



**MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE**

**TUESDAY 9 SEPTEMBER 2014
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Committee Members Present:

Councillor J Williamson (Vice-Convener)
Councillor J Caldwell
Councillor S Currie
Councillor A Forrest
Councillor J Goodfellow
Councillor F McAllister

Council Officials Present:

Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Ms M Patterson Depute Chief Executive (Partnerships and Community Services)
Mr J Lamond, Head of Council Resources
Mr T Shearer, Head of Communities and Partnerships
Mr R Montgomery, Head of Infrastructure
Mr D Heaney, Acting Head of Adult Wellbeing
Mr D Proudfoot, Acting Head of Development
Ms S Fortune, Service Manager – Business Finance
Mr P Vestri, Service Manager - Corporate Policy
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr A Strickland, Policy Officer

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Mr A Shaw, Director, KPMG
Ms S Burden, Assistant Manager, KPMG

Apologies:

Councillor K McLeod
Councillor S Brown

Declarations of Interest:

None

1. MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING 15 JULY 2014

The minutes of the meeting of the Audit & Governance Committee held on 15 July 2014 were approved.

In response to a question from Councillor McAllister, Mr Jim Lamond, the Head of Council Resources, advised that Common Good Committees had no borrowing power and any possibility of borrowing through the Council would require a change to Standing Orders.

2. ANNUAL AUDIT REPORT TO THE MEMBERS OF EAST LOTHIAN COUNCIL

KPMG submitted its annual audit report to the Committee providing its findings in relation to the audit for the year ended 31 March 2014.

Mr Andrew Shaw, Director KPMG LLP, presented the report summarising the salient features of the audit and drawing Members' attention to areas of significant risk which formed part of the audit's focus. He noted that in general control measures appeared to be working effectively and a number of areas of good practice had been identified. He anticipated issuing an unqualified audit opinion.

Responding to questions from Councillor Currie, Mr Shaw explained that the key issue was that Management were closely monitoring borrowing and had a range of control measures in place. However, he acknowledged that there needed to be an awareness of the longer term impact of current year underspends due to slippage of capital projects.

In response to a question from the Vice Convenor in relation to mortgage to rent properties, Mr Lamond confirmed that unplanned property maintenance costs were accounted for via compensated receipts from the capital account.

Councillor Currie thanked KPMG for their audit report which, he said, reflected the work done within the Council on its financial management strategy. However, he cautioned against complacency pointing out that the impact of current year underspends on capital projects was a concern, as was the net external debt level. He concluded that work remained to be done and the Audit and Governance Committee had a key role to play in this process.

The Vice Convenor also thanked KPMG for their report and noted that the likelihood of an unqualified audit opinion was good news.

Decision

The Committee noted the report.

3. ARM'S-LENGTH EXTERNAL ORGANISATIONS – ARE YOU GETTING IT RIGHT?

KPMG submitted a report to the Committee on its findings from a targeted follow-up on the Council's arrangements as they relate to the Accounts Commission report 'Arms Length External Organisations: Are you getting it right?'

Mr Shaw presented the report advising Members that the consideration of the overall arrangements for governance and accountability had focused on Enjoy East Lothian Limited, as the sole ALEO of the Council. He indicated that the report addressed the five key questions in the checklist provided by Audit Scotland to inform follow-up work.

Responding to questions from Members, Mr Shaw explained that the report dealt only with Enjoy East Lothian Limited. He confirmed that KPMG would wish to see the responses graded at 'basic' improved to 'basic and better' but that achieving 'advanced' grading was a matter for the Council.

Decision

The Committee noted the report.

4. STATUTORY PERFORMANCE INDICATORS

KPMG submitted a report to the Committee outlining its findings from a review of East Lothian Council's approach to Statutory Performance Indicators.

Ms Sarah Burden, Assistant Manager KPMG LLP, presented the report advising Members that the audit had focused on two key areas - planning arrangements and systems assessment – and had been a two stage process. The findings from the initial stage showed areas of good practice within the Council and were outlined in the report before the Committee. The results of the second stage of the audit would be reported to the Accounts Commission by May 2015.

Decision

The Committee noted the report.

5. CORPORATE RISK REGISTER

A report was submitted by the Chief Executive inviting the Committee to note and comment on the updated Corporate Risk Register.

The Service Manager - Corporate Policy, Paolo Vestri, presented the Corporate Risk Register following its approval by Cabinet at their meeting on 12 June 2014. He drew Members' attention to the assessment which included one Very High risk, eight High and five Medium risks. Mitigating factors had been put in place for the Very High risk item along with a range of risk control measures for the other items. He advised that detailed Risk Registers for all services would be brought to future meetings of the Committee.

In response to questions from Councillor Currie, Mr Lamond stated that the Council's Management Team continually reviewed the measures in place to ensure that items of Medium to Very High risk were being managed appropriately. He advised that although none of the measures identified had involved additional capital investment, the issue of resources always formed part of the review of risk control measures. He commented that there remained significant financial challenges ahead both nationally and at local government level; however the Council's financial strategy continued to be effective in preparing them for the difficult times ahead.

Decision

The Committee agreed to note the Corporate Risk Register for 2014 and, in doing so:

- noted that the relevant risks have been identified;
- noted that the significance of each risk is appropriate to the current nature of the risk;
- noted that the total profile of corporate risk can be borne by the Council at this time in relation to the Council's appetite for risk; and,
- recognised that, although the risks presented are those requiring close monitoring and scrutiny throughout 2014, many are in fact longer term corporate risks for the Council that are likely to be a feature of the risk register over a number of years.
- noted that the Council Management Team will review risks in the Corporate Risk Register on a regular basis.

6. OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND 2014 (ACCOUNTS COMMISSION, MARCH 2014)

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) on East Lothian Council's position in relation to the findings of the Accounts Commission report, 'An overview of local government in Scotland 2014'.

Mr Vestri presented the report detailing the three key themes and summarising the findings and recommendations. He indicated that East Lothian Council had, by and large, responded to the issues raised in the Accounts Commission report and referred to actions points which had been included in the 2014/15 Council Improvement Plan.

Responding to questions from Members, Mr Vestri advised that a draft charging policy is being prepared along with a benchmarking exercise comparing the Council's charges with those in Midlothian and Borders. A report should go to Council before the end of the year. He explained that arrangements for scrutiny of police and fire board matters varied between local authorities. In East Lothian, these matters were now dealt with via the Safe and Vibrant Communities Partnership and other Councils had taken a similar approach.

Councillor Currie noted Mr Vestri responses but stated that, in his view, the current arrangements for scrutiny of police and fire board matters were not adequate.

The Vice Convenor expressed disappointment that only 5 of the 23 Elected Members had signed up for Continuing Professional Development and encouraged his colleagues to get involved in the programme.

Decision

The Committee agreed to note the position of East Lothian Council in regard to the findings and recommendations of the Overview of Local Government in Scotland 2014.

7. OPTIONS APPRAISAL: ARE YOU GETTING IT RIGHT/ (AUDIT SCOTLAND, MARCH 2014)

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) providing the Committee with a summary of the Audit Scotland report, 'Options Appraisals: are you getting it right?' and the actions being taken by the Council in response to the report's recommendations.

Mr Vestri presented the report drawing Members' attention to the comments on Best Value reviews, benchmarking and options appraisals. He advised that a template for Best Value reviews was in place, based on the recommendations of Audit Scotland, and the Council would be undertaking its own Best Value reviews over the next year.

Councillor Currie welcomed the report and its recommendations. He stressed the importance of all Members having access to the full options appraisal when taking decisions. He suggested that reference be made to options appraisal in officers' reports, in the same way as was currently done with Equalities Impact Assessments.

Mr Alex McCrorie, Depute Chief Executive (Resources and People Services), acknowledged the need to develop the use of options appraisals and referred to work highlighted in the report as a sign of the Council's progress in this area.

Mr Lamond indicated that Councillor Currie's views would be considered as part of the review of the Council's committee report template which was currently underway.

Decision

The Committee agreed to note the Audit Scotland report and the actions that East Lothian Council is taking to develop the use of options appraisal.

8. ANNUAL WORK PLAN 2014/15

Mr Vestri presented the Audit & Governance Committee's 2014/15 work plan to members for noting. He pointed out that there would be a number of Accounts Commission reports being presented to the Committee over the coming months and the work plan would shortly be updated to include the Internal Audit reports for the year.

Mr Lamond advised Members that some thought was being given to the timing of the July 2015 meeting to discuss the draft annual accounts and this meeting may be brought forward to June to allow consideration of the unaudited annual accounts prior to their submission.

Decision

The Committee agreed to note the work plan.

9. INTERNAL AUDIT REPORT – MOBILE PAYMENT DEVICES

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Mobile Payment Devices.

The Internal Audit Manager, Mala Garden, presented the report summarising the main findings and drawing members' attention to the recommendations agreed by management.

In response to a question from Councillor Currie, Ms Garden explained that the devices were set up to accept payments in respect of rent arrears, council tax and business rates and that the devices had not been used to process refunds.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan for Mobile Payment Devices.

10. INTERNAL AUDIT REPORT – RESIDENTIAL UNITS FOR YOUNG PEOPLE

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Residential Units for Young People.

Ms Garden presented the report summarising the main findings. She noted that adequate controls were in place for monitoring of internet usage, however, there were some areas with scope for improvement such as extending the Council's IT acceptable use policy to residential units.

