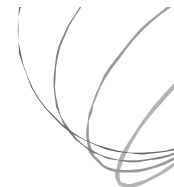
Title of report or opinion	Date of issue
Annual Audit Plan 2008/09	28/1/09
Annual Overview of Internal Audit	24/3/09
Strategic Audit Risk Analysis	27/3/09
Annual Overview of Internal Financial Control	25/6/09
Review of Capital Accounting and Fixed Assets Module	29/7/09
Education Maintenance Allowance	20/7/09
Statutory performance indicators	11/9/09
Report on financial statements to those charged with governance	23/9/09
Audit opinion on the 2008/09 financial statements	29/9/09
Report on Information Management	16/10/09



Appendix B: Action plan

Key Issues/ Risk Areas and Planned Management Action

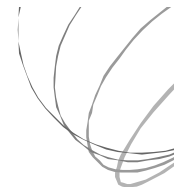
Action Point	Refer Para No	Issue / Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	33	<p>Common Good Fund</p> <p>A review of the completeness of Common Good assets should be carried out in conjunction with Legal Services.</p> <p><i>Issue/ Risk: Common Good assets may be incorrectly classified resulting in incorrect financial disclosures.</i></p>	The council will commence a prioritised review of assets over the course of 2009/10.	Head of Legal and Administrative Services	March 2010
2.	36	<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 council does not prepare properly it may be unable to meet IFRS compliance requirements.</i></p>	The council has in place a programme of work to plan for the introduction of IFRS involving cross departmental representation and engagement of PriceWaterhouse Coopers and CIPFA as advisors to the project.	Head of Corporate Finance	June 2010
3.	43 46 64	<p>Financial Pressures</p> <p>In common with all other Scottish local authorities the current economic downturn has increased the financial pressures on the council. 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: Without effective financial management the council may be unable to meet future service costs.</i></p>	The council has well developed financial planning arrangements and these will continue to be used to inform the council's budget strategy. In the short term this will include undertaking scenario planning in response to the significant uncertainty that exists in relation to the next Comprehensive Spending Review period covering 2011/12 – 2013/14.	Director of Finance & IT	Ongoing



Action Point	Refer Para No	Issue / Risk Identified	Planned Management Action	Responsible Officer	Target Date
4.	51	<p>Capital Funding</p> <p>Funds for the capital programme are likely to be constrained and continued active management of the size and financing of capital expenditure is required.</p> <p><i>Issue/ Risk: Insufficient funds available for planned capital projects.</i></p>	<p>In parallel with the financial planning arrangements in respect to the revenue account, appropriate financial planning will be undertaken for capital investment. This planning process will pay due regard to the availability of the current capital resources and uncertainty in respect to the future availability of resources along with the key issues emerging from the council's work to further develop asset management across the council.</p>	Director of Finance & IT	Ongoing
5	71	<p>Asset Management</p> <p>Asset strategies for each of the categories of asset held by the council have not been formally approved. The council is currently unable to demonstrate a corporate approach to asset management.</p> <p><i>Issue/ Risk: The absence of a corporate approach to asset management creates the risk of inefficiencies.</i></p>	<p>A Corporate Property Asset Strategy was approved in June 2008, and an overarching Corporate Asset Strategy covering all asset classes has been developed and will be finalised by Dec 2009 subject to approval of the General Management & Finance Policy Board. This will provide the framework for Corporate Asset Management, but separate strategies for each asset class are required.</p>	Director of Housing & Property Services	December 2009
6	74	<p>Gateway Review</p> <p>A Gateway Review framework has been agreed for project management but it has not yet been implemented.</p> <p><i>Issue/ Risk: Significant projects may be managed in a fashion that leads to unexpected costs and outcomes.</i></p>	<p>Senior Managers have met with the Scottish Governments Centre of Experience for Project and Programme Management and now understand the OGC Gateway Review processes available through this organisation. Closer links will be developed with the Government Gateway Reviewers and reviews will be carried out in future for major complex projects but also retrospective health checks will be carried out on existing projects which are currently underway.</p>	Director of Housing & Property Services	March 2010



Action Point	Refer Para No	Issue / Risk Identified	Planned Management Action	Responsible Officer	Target Date
7	82	<p>Procurement</p> <p>The council is in the process of implementing the recommendations of a consultants report into improved procurement practices.</p> <p><i>Issue/ Risk: Without full implementation of the reports recommendations the council will not achieve “superior performance” as defined by the McClelland report.</i></p>	<p>Review the list of actions and allocate resource in order to meet ‘Improved’ performance target by end March 2010.</p> <p>Complete an action plan from the Capability Assessment as carried out by Scotland Excel.</p>	Head of Strategic Procurement	<p>November 2009</p> <p>December 2009</p>
8	111	<p>Partnership Action Plans</p> <p>The 5 Community Plan Thematic Group Action Plans have recently been agreed and progress reporting arrangements established.</p> <p><i>Issue/ Risk: Agreed actions may not be properly implemented if progress is not adequately monitored.</i></p>	<p>Robust monitoring arrangements are in place to ensure that progress is scrutinised and challenged:</p> <ul style="list-style-type: none"> • Implementation progress of each Thematic Group Action Plan will be reported twice a year to the Community Plan Executive Group and the Leadership Group • A pro-forma will be completed for any action where progress has slipped. The remedial action to get the task back on course will be set out. <p>An overview report covering the key outcomes for the SOA and Community Plan will be reported to the Leadership Board annually in September. .</p>	Head of Policy	Completed



Action Point	Refer Para No	Issue / Risk Identified	Planned Management Action	Responsible Officer	Target Date
9	140	<p>Transforming Renfrewshire</p> <p>Through the Transforming Renfrewshire project the council is committed to a programme of change to meet its strategic objectives and realise significant service improvements and efficiencies.</p> <p><i>Issue/ Risk: If this key project is not adequately managed the expected outcomes may not be achieved.</i></p>	<p>Appropriate governance arrangements have been put in place via the establishment of a Programme Board (CMT) and a Steering Group, with regular progress reports being presented on each of the work streams.</p> <p>A Programme Change Manager has been appointed on a temporary basis to ensure delivery of the current work streams and development of the Finance Business Case.</p>	Director of Finance and IT	April 2010