Responding to questions from Councillor Forrest, Ms Garden confirmed that only the two administrators could install software on the computers but that a register was required to record what had been installed.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan for Residential Units for Young People.

11. INTERNAL AUDIT REPORT – FOSTERING AND KINSHIP CARE ALLOWANCES

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Fostering and Kinship Care Allowances.

Ms Garden presented the report advising members that the main objective of the audit was to ensure that internal controls were operating effectively. She summarised the areas where controls were met, those with scope for improvement and the action plan agreed by management.

In response to a question from Councillor Currie, Ms Garden indicated that the risks highlighted in the report related to the potential for unauthorised payments being made. However, she pointed out that no such payments had been found within the audit sample.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan for Fostering and Kinship Care Allowances.

12. AUDIT SCOTLAND REPORT – THE NATIONAL FRAUD INITIATIVE IN SCOTLAND (JUNE 2014)

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the Audit Scotland report on 'The National Fraud Initiative in Scotland' issued in June 2014.

Ms Garden presented the report advising Members that the National Fraud Initiative data matching exercise was undertaken every two years and led by Audit Scotland. Internal Audit's involvement in the exercise had previously been reported to the Committee in January 2014 and this report provided a summary of the exercise's key messages and outcomes.

Decision

The Committee agreed to note the key messages contained in Audit Scotland's report, 'The National Fraud Initiative in Scotland'.

13. INTERNAL AUDIT PROGRESS REPORT 2014/15

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of Internal Audit's progress against the annual audit plan for 2014/15.

Ms Garden presented the report drawing Members' attention to the audits completed to date.

Decision

The Committee agreed to note the contents of the Internal Audit Progress Report 2014/15.

SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION

The Committee agreed to exclude the public from the following business containing exempt information by virtue of Paragraph 1 of Schedule 7A of the Local Government (Scotland) Act 1973.

(a) Investigation – Housing Allocations

The Depute Chief Executive (Resources and People Services) submitted a report informing the Committee of the findings from Internal Audit's investigative work on Housing Allocations. The Committee agreed the recommendation.

REPORT TO: Audit and Governance Committee
MEETING DATE: 18 November 2014
BY: Chief Executive
SUBJECT: Children's Wellbeing Risk Register

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1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Children's Wellbeing Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Children's Wellbeing Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Children's Wellbeing Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Children's Wellbeing Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk
 - the total profile of the Children's Wellbeing risk can be borne by the Council at this time in relation to the Council's appetite for risk
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Children's Wellbeing and are likely to be a feature of the risk register over a number of years
 - while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Children's Wellbeing LRWG. The Head of Children's Wellbeing has lead responsibility and will speak to it at the Committee.

3 BACKGROUND

- 3.1 In presenting the Children's Wellbeing Risk Register to the Committee for discussion, comment and noting, I would wish to draw the Committee's attention to one specific matter. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:
- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
 - High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
 - Medium risk is tolerable with control measures that are cost effective;
 - Low risk is broadly acceptable without any further action to prevent or mitigate risk.
- 3.3 The current Children's Wellbeing Risk Register includes five High risks and two Medium risks.
- 3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

4 POLICY IMPLICATIONS

- 4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – It is the consideration of the Children's Wellbeing Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Children's Wellbeing Risk Register
- 7.2 Appendix 2 – Risk Matrix

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DESIGNATION	Emergency Planning and Risk Officer Service Manager - Corporate Policy and Improvement
CONTACT INFO	skennedy@eastlothian.gov.uk 01620 827900 pvestri@eastlothian.gov.uk 01620 827320
DATE	6 November 2014

Children's Wellbeing Risk Register v8

Date Reviewed: 21 October 2014

Risk ID No.& Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CW 1	Failure of the Council to provide employees with an effective Lone Working Policy & Practice and the appropriate training could result in injury or death to those employees resulting in H&S prosecution, civil insurance liability, reputational risk, increased sickness absence, pressures on service delivery and also potential claims against the Council.	<p>There are lone working procedures in place for staff informing Managers and admin staff of their whereabouts and reporting in when finished calls. These include electronic diaries and signing in/out books. All employees have been trained and guidance issued on the use of the alarm system and the ELC lone working system. Operating arrangements are reviewed regularly in team meetings and as a whole service.</p> <p>Information on Lone Working Policy is part of the Service Level Induction process. Employees are advised that if they do not adhere to this policy it is their personal responsibility, and will be asked to sign an agreement to this effect.</p> <p>Comprehensive training is being carried out to show Social Workers the full capabilities of Frameworki.</p> <p>Single Foster Carers have a robust family support network and have more intensive support from their Supervising SW and Community Responders.</p> <p>Alarms are installed in those rooms that are used by Social Workers to interview Clients.</p>	3	5	15	<p>Lone Working policy and procedures continue to embed within Children's Wellbeing managers and admin staff ensuring that front line employees adhere to Lone Working controls.</p> <p>SMG will take over functions of Lone Working Group in monitoring use and reviewing current procedures. The Council is working towards creating a PVCR which will enable the sharing of information relating to potentially violent clients across customer facing teams which in turn allows managers to identify and implement appropriate control measures protecting employees from harm.</p> <p>The whole lone working process has been reviewed team by team throughout the service and it has been agreed that all will revert to operating within the Council Lone Working System. Employees were briefed on 12 August 2014 and arrangements are underway to refresh all in the use of the system and to incorporate the procedures into the Induction Process for all new recruits into Children's Wellbeing.</p>	2	5	10	Head of Children's Wellbeing	March 2015	7	Risk reviewed and refreshed April 2014 with Current Risk Score reduced from 20 to 15 and further updated August 2014. To be fully reviewed March 2015.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CW 2	<p>If we fail to deliver the 'Getting it Right for Every Child' (GIRFEC) framework described in the 'Integrated Children's Services Plan' a child could be put at significant risk.</p> <p>This failure could be due to a lack of resources (financial, services or staffing), poor practice, lack of training, a failure to prioritise, non-compliance with procedures/guidance or failing to intervene early enough. This could result in reputational damage and an impact on staff morale while significant case reviews would be required, overseen by the Child Protection Committee.</p> <p>The Service Review of January 2014 reduced professional staffing by 14 FTE leading to service redesign and re-prioritisation resulting in increased tensions with regards early intervention aspects of service delivery, with statutory interventions taking precedence in the early stages of implementation of the review.</p>	<p>Specialist staff within East Lothian Council and its partners closely monitor policy changes.</p> <p>Kinship Care and Fostering Strategy in place for ELC.</p> <p>Various inspections and reviews carried out by external regulatory bodies resulting in reports which CW puts improvement plans in place to adhere to.</p> <p>Briefing sessions, specialist training and support are in place.</p> <p>Provision of a coherent suite of policies and criteria to ensure consistent practices are held on ELNet and NIMBUS databases.</p> <p>Procedures guidelines and policy development updates are published to allow staff to access information.</p> <p>Competitive salaries and working conditions in place, recruitment and selection procedures adhered to.</p> <p>The Community Planning Partnership is responsible for developing and monitoring the Integrated Children's Services Plan (ICSP).</p>	3	4	12	<p>To ensure high professional standards/reputation/innovation is maintained to attract high calibre professionals.</p> <p>To ensure budget is adequate to recruit sufficient SWs to protect vulnerable children.</p> <p>Developing partnership service and resources to supplement core services.</p> <p>Ensure all agencies are fully committed to the principles of GIRFEC in East Lothian including taking responsibility for Lead Professional and Named Person roles, and full engagement in Staged Assessment and Intervention (SAI).</p> <p>Review ICSP at Children's Strategic Partnership and in its supporting Planning & Delivery Groups.</p>	3	4	12	Depute Chief Executive – Resources and People Services	April 2015 (Review quarterly)	4, 5, 6, 7	Risk reviewed and refreshed by SMG in April 2014. Risk score reduced from 16 to 12 thanks to measures in place.
CW 3	<p>Failure to fulfil our duty of care could result in the death, serious harm or detriment of a child. This would in turn result in prosecution, having to pay compensation a negative impact on the reputation of the Council.</p> <p>This failure could be due to a lack of resources (financial, services or staffing), poor practice, a failure to prioritise or non-compliance with procedures/guidance.</p> <p>The Service Review of January 2014 reduced professional staffing by 14 FTE leading to service redesign and re-prioritisation resulting in increased tensions with regards early intervention aspects of service delivery, with statutory interventions taking precedence in the early stages of implementation of the review.</p>	<p>We prioritise maintenance of adequate staffing levels for Child Protection and other work with vulnerable children.</p> <p>The service has received good assessment reports from the Inspection Agencies, which should help in attracting high calibre staff.</p> <p>Briefing sessions, specialist training and support are in place. Provision of a coherent suite of policies and criteria to ensure consistent practice. Procedures guidelines and policy development updates are published to allow staff to access the information.</p> <p>Completion of Personal Development Plan, focusing on specific and agreed development needs.</p> <p>There is a Code of Practice for Employers of Social Service Workers which sets down the</p>	3	4	12	<p>Ensure the budget for accommodating vulnerable children meets the needs of the children.</p> <p>Ensure budget is adequate to recruit sufficient Social Workers, Foster Carers and Kinship Carers to protect vulnerable children.</p> <p>Action Plan following on from Child Protection and ISLA inspections in place and these have been further developed post-approval of service for children post-inspection improvement plan in May 2014 and key child protection improvement actions included in a refreshed EL Child Protection Improvement Plan, incorporating Signs of Safety Strategic Implementation Plan, approved by the Public Protection Committee in June 2014; all will be overseen by the Children's Strategic Partnership and the SoS Steering Group, with the overall aim of improving assessment and planning.</p> <p>We will monitor the implementation</p>	3	4	12	Critical Services Oversight Group Head of Children's Wellbeing	April 2015 (Review quarterly)	4, 5, 6, 7	Risk reviewed and refreshed by SMG in April 2014. Risk score reduced from 16 to 12 thanks to measures in place.

Risk ID No.& Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
		<p>responsibilities of employers in the regulation of social service workers. Managers ensure that staff are up-to-date with changes in legislation, practice guidelines etc.</p> <p>To ensure adequate staffing in the Service Performance Improvement Group on an ongoing basis.</p> <p>PVG Checks carried out.</p> <p>Comprehensive ongoing training programmes are in place.</p> <p>The duty of care is reinforced through support and supervision arrangements as well as professional development case management carried out so that the duty of care and risk are central to the care planning process. Work is also monitored through internal and external review groups.</p> <p>The development of a multi-agency Signs of Safety Model Development of an overall learning culture, use of Action Learning Sets and promotion and development of skills such as "Giving and Receiving Feedback" and "Coaching".</p> <p>Frameworkki used to identify/record risk.</p> <p>Any Significant Case Reviews are discussed at multi-agency meetings, as and when required. CW has operational procedures in place to maintain 'protection' arrangements in compliance with legislation and inspection regimes. Action Plan in place following on from Child Protection and SWIA/Care Inspectorate inspections. Follow up of service user feedback.</p> <p>CAMHS support co-ordinated for all children who need it, in particular those with the most complex needs as a result of trauma, abuse and parental difficulties.</p> <p>Practice Supervisory Groups in place.</p>				<p>of the new ELBEG Procedures as amended in agreement with the Child Protection Committee/CSOG for EL implementation in conjunction with SoS deployment in CP Case Conferences.</p> <p>Frameworkki is being developed to improve the ways cases are recorded and risks identified.</p> <p>Development of an overall learning culture.</p> <p>Introducing a new Public Protection Unit and performance and quality improvement sub-group in June 2014.</p> <p>Further development of Practice Supervisory Groups guidance and working papers being issued.</p>							

Risk ID No.& Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
CW 4	A lack of a sufficient qualified staff resource or the unexpected loss of a key employee or employees may reduce the quality and scope of the service resulting in children's lives and safety being put at risk.	<p>Competitive salaries and working conditions in place, recruitment and selection procedures adhered too.</p> <p>High professional standards, reputation and innovation are maintained while the service has an excellent record among professional workers which all helps attract high calibre staff.</p> <p>A number of checks and balances are in place in relation to the recruitment and selection process e.g. staff recruitment and selection training, case by case consultation of appropriate salary placement, interview panels, job and employee outlines, screening of application forms, interview selection process, quality assurance checks, timescales for processing recruitment paperwork/adverts etc.</p> <p>Prioritise maintenance of adequate staffing levels of Child Protection and work with vulnerable children.</p> <p>Development of an overall learning culture, use of Action Learning Sets and promotion and development of skills such as "Giving and Receiving Feedback" and "Coaching".</p>				<p>Seek to ensure Foster Carers allowances and fees are competitive with neighbouring Councils and Independent Fostering Agencies.</p> <p>Continue to regularly publicise a need for Foster Carers.</p> <p>Celebrate Foster Carer Communitiy achievements annually.</p> <p>Annual review of feedback from Employee Engagement Survey and development/implementation of action plan.</p> <p>Professional Development Programme and commitment to ongoing Social Work practice of "Development of Growing our Own" (promoting staff from within).</p>				Head of Children's Wellbeing	April 2015 (Review quarterly)	7	Risk reviewed and refreshed by SMG in April 2014.
			3	4	12	2	4	8					

Risk ID No.& Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CW 5	<p>Not carrying out disclosure/PVG checks or errors being made whilst carrying the checks out could put children's lives, safety and increase the risk of abuse.</p> <p>This would result in inspection through the Care Inspectorate, regulation for workers through the Scottish Social Services Council, possible staff conduct/discipline issues, and more stringent checks by external regulatory bodies. Additionally, the professional reputation of the service/Council would be damaged.</p>	<p>HR policy in place on procedures laid down by Disclosure Scotland and Protecting Vulnerable Groups scheme and training sessions are in place for all managers and staff to make them aware of the policy and processes to be followed to comply with the PVG scheme.</p> <p>Children's Wellbeing implementing the Recruitment/Disclosure/PVG Policy Corporate Guidance.</p> <p>Details of the posts which are subject to the Disclosure process are published on Council intranet.</p> <p>Each Looked After Child has a plan and the allocated SW regularly updates this.</p> <p>Each Foster Care Family has an approved 'Safer Care policy' which is regularly updated.</p> <p>Employees' contractual mutuality of obligation and requirement for trust and confidence in the working relationship between the employee and the council require that where an employee is convicted of a criminal offence which is likely to adversely affect their work/working relationship with the Council, they must advise their Depute Chief Executive or Head of Service.</p> <p>Worker 'Registration' in certain defined occupations requires to be validated/evidenced prior to an individual being engaged onto the council's workforce e.g. Social Workers and Children's Residential Care Officers, and must be maintained thereafter.</p> <p>Foster Carers and Supervising Social Workers develop a risk assessment for the child which is reviewed and updated.</p>				<p>People who work with children and protected adults will each have a 'scheme record' that will be subject to continuous updating, to help ensure that these groups are not exposed to individuals who might do them harm.</p> <p>Carers are receiving training and advice about helping children using the internet safely.</p> <p>The E&M Public Protection Committee are developing e-safety policy/procedure/guidelines during 2014/15.</p> <p>Post implementation of the 2014 Service Review new manager/team leaders in new roles are developing skills and competence with delivery of an HR 'line manager' policy/procedure awareness programme.</p>				Head of Children's Wellbeing	April 2015 (Review 6 monthly)	4, 5, 6, 7	Risk reviewed and refreshed by SMG in April 2014.
			3	4	12	2	4	8					

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CW 6	The replacement Lothian Villa Meadowmill Young Person's Residential Unit is delayed beyond the expected completion date of December 2015 due to planning permission not being granted on account of opposition from other residents in the area.	Fortnightly contact with planners involving residential services manager where appropriate. Project plan and new-build timetable reviewed weekly.	3	3	9	Renegotiation of the existing contract with Lothian Villa landlord, seeking occupancy extension to dovetail with new build timetable. Elected members and Community Councils to be alerted to the intention to submit planning application. There will be some community engagement events prior to the submission of the planning request. Current residents will be kept up to date of progress.	3	2	6	Head of Children's Wellbeing	December 2015	4, 5, 6, 7	New risk created October 2014.
CW 7	Children's lives and safety put at risk due to a failure by staff to record or access salient information or a lack of understanding of the functions of Frameworki which could also lead to a regulation through the Care Inspectorate, regulation for workers through the Scottish Social Services Council, possible staff conduct/disciplinary issues and more stringent checks by external regulatory bodies. Failure to share appropriate chronologies and risk information with partner agencies. Risk to CW case transfers from other LAs failing to provide the appropriate information on the child/family.	Ongoing updates made to Frameworki while back-up database available within a few hours. Foster Carers undertake their own recording and this is communicated to relevant professionals. Training on Frameworki and support is given, especially for new staff. East Lothian recording guidelines require that all Child Protection and other files are reviewed by the line manager every six months. All files received from other LAs checked and where possible the LA is visited.	2	4	8	Senior managers to review a sample of these cases annually, reporting any improvements required for general team awareness. Frameworki continues to be developed to improve case recording and ensure best use of information in risk areas. GIRFEC multi-agency development explaining shared protocol for information sharing. Olivebank Children & Families Centre to be given access to Frameworki.	2	4	8	Head of Children's Wellbeing	April 2015 (Review quarterly)	4, 5, 6, 7	Risk reviewed and refreshed by SMG in April 2014.

Original date produced (V1)	16th December 2011			Risk Score	Overall Rating		
File Name	Children's Wellbeing Risk Register					20-25	Very High
Original Author(s)	S Kennedy					10-19	High
Current Revision Author(s)	S Kennedy					5-9	Medium
Version	Date	Author(s)	Notes on Revisions			1-4	Low
Original	16th December 2011	S Kennedy	Children's Services Risk Register Operational Risks including merged Corporate Risks.				
2	11th May 2012	S Kennedy	Children's Services changed to Children's Wellbeing as well as job titles updated.				
3	19 th November 2012	S Kennedy	Refreshed following update to Risk Strategy				
4	08 March 2013	S Kennedy	Updated by Children's Wellbeing Management Team.				
5	9 th April 2014	S Kennedy	Lone Working Risk updated as per Corporate Risk update				
6	April/May 2014	S Kennedy	Register reviewed and updated by CW SMG then finalised.				
7	August 2014	S Kennedy	Risk CW1 reviewed and content updated by SMG.				
8	October 2014	S Saunders/SMG	Planned risk control measures updated and new risk inserted re-provisioning of Pathway YP Residential Unit				

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Chief Executive

SUBJECT: Adult Wellbeing Risk Register

3

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Adult Wellbeing Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Adult Wellbeing Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Adult Wellbeing Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Adult Wellbeing Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk
 - the total profile of the Adult Wellbeing risk can be borne by the Council at this time in relation to the Council's appetite for risk
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Adult Wellbeing and are likely to be a feature of the risk register over a number of years
 - while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Adult Wellbeing LRWG. The Head of Adult Wellbeing has lead responsibility and will speak to it at the Committee.

3 BACKGROUND

- 3.1 In presenting the Adult Wellbeing Risk Register to the Committee for discussion, comment and noting, I would wish to draw the Committee's attention to one specific matter. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:
- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
 - High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
 - Medium risk is tolerable with control measures that are cost effective;
 - Low risk is broadly acceptable without any further action to prevent or mitigate risk.
- 3.3 The current Adult Wellbeing Risk Register includes one Very High risk, six High risks and seven Medium risks.
- 3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

4 POLICY IMPLICATIONS

- 4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – It is the consideration of the Adult Wellbeing Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Adult Wellbeing Risk Register
- 7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy Paolo Vestri
DESIGNATION	Emergency Planning and Risk Officer Service Manager - Corporate Policy and Improvement
CONTACT INFO	skennedy@eastlothian.gov.uk 01620 827900 pvestri@eastlothian.gov.uk 01620 827320
DATE	6 November 2014

Adult Wellbeing Risk Register v7

Date reviewed: 29 October 2014

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
AW 1	A service user suffers harm or detriment and becomes subject to Adult Protection measures due to a lack of appropriate operational processes and resources. This would result in reputational damage to and increased scrutiny of the Social Work service.	<p>Sound operational procedures and trained staff with good supervisory support.</p> <p>Continuous monitoring and review.</p> <p>Adult protection arrangements are designed to protect the most vulnerable.</p> <p>Feedback from Care Inspectorate reports is followed up and recommendations implemented as required.</p> <p>Feedback from service users helps to identify problems with service delivery that might expose service users to risk.</p>	4	5	20	<p>Review service delivery in line with integration agenda.</p> <p>The allocation of resources will be monitored and assessed and redirected to manage risk in a pro-active way.</p> <p>East and Midlothian Public Protection Committee (EMPPC) is being established with effect from June 2014 to replace the current Adult Protection Committee, Child Protection Committee, Offender Management Committee and Violence Against Women Partnership and to ensure robust links with Midlothian and East Lothian Drug and Alcohol Partnership (MELDAP).</p> <p>Review of practices associated with the administration of medication in all Adult Wellbeing services and associated NHS Lothian services. Ensure appropriate training for relevant social care and health staff is in place.</p>	3	5	15	Senior Manager Operations	December 2014	5	Risk reviewed and refreshed April 2014.
AW 2	Demographic pressure increases the cost of service delivery which cannot be dealt with due to budget constraints resulting in an impact on service delivery.	<p>Best value purchasing of external services.</p> <p>Service transformation and strategic commissioning to ensure services are targeted to meet the needs of vulnerable people and achieve best value</p> <p>Working in partnership with Health, third sector and independent sector to shift the balance of care and support more people to stay in their own homes for longer.</p> <p>Keeping CMT and Council apprised of the demographic pressures facing the Council.</p>	4	4	16	<p>Redesign services and introduce resource allocation system (RAS).</p> <p>Review of resource allocation and to ensure resources are allocated to those with greatest need.</p> <p>Implementation of Self Directed Support.</p> <p>Further development and review of partnership working with third sector to increase emphasis on early intervention and prevention (eg.Day Centres)</p> <p>Increased income through new charges due to be implemented September 2014.</p> <p>Refresh of Older People's Strategy.</p>	3	3	9	Senior Manager Operations Senior Manager Resources	December 2014	4 5	Risk reviewed and refreshed April 2014.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
AW 3	Failure of the Council to provide employees with an effective Lone Working Policy & Practice and the appropriate training could result in injury or death to those employees resulting in H&S prosecution, civil insurance liability, reputational risk, increased sickness absence, pressures on service delivery and also potential claims against the Council.	Information on Lone Working Policy is part of the Service Level Induction process. All employees have received training on the use of the ELC lone working system. Specific procedures are in place in services with a high level of lone working such as Children's Wellbeing and Revenues, including risk assessments and electronic diaries and signing in/out books.			15	Lone Working policy and procedures continue to embed within Adult Wellbeing managers and admin staff ensuring that front line employees adhere to Lone Working controls. The Council is working towards creating a Potentially Violent Clients Register which will enable the sharing of information relating to potentially violent clients across customer facing teams which in turn allows managers to identify and implement appropriate control measures protecting employees from harm.			10	Head of Adult Wellbeing	December 2014	N/A	Risk reviewed and refreshed April 2014.
AW 4	Lack of a skilled and experienced workforce results in an inability to provide high quality assessment and support, therefore resulting in poor operational performance leading to higher cost of care services.	Offer support to staff recruitment and training. Mandatory training compliance. Inclusion of Training needs analysis within Supervision and PRD.	3	4	12	Increase staff learning opportunities, sustain high levels of supervision. Audit of training provision to ensure compliance with minimum training requirements.	3	3	9	Senior Manager Resources	December 2014	6, 9 & 10	Risk reviewed and refreshed April 2014.
AW 5	New national targets on delayed discharge of "no delays over two weeks" from 1 April 2014 will create additional pressures. These new targets will have wide ranging implications across the whole care system and put pressure on assessment staff, business systems and financial resources.	Increased surveillance of care homes to identify spare capacity. Pilot new initiatives to assess potential new models in the delivery of care including frailty project, help to live at home, hospital to home and step up/step down beds. Close working with NHS to commence discharge planning at the earliest opportunity. Re-tendered Help to Live at Home framework to increase capacity.	4	3	12	Closer working with care at home providers to consolidate runs and release additional capacity. Introduce tiered bed management across the sector. Investment in additional resources to support discharge from hospital. Provide step up/step down support via care homes in partnership with Health.	4	2	8	Senior Manager Operations	December 2014	9	Risk reviewed and refreshed April 2014.
AW 6	Unfavourable Care Inspection report resulting in loss of reputation and additional workload to prepare and deliver improvement plan.	Use of HGIOC to identify service improvements. Self evaluation programme using SWIA Performance Improvement Model (PIM). Maintenance of professional dialogue with Care Inspectorate	3	4	12	Extend involvement in HGIOC process to include wider range of staff and external partners including third sector and health Investigate option of using PSIF	2	4	8	Head of Adult Wellbeing Service Managers: Resources, Operations, Criminal Justice	December 2014	9	Risk reviewed and refreshed April 2014.
AW 7	The failure of a major Care Home or Domiciliary Care provider e.g. Southern Cross resulting in a loss of capacity and the risk of service users being put at risk as a result of their service withdrawn at short notice.	Close monitoring with care providers helps to identify potential service failures while close working with all providers helps gain advance information of any potential failure. Retendered Help to Live at Home puts emphasis on outcomes for	3	4	12	Develop of contingency arrangements to deal with failure of a major care provider. Participation in national working groups to maintain national market intelligence. Working with other Councils to allow	3	2	6	Senior Manager Resources Senior Manager Operations	December 2014	9	Risk reviewed and refreshed April 2014.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
		service users and service quality.				information sharing mutual support and contingency planning. Continuing to work closely with providers to provide support with improvement planning. Continue to develop step-in arrangements for care homes.							
AW 8	Self-Directed Support Legislation. Failure to comply with new legislation, reputational damage associated with failure, financial risk associated with implementing SDS.	Extensive training of staff to ensure awareness of SDS and any changes to practice required to support implementation Changes to infrastructure to better support SDS approach (eg. Re-provision of service at Fisherrow Hub)	3	3	9	Continuing programme of staff training and communication with service users Further work required to review support for adults with a learning disability including arrangements for transport and day sessions and additional options for community based activities. Review of financial support systems and processes to ensure SDS compliance and development of best practice	2	3	6	Service Manager: Operations Service Manager: Resources	Review December 2014	6, 9 & 10	Risk reviewed and refreshed April 2014.
AW 9	Council Re-Structuring/Business Transformation. The re-structuring of the Council Management Team and senior manager grade in 2012 and 2013 reduced the number of senior officers in the Council by about 25%. Re-structuring of services and business transformation is required to deal with public sector reform and the financial constraints faced by the Council. Re-structuring and business transformation cause uncertainty amongst staff, low morale, increase in workload and changes in reporting lines and responsibilities for some staff. This could affect staff morale and reduce the capacity of the Council to manage change effectively.	New service groupings have been established and the Chief Executive, Depute Chief Executives and Heads of Service engage with all staff teams. The 2013 Employee Engagement Survey was used to identify staff concerns and actions were taken to address these. Regular communication to staff via Team Talk and managers. Investors in People achieved. Regular meetings of the new Council Management Team and monthly 'highlight reports' used to identify on-going concerns/ issues. Meetings of the Senior Management Team used to explain and embed transformation agenda. Leadership Development programme – CMI5 – has been rolled out for all Service Managers. CMI level courses being offered to frontline managers and supervisors to increase management and leadership skills.	3	3	9	Results of 2014 Employee Engagement Survey will be used to identify staff concerns. Staff communications to be reviewed. CMI 5 and CMI 3 to be evaluated and reviewed. Workforce Development Plan has been agreed will be implemented. Support from corporate ELC and NHS Lothian organisational development .	2	3	6	Chief Executive Director of Health & Social Care Head of Adult Wellbeing Service Managers: Resources, Operations, Criminal Justice	December 2014	6, 9 & 10	Risk reviewed and refreshed April 2014.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
AW 10	<p>Health and Social Care and Adult Wellbeing Integration</p> <p>There is a risk that:</p> <ul style="list-style-type: none"> The focus on integration may in the short term divert staff and resources from other priorities. Development of integration processes and structures may disrupt current structure and staffing arrangements. The development of a strategic direction for the partnership may diverge from existing strategies - leading to problems with delivery of current services and threat to achievement of integration timelines. Risk of barriers to integration constraining business objectives. 	<p>Key milestones will be built into joint plans based on local needs and benefits not policy change evidenced by draft Strategic Plan and work plan for Integration Scheme.</p> <p>There will be regular consultation and engagement with staff and stakeholders throughout this process. Evidenced by discussion at CHP Sub Committee, Shadow Board and Staff Engagement sessions.</p> <p>Integrated governance model in place. Joint management team in place.</p>	3	3	9	<p>Organisational Development and project management support will be provided to ensure controls are adequate, effective and implemented properly.</p> <p>Work underway to overcome barriers to operational integration including IT systems, financial management, HR systems, etc. Development of integration strategy.</p> <p>National funding to support local integration available from April 2015.</p>	2	3	6	<p>Director of East Lothian Health and Social Care Partnership</p> <p>Head of Adult Wellbeing</p>	<p>Risk to be reviewed regularly during 2014/15.</p> <p>Milestones provided by Govt over five year period</p>	6, 9 & 10	Risk created April 2014 in Corporate Risk Register then moved to Service Risk Register at the request of CMT.
AW 11	<p>Major elements of public sector reform are either taking place or being proposed in addition to integration of health and social care including:</p> <ul style="list-style-type: none"> Welfare Reform and the replacement of Disability Living Allowance with Personal Independence Payment The replacement of Council Tax benefit with a cash limited locally administered scheme. <p>These reforms create uncertainty, additional workload for senior and frontline staff, requirement to restructure services and create new accountability, governance and partnership arrangements.</p> <p>These reforms impact on Adult Wellbeing (AW) clients, many of whom live on limited income and face uncertainty about their future levels on income.</p> <p>As service users see their incomes reduced, this impacts on the level of income received by AW through client contributions, imposing additional pressures on the AW budget.</p>	<p>Regular discussion with all staff and stakeholders.</p> <p>Effective consultation with all stakeholders will allow early identification of risks and identify mitigating actions.</p> <p>Revised charging policy.</p>	3	3	9	<p>Joint working across the whole Council will allow resources to be directed to the key vulnerabilities and allow a cross council approach to be taken to managing this risk</p> <p>Communication with staff to allow risk areas to be identified and reduce uncertainty.</p> <p>Communication with service users to advise the potential impact of welfare reform and the support available.</p> <p>Income levels will be monitored to detect any fall off in client contributions.</p>	2	2	4	Head of Adult Wellbeing together with Adult Wellbeing Senior Management Team.	December 2014	6, 9 & 10	Risk reviewed and refreshed April 2014.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
AW 12	Lack of resources results in a failure to comply with legislative timescales for Community Disposals. This would result in serious reputational damage to the Council.	Work volumes and waiting times are monitored and resources redirected as required. Three Social Workers recruited as a result of demand.	2	3	6		2	3	6	Criminal Justice Manager	December 2014	6, 9 & 10	Risk updated by CJ Manager April 2014 and score reduced from 9 to 6 due to new SW recruits.
AW 13	A reduced level of service is available as a result of a system failure causing a loss of access to Frameworki Social Work management information system.	Contingency arrangements are in place to provide a back up service if required. Contingency back arrangements are tested. In short term staff would deal with emergencies based on information available. Staff can relocate to other offices to deal with a local outage.	3	2	6	Move to latest version of Frameworki (Mosaic).	3	2	6	Senior Manager Resources	December 2014	6, 9 & 10	. Risk reviewed and refreshed April 2014.
AW 14	Residential homes are forced to close because the standard of the buildings of the care homes and other services do not meet the necessary standards and are no longer fit for purpose.	Adequate ongoing maintenance. Strategic planning for new homes by the Asset Management Group – Tranent Care Home due to open September 2014. Regular building condition surveys to identify potential deterioration in building quality.	3	2	6	Feedback Care Inspectorate, service users and carers and staff. Refresh Older People strategy to determine bed numbers acquired over 3/5/10 year periods.	2	2	4	Senior Manager Resources	December 2014	6	Risk reviewed and refreshed April 2014.

Original date produced (Version 1)	1st March 2012												
File Name	Adult Wellbeing Risk Register												
Original Author(s)	S Kennedy												
Current Revision Author(s)	S Kennedy												
Version	Date	Author(s)	Notes on Revisions										
Original	1st March 2012	S Kennedy											
2	19 th November 2012	S Kennedy	Updated following revision of Risk Strategy										
3	30 th January 2013	S Kennedy	Revisions made following Adult Wellbeing Management Team meeting.										
4	11th April 2013	S Kennedy	Updates received from Linda Young and John Finn. Updates and one risk removed by Murray Leys.										
5	April 2014	S Kennedy	All risks reviewed and refreshed following review by Murray Leys while Community Disposals risk updated by Fiona Duncan.										
6	May 2014	S Kennedy	Former Corporate Risk on Integration added to Service RR at request of CMT.										
7	June 2014	S Kennedy	Lone Working, Re-structuring, Care Inspection Report and SDS Legislation Risks added and amendments made by M O'Connor.										
												Risk Score	Overall Rating
												20-25	Very High
												10-19	High
												5-9	Medium
												1-4	Low

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Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Chief Executive

SUBJECT: Education Risk Register

4

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Education Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Education Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Education Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Education Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk
 - the total profile of the Education risk can be borne by the Council at this time in relation to the Council's appetite for risk
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Education and are likely to be a feature of the risk register over a number of years
 - while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Education LRWG. The Head of Education has lead responsibility and will speak to it at the Committee.

3 BACKGROUND

- 3.1 In presenting the Education Risk Register to the Committee for discussion, comment and noting, I would wish to draw the Committee's attention to one specific matter. All risks have been evaluated using the standard (5x5) risk matrix which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact

(scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
- Medium risk is tolerable with control measures that are cost effective;
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The current Education Risk Register includes three High risks, eight Medium risks and three low risks.

3.4 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2 for information.

4 POLICY IMPLICATIONS

4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – It is the consideration of the Education Local Risk Working Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register for the year ahead should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel – There are no immediate implications.

6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

7.1 Appendix 1 – Education Risk Register

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy Paolo Vestri
DESIGNATION	Emergency Planning and Risk Officer Service Manager - Corporate Policy and Improvement
CONTACT INFO	skennedy@eastlothian.gov.uk 01620 827900 pvestri@eastlothian.gov.uk 01620 827320
DATE	6 November 2014

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
ED 1	Failure to raise the standards of educational attainment for all will lead to a reduction in opportunities for young people such as entrance to Further and Higher Education with the consequence of parental dissatisfaction and damage the reputation of individual schools and the education service as a whole.	<p>Each school has a School Improvement Plan with target setting for attainment.</p> <p>Quality Improvement Officers monitor and evaluate schools while HMIE have a schools inspection programme.</p> <p>Curriculum for Excellence continues to be developed.</p> <p>Education communicates with individual schools on best practice, new guidelines and policies.</p> <p>School strategies are in place for increasing expectations of pupils and families (including tackling the barriers to improving achievement and ensure pupil attendance).</p> <p>Targeted support for schools and early year's providers is provided where a need is identified. A 5 year ICT strategy across schools is in place, identifying the required level of support and intervention within the authority and schools.</p> <p>Short-life working groups set-up to focus on raising attainment in Literacy, Numeracy and HWB. A broad range of performance data is used to create local action plans in order to prioritise areas for funding, support and intervention.</p> <p>Clusters have developed plans. Cluster Data profiles distributed to Head Teachers who are responsible for identifying areas of priority. Coherent strategy for data analysis developed to improve Education outcomes at authority, cluster and school level.</p>	4	4	16	<p>The SMEB will develop a four year Strategy and Service Plan.</p> <p>Continue to develop a learning environment for S1/S2 pupils which builds on their educational experience from P6/P7 and improve the transition of young people from mainstream education to work, training, further and higher education through working with secondary schools.</p> <p>Develop an authority wide model for the Senior Phase that incorporates all elements of the curriculum.</p> <p>Work has started with partners to develop an on-line learning environment for all students</p> <p>Create ethos of self-evaluation and intelligent use of data to improve outcomes for children and young people.</p> <p>Identify future priorities from data for QIOs to work within schools.</p> <p>Develop a suite of data to highlight KPIs, share with schools and agree performance improvement.</p>	3	3	9	<p>Head of Education</p> <p>Quality Improvement Officers</p>	<p>December 2014 for Strategy and Service Plan to be approved</p> <p>All other measures dependent upon approval of Strategy and Service Plan.</p>	<p>2</p> <p>3</p> <p>4</p>	<p>Refreshed August 2014 with current risk score increased from 6 to 16 and residual risk score increased from 4 to 9.</p>

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
ED 2	<p>There is a nationwide shortage of supply teachers which is impacting on East Lothian. In practice this means that classes are being covered by Management. Changes have been made to the supply system to improve efficiency of processes however this is having little impact on the number of supply vacancies filled.</p> <p>This is impacting on the quality of learners experience also on the availability of management to undertake their leadership role.</p>	<p>Procedures for supply staff have been changed and it is hoped this will lead to a reduction in unfilled posts.</p>	4	4	16	<p>Continue to advertise and recruit to supply list.</p> <p>Encourage returners to the profession through local advertising and consider 'fast-track' return to teaching course.</p>	2	3	6	Service Manager – Education (Strategy & Ops)	February 2015	2 3 4	New risk created August 2014.
ED 3	<p>School Estate Management</p> <p>Failure to maintain up-to-date information on the Condition and Suitability of the schools' estate may result in having insufficient data to inform planned maintenance budgets and essential building works.</p> <p>Failure to provide adequate financial and staffing resources to maintain the school estate to the required standard.</p> <p>Failure to make timeous responses to planning applications, identifying the impact of proposed development on the Education estate, resulting in delays to determining applications and potential claims from applicants.</p> <p>Risk to uncertainty with forward planning for the expansion of a small number of schools where pupil roll numbers may increase faster than projected.</p> <p>Risk of Project cost overruns.</p>	<p>Condition and Suitability surveys for the Primary schools are refreshed annually to report SPI data.</p> <p>Property Inspectors and the Asset Team identify priorities on a 3 year rolling programme and implement within available budgets. Work is prioritised on a risk management basis, addressing statutory compliance matters first (fire safety, electrical, safety DDA etc).</p> <p>Education and Strategic Asset Management teams work closely to analyse the data and identify requirements arising as a direct result of proposed developments. S75 process identifying responsibilities prepared for the range of Council departments.</p> <p>An enhanced and more robust school roll projection and class organisation system is in place which is key to determining the future capacity needs of schools. An enhanced process for managing S75 contributions is in place. Monthly monitoring is in place in Strategic Asset and capital Plan Management to review programme for school requirements. Changes which may impact on capital investment are escalated to Education and Finance for consideration. The Schools Estate Asset Management Plan provides the annual update on the programme for works needed within the school estate, including expansion.</p>	3	4	12	<p>Condition and Suitability surveys for the Primary schools will be updated on a rolling 5 year programme using in- house staff and external consultants as necessary.</p> <p>Option Appraisal for procuring and carrying out Condition Surveys to be prepared by end September 2014.</p> <p>Reports to Corporate Asset Group will highlight risks which cannot be managed and may impact on the operation or safety of the school estate.</p> <p>Quarterly review meetings to be held with Education and Strategic Asset and Capital Plan Management to review school development programmes and projects. Minutes and Actions to be circulated to Corporate Asset Group.</p> <p>Project Planning process to be formalised and reported to Corporate Asset Group</p>	2	4	8	Depute Chief Executive – Resources and People Services	March 2015		Risk transferred from Corporate Risk Register May 2014 then refreshed July 2014.

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
		Cost planning and financial monitoring processes are in place. Change control process manages approvals process for additional budget arising from client changes to project. PPP invoice processes have been reviewed by consultants to confirm soundness of approach.											
ED 4	<p>The failure of a PPP contractor may result in short or long term unavailability of the buildings and services leading to ELC possibly stepping in to take back the financial risks.</p> <p>The PPP team have been moved to sit within Property. It is possible that this will lead to a reduction in communication and Education influence on decisions made.</p>	<p>The risk is addressed by the current contract in place which states that:</p> <ul style="list-style-type: none"> • If FES cease to trade Innovate must find a replacement; • If Innovate cease to trade then Barclays Special Projects must find a replacement or sell the project back to ELC at a previously agreed price. <p>Regular meetings take place with the PPP contractor and any potential issues will be picked up early while in the short term the failure of the contractor will not render any schools unavailable for use.</p> <p>Monthly reviews take place between PPP team and FES.</p> <p>Maintain a continuous awareness of the economic climate and the contractor viability and if there is any reason for concern then take the appropriate action.</p> <p>Monitored by Corporate Asset Management Group.</p>	2	4	8	<p>Although on an informal basis communication continues, formal systems need to be put in place to ensure that the previous level of education service input is maintained in the PPP process</p> <p>Strategic PPP Management Group meets 3 times a year, chaired by Chief Exec, attended by Finance, Legal etc.</p> <p>Quarterly meetings between Education and Property to take place.</p>	2	4	8	<p>Head of Education</p> <p>PPP Manager</p>	March 2015	2 3 4	Risk refreshed July 2014
ED 5	<p>If our School Premises are not properly safeguarded then unauthorised persons could gain entry and cause damage (fire, vandalism etc.) to property or to persons which could lead to buildings or parts of buildings being unavailable for use and/or in need of repair. These incidents may also lead to adverse publicity particularly if staff or pupils are injured as a result.</p>	<p>Security and safety risk assessments are carried out regularly at all Education premises.</p> <p>Each school has its own individual security arrangements such as fencing, building access etc.</p> <p>Business Continuity Plans and a School Estate Asset Management Plan in place.</p> <p>Insurance Renewal Programme in place.</p>	2	4	8	<p>Security policy for school estate to be drafted and agreed, this requires input from both Education and Property and will be lead by Education.</p>	1	4	4	<p>Head of Education</p> <p>Service Manager - Strategic Asset & Capital Plan Mgmt</p> <p>Dept. H&S Implementation Officer</p> <p>Head Teachers</p>	Policy to be agreed March 2015	2 3 4	Refreshed July 2014

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
ED 6	Failure to effectively manage Health & Safety and adhere to Health & Safety duties both at our schools and during off-site activities may lead to injury to persons or damage to property and resulting enforcement action taken by Health & Safety Executive. This could also lead to possible insurance claims and associated costs/financial implications as well as damage to the Councils reputation.	<p>Departmental Policy On H&S, including Committee Structure.</p> <p>Support for Head Teachers to manage H&S</p> <p>H&S Arrangements for Educational Excursions, Work Experience and Road Safety including incident reporting, recording, investigation and a Risk Assessment Programme.</p> <p>Internal H&S inspections by schools and inspection and auditing by Dept. H&S Implementation Officer</p> <p>Robust system in place for managing and authorising Off-site Excursions. A new computer based system has further improved this.</p>	2	4	8	<p>Education Safety Action Plan to be rolled out which includes increased emphasis on incident investigation.</p> <p>Head of Establishment Guidance to be issued to all Heads of Establishment detailing responsibilities.</p>	1	4	4	<p>Head of Education</p> <p>Dept. H&S Implementation Officer</p> <p>Head Teachers</p>	<p>December 2014</p> <p>Reviewed at JHSC and JCG</p>	2 3 4	Reviewed and refreshed July 2014.
ED 7	A failure to meet our statutory requirements and other targets due to budget constraints or conversely overspending our budget in order to meet said statutory requirements and targets.	<p>The annual budget allocation is prioritised and monitored while the Scheme of Devolved School Management determines the allocation at School level.</p> <p>Detailed budget planning measures are in place together with monthly monitoring and validation.</p>	2	4	8	<p>Review and revise our funding mechanisms for Devolved School Management.</p> <p>The Groups set up to carry out the review have met and developed proposals for consultation.</p> <p>Management to increase efficiency through greater local allocation of spend to meet local priorities.</p> <p>Ongoing Review of Services and of processes to ensure more efficient use of resources and improve service delivery.</p>	1	4	4	<p>Head of Education</p> <p>Service Manager – Education (Strategy & Ops)</p>	March 2015	2 3 4	Refreshed July 2014.
ED 8	<p>Failure to respond to the changing demographics of the East Lothian population such as unexpected or unpredicted fluctuations in the make-up of the population e.g. the number of pupils with Additional Support Needs. This may lead to not having suitable school provision available and a consequent impact on children's education.</p> <p>The Principal Officer – Strategic Planning post was not filled following retirement of the post holder and this role now sits within property. There is a risk that education fail to have sufficient input into and information from the processes.</p>	<p>Property is responsible for the School Estate Management Plan. Education feed into this plan</p> <p>Provision of the pupil role related information is provided to Property.</p> <p>Strong communication links with parent and governing bodies.</p> <p>Education is involved in key related Council decisions such as planning applications.</p>	2	4	8	<p>Processes for input into School Estate Management plan should be formalised.</p> <p>Quarterly meeting to take place between education and property.</p> <p>Meetings take place relating to:</p> <ul style="list-style-type: none"> Pupil roll projections and future number of classes needed; Strategic education issues relating to development. <p>Recruitment underway – applications received and being assessed.</p>	1	4	4	<p>Service Manager – Education (Strategy & Ops)</p> <p>Principal Officer – Strategic Planning</p>	March 2015	2 3 4	Refreshed August 2014.

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			L	I	L x I		L	I	L x I				
ED 9	<p>The Director was not replaced and the department now reports to a Deputy Chief Executive.</p> <p>This means that there is a reduction in the level of management in the team and responsibility has been delegated to the Head of Service.</p> <p>There is a risk that strategic decision making may be delayed resulting in reduction in performance due to demands on the service.</p>	<p>QIO team to focus on key priorities.</p> <p>Regular meetings take place between HT's and the Head of Service which allows support and challenge.</p> <p>Regular meetings of department management team plus meetings of direct reports with Head of Service.</p> <p>Senior Management Education Board (SMEB) chaired by Head of Education set up. Six teachers and specialists sit on it.</p>	2	4	8	<p>Consideration to utilising existing budget to focus on attainment.</p> <p>Consultation with HT's will be undertaken during the process of developing the four year strategy and service plan which is currently being undertaken.</p> <p>Draft Local Improvement Strategy is being developed for consultation.</p>	1	3	3	<p>Deputy Chief Executive</p> <p>Head of Education</p>	<p>December 2014</p> <p>Dependent upon approval of Strategy and Service Plan.</p>	2 3 4	New risk created July 2014.
ED 10	<p>The Service handles a large amount of sensitive data relating to both individuals and groups. There is a risk of this information being provided to individuals not entitled to have it and also of 'loss' of information e.g. memory sticks.</p>	<p>All employees have recently received training in Data Protection. Procedures are in place for all operations involving Data Handling. Secure e-mail addresses have been set up for communicating with schools.</p> <p>Data Protection is discussed at team meetings and staff are reminded of the importance and the procedures.</p>	2	3	6		2	3	6	Service Manager – Education (Strategy & Ops)			Refreshed July 2014.
ED 11	<p>Failure to address social exclusion and inequality in the EL education system could lead to non-provision of the additional support required for some young people, either on an individual or group basis, to access education. This could in turn result in poor achievement of those affected and our failure to meet legislative requirements.</p>	<p>All schools operating in accordance with the Equality Act 2010.</p> <p>Additional Support for Learning Procedures are provided along with provisions for alternatives to school based education.</p> <p>We target support and resources on the areas of greatest need through the predictable and exceptional needs budgets and specialist and outwith placements moderation panels.</p> <p>A one-door inter-agency policy for assessment, planning and intervention for vulnerable and looked-after children is in place.</p> <p>Strategies (e.g. Equality & Fairness, Accessibility strategies, Buddying / Mentoring) are in place to address the performance of pupils with the lowest attainment levels and the outcomes of these are monitored.</p> <p>Our resource allocation is targeted at deprived areas and young people with the greatest need. The Psychological Services Policy addresses this area.</p>	2	3	6	<p>Accessibility Strategy 2014-2016 is currently being developed.</p> <p>Establish benchmark across East Lothian with which to measure added value by utilising the Early Development Instrument.</p> <p>There is a need to develop an overall strategy and practice framework to support young people with complex needs across early years, primary, secondary and transition into adult services including management, staffing, curriculum, life skills, accommodation, lead officer responsibilities etc.</p> <p>Review our 3-18 support systems for children and young people with social, emotional and behavioural needs and identify locally based solutions to maximise their educational outcomes and positive destinations.</p> <p>Review is underway of our SEBN Provision.</p> <p>Autism Strategy being developed.</p>	2	2	4	<p>Service Manager - Education (ASN & Early Years)</p> <p>Principal Inclusion & Equality Officer</p> <p>Professional Working Group</p>	<p>December 2014</p> <p>Dependent upon approval of Strategy and Service Plan.</p> <p>January 2015 for Autism Strategy</p>	2 3 4	Refreshed July 2014

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion/ Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
		Currently the Inclusion and Equality service is under-resourced following the departure of one of the two Inclusion and Equality Officers and an Educational Psychologist. Although these posts will be filled there will be a period when service levels cannot be maintained.											
ED 12	<p>There is a risk that a teacher is appointed who does not meet required standards of competence or that we will fail to attract a sufficient calibre of candidates.</p> <p>We are also allocated between 50 and 100 probationers annually by the General Teaching Council for Scotland and have no influence over the calibre of these teachers.</p> <p>Poor quality teaching staff will impact on the academic and social achievement of the pupil population.</p>	<p>Recruitment and Selection process and Terms and Conditions of Employment in place.</p> <p>Policy and Guidance on effective learning, teaching and achievement.</p> <p>Monitoring and evaluation process of teachers' performance and staff development, including the PRD and CPD processes.</p> <p>Changes to procedures required by the changes to GTCS for Professional update have been implemented and Validated by GTCS.</p> <p>Monitoring of probationers as well as the probationer mentoring and development programme.</p> <p>Work with Quality Improvement Officers to address the performance of poor quality teachers.</p> <p>A Staff Development Officer is in post.</p>	2	2	4	<p>Ensure that Professional Development programmes are focused upon our identified actions for raising attainment, partnership working, inclusion and equality.</p> <p>Develop leadership strategies and opportunities at local level to build capacity and to rationalise workload and resource allocation.</p> <p>Continue to identify leaders of learning.</p>	2	2	4	<p>Service Manager – Education (Strategy & Ops)</p> <p>Principal Officer (Staffing)</p>	December 2014	2 3 4	<p>Risk refreshed and Current Risk Score reduced from 6 to 4 July 2014.</p> <p>Risk split to create separate risk relating to Shortage of Supply Teachers.</p>
ED 13	<p>Failure to meet service performance and standards requirements, including as a result of changes to legislation, could lead to legal enforcement action and penalties being taken against us and damage to the service's reputation.</p>	<p>Implementation of directives and other guidance as appropriate.</p> <p>Continual monitoring of changes to legislation and the implementation of these changes as they occur.</p>	1	3	3	<p>Business planning & measurable performance objectives to be put in place by the development of a four year strategy and action plan.</p>	1	3	3	<p>Service Manager – Education (Strategy & Ops)</p>	<p>December 2014</p> <p>Dependent upon approval of Strategy and Service Plan.</p>	2 3 4	<p>Refreshed July 2014.</p>

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			L	I	L x I		L	I	L x I				
ED 14	A failure to communicate and respond to local people and other stakeholders and to take account of their views may lead to public dissatisfaction, an increase in parental complaints and reputational damage.	<p>A meeting timetable is in place with all key internal and external bodies.</p> <p>ELC has a Corporate Communications Strategy as well as a Feedback and Complaints process.</p> <p>Communication arrangements in place between LEA and schools, other bodies and relevant parties (e.g. parents).</p> <p>A formal structure is in place for consultation with parents, while all parents/carers form part of each school Parent Forum which then elects the Parent Council to represent it.</p> <p>The Head of Education and Principal Officer meet with members of The East Lothian Association of Parent Council Members on a regular basis [normally two meetings per term].</p> <p>Encouraging schools to adopt a more outward facing perspective in order to meet the needs of the community.</p> <p>Supporting, encouraging and establishing more formal negotiated partnerships with Stakeholder groups, especially Parent Councils, Community Councils, Student Councils and Cluster school groups. This clarifies the role and respective responsibilities of various partner groups.</p> <p>Promoting the student voice in schools by encouraging and supporting the UN Convention's Rights of the Child.</p>							Education Management Team		2 3 4	Refreshed July 2014.	
			1	2	2								

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			L	I	L x I		L	I	L x I					
	Original date produced (Version 1)	1st March 2012												
	File Name	Education Risk Register										Risk Score	Overall Rating	
	Original Author(s)	S Kennedy										20-25	Very High	
	Current Revision Author(s)	S Kennedy										10-19	High	
	Version	Date	Author(s)	Notes on Revisions									5-9	Medium
	Original	1 st March 2012	S Kennedy										1-4	Low
	2	19/11/12	S Kennedy	Updated following update to Risk Strategy										
	3	08/01/13	S Kennedy	Updated with Education Risk Group's updates.										
	4	11/04/13	S Kennedy	Updated with Education Risk Group and Management Team's updates.										
	5	May 2014	S Kennedy	Risks refreshed by Education and Corporate Risk on School Estate Management Added										
	6	August 2014	S Kennedy	Risks refreshed (including former risk on post replacements being removed and new risks added) by Richard Parker and Liz McLean for Property involvement then checked and further updated by Darrin Nightingale.										

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Treasury Management Strategy Statement & Annual
Investment Strategy – Mid-year Review 2014/15

5

1 PURPOSE

- 1.1 To update the Committee on Treasury Management activity during the first half of 2014/15.

2 RECOMMENDATIONS

- 2.1 The Committee are asked to note the content of the report

3 BACKGROUND

- 3.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in a way which takes account of risk and return.
- 3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 3.3 Specialist Treasury Management advice is provided to the Council on a contractual basis by Capita Asset Services. This service includes daily market updates and regular review meetings. Operational decisions are

made by the Service Manager - Corporate Finance in accordance with the approved Treasury Management Strategy, in consultation with the Head of Council Resources and after considering the advice provided by Capita Asset Services.

- 3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the 2014/15 financial year to 30 September 2014;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy approved by the Council on 25th February 2014;
 - A review of the Council's borrowing strategy for 2014/15;
 - A review of the Council's investment activity for 2014/15.

Economic update from Capita Asset Services

- 3.5 After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1, 0.9% in Q2 and a first estimate of 0.7% in Q3 2014 (annual rate 3.1% in Q3), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.
- 3.6 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.2% in September, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed

before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

- 3.7 The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

U.S.

- 3.8 The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions.

Eurozone

- 3.9 Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

China and Japan

- 3.10 Japan is causing considerable concern as the increase in sales tax in April has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip. As for China, Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has raised fresh concerns. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer.

Economic Outlook for the next six months of 2014/15

- 3.11 Capita Asset Services undertook a review of its interest rate forecasts on 24 October. During September and October, a further rise in geopolitical

concerns, principally over Ukraine but also over the Middle East, plus fears around Ebola and an accumulation of dismal growth news in most of the ten largest economies of the world and also on the growing risk of deflation in the Eurozone, had sparked a flight from equities into safe havens like gilts and depressed PWLB rates. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2015.

3.12 Our PWLB forecasts are based around a balance of risks. However, there are potential upside risks, especially for longer term PWLB rates, as follows:-

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds and into equities.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields

3.13 Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring more government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.

- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

3.14 The following table shows Capita Asset Services' forecast for interest rates:

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
5yr PWLB rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
10yr PWLB rate	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
25yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
50yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%

Review of the Treasury Management Strategy Statement and Annual Investment Strategy

3.15 There are no policy changes to the Treasury Management Strategy Statement (TMSS) approved by the Council on 25th February 2014. No changes are required to the prudential indicators approved in the TMSS

and approved prudential indicators have been complied with during the first six months of 2014/15.

Borrowing Update

3.16 During the first 6 months of 2014/15 borrowing decisions were taken in accordance with the approved strategy. The Council continued to take advantage of short term borrowing from other public sector bodies at rates below bank base rate which provided a pragmatic solution to managing cash flow. At the same time the need to safeguard against rising PWLB rates resulted in some longer term borrowing. No debt restructuring was undertaken during the period covered by this report.

During the first 6 months of 2014, one new PWLB loan was taken out:

Date of Borrowing	Principal	Maturity	Interest Rate
26/9/2014	£5m	49 years	3.82%

One PWLB loan matured during the period and was repaid:

Date repaid	Principal	Maturity	Interest rate
24/9/14	£5m	5 years	2.84%

The following short term loans were taken from other public sector bodies:

Date of borrowing	Lender	Amount	Interest rate	Repayment Date
17/4/2014	Leicestershire CC	£10m	0.4%	17/10/14
29/4/2014	Derbyshire CC	£5m	0.4%	24/10/14
10/9/14	Derbyshire CC Superannuation Fund	£5m	0.5%	10/3/15
24/9/14	Leicester City Council	£10m	0.5%	19/12/2014
30/9/14	Northamptonshire Council	£3m	0.7%	30/9/2015
	Total	£33m		

The following short term loans matured and were repaid:

Date of borrowing	Lender	Amount	Interest rate	Date repaid
9/10/13	Leicestershire CC	£2m	0.47%	9/4/14
15/10/13	Derbyshire CC	£5m	0.47%	15/4/14
20/12/13	Devon & Cornwall Police	£3m	0.48%	30/4/14
16/12/13	Kensington & Chelsea Council	£5m	0.47%	30/4/14
22/1/14	Hackney Council	£3m	0.45%	22/4/14
28/2/14	Kensington & Chelsea Council	£5m	0.41%	30/6/14
24/2/14	Redcar & Cleveland Borough Council	£1m	0.42%	24/6/14
5/2/14	Merseyside ITA	£5m	0.45%	5/8/14
10/3/14	Derbyshire CC	£5m	0.45%	10/9/14
31/3/14	Hertfordshire Police & Crime Commission	£5m	0.45%	30/9/14
	Total	£39m		

Investment Update

- 3.17 Investment decisions during the first 6 months of 2014/15 were taken in accordance with the approved strategy. There were no new investments during the period and surplus cash balances were held in the Council's bank account.
- 3.18 East Lothian Council Common Good funds and Charitable Trust funds are managed in two separate portfolios by an external investment management company, Investec. At 30th September 2014, the East Lothian Charitable Trust portfolio was valued at £2.806m, which represents an increase of £0.039m over the 6 month period. The Common Good portfolio was valued at £2.867m which also represents an increase of £0.039m over the 6 month period.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report however the Council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – There are no direct financial implications associated with this report however the Council’s Treasury Management activity clearly has a significant impact on the management of the Council’s financial resources.
- 6.2 Personnel - None
- 6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 Treasury Management Strategy 2014/15 to 2016/17 – East Lothian Council 25 February 2014

AUTHOR’S NAME	Kirsten Maguire
DESIGNATION	Service Manager - Corporate Finance
CONTACT INFO	01620 827750 kmaguire@eastlothian.gov.uk
DATE	7 th November 2014

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive - Partnerships & Community Services

SUBJECT: 2014/15 Council Improvement Plan Monitoring Report

6

1 PURPOSE

- 1.1 To present the 2014/15 Council Improvement Plan six-month monitoring report to the Audit and Governance Committee.

2 RECOMMENDATIONS

- 2.1 That Audit and Governance Committee notes the progress in achieving the Council Improvement Plan as detailed in the monitoring report (Appendix 1).

3 BACKGROUND

- 3.1 The 2014/15 Council Improvement Plan was approved by Council on 24th June 2014. The action points in the Plan are primarily drawn from the results of the How Good is Our Council? (HGIOC) self-evaluation carried out by all services and the Corporate Governance self-evaluation (reported to Audit & Governance Committee, 20th May 2014). The results of the 2014 Employee Engagement Survey have also been taken into account. The Plan also contains relevant improvement points and actions from Audit Scotland's Overview of Local Government in Scotland, Audit Scotland's Annual Report to Members and the Shared Risk Assessment prepared by the Local Area Network.
- 3.2 The 2014/15 Council Improvement Plan outlines the actions that the Council as a whole will be undertaking at a council-wide level. Improvement points from HGIOC and other sources relating to specific Council services are not contained within the Plan as they are dealt with in Service and Business Plans.
- 3.3 One of the four objectives of the Council Plan 2012-2017 is: *Growing the capacity of our Council to deliver excellent services as effectively and efficiently as possible within our limited resources.* All the improvement points in the 2013/14 Plan will contribute to growing the capacity of the Council to

meet this outcome. Also, the Plan supports the Council's improvement programme based around the following four key elements:

- Services built around people and communities
- Effective, efficient and excellent services
- Working together to achieve outcomes
- Prioritising prevention and promoting equality

3.4 The six month monitoring report (Appendix 1) outlines progress with implementing the 11 action points in the Improvement Plan.

4 POLICY IMPLICATIONS

4.1 The 2014/15 Council Improvement Plan will assist the Council in demonstrating that it is achieving Best Value. It will provide the necessary focus to improve key areas of the Council at a corporate level, thus aiding delivery of the Council Plan. Moreover, it will support East Lothian Council in its constant striving for continuous improvement, to continue improving the quality and delivery of its services and to meet the Council Plan objective: *Growing the capacity of our Council to deliver excellent services as effectively and efficiently as possible within our limited resources.*'

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – none.

6.2 Personnel – none directly, although certain actions within the Plan are likely to require the commitment of staff resources.

6.3 Other – none.

7 BACKGROUND PAPERS

7.1 Council Improvement Plan; report to Council, 24th June 2014

7.2 Appendix 1: 2014/15 Council Improvement Plan Monitoring Report

AUTHOR'S NAME	Paolo Vestri
DESIGNATION	Corporate Policy and Improvement Manager
CONTACT INFO	pvestri@eastlothian.gov.uk 01620 827320
DATE	6 th November 2014

Appendix 1: 2014/14 Council Improvement Plan Monitoring Report

2014/15 Council Improvement Plan

We deliver excellent services as effectively and efficiently as possible

	ACTION	LEAD SERVICE	TIMESCALE	UPDATE
1	Develop toolkit for self-evaluation of strategic partnerships	Communities and Partnerships	November 2014 – updated to February 2015	The East Lothian Partnership is undertaking a strategic self-assessment supported by the Improvement Service. The toolkit used for this self-evaluation will be adapted for use by other strategic partnerships.
2	Scrutiny training for PPR Co members	Council Resources	September 2014 – updated to February 2015	The training requirements of the PPR Co members will be assessed following elected members' survey which will be carried out during November (see 7 below).
3	Review and revise the Improvement Framework and make more effective use of benchmarking, develop guidance and training on the use of benchmarking, Best Value reviews and options appraisal	Communities and Partnerships	Completed	<p>The Improvement Framework has been reviewed.</p> <p>The Council is participating in various national Benchmarking exercises based on the Local Government Benchmarking Framework.</p> <p>A charges benchmarking exercise has been completed and will be report to Council in December.</p> <p>A template for undertaking Best Value Reviews, including options appraisal has been completed.</p>
4	Introduce Combined Impact Assessment and process for monitoring the needs of minority and	Communities and	August 2014 – updated to February	A draft Combined Impact Assessment toolkit has been prepared jointly with Midlothian Council, City of Edinburgh Council and NHS Lothian. It is being

	vulnerable groups	Partnerships	2015	consulted on.
5	Prepare and implement Records Management Plan setting out arrangements for management and retention of records in line with requirements of the Public Records (Scotland) Act 2011	Council Resources	Completed	The Records Management Plan was adopted by the 28 th October Council meeting.
6	Work with partners to develop and implement the Children's Services inspection Improvement Plan	Children's Wellbeing	March 2015	The Children's Services Improvement Plan has been approved and the Action Plan is being implemented by the Children's Strategic Partnership and its six implementation groups.
7	Review and develop elected members' training and briefings including briefing on Capital Investment Strategy and development issues arising from Councillors' responses to a survey based Audit Scotland Overview of Scottish Local Government Councillors' Checklist	Communities and Partnerships / Council Resources	September 2014 – updated to December 2015	The elected members' survey will be carried out in November. The results of the survey will be used to inform the development of elected members' training and briefing sessions in 2015.
8	Implement the action plan based on the Investors in People Improvement Plan and Workforce Development Plan	Communities and Partnerships	March 2015	The key actions from the Investors in People assessment are reflected in the Workforce Development Plan that is being implemented on schedule.
9	Review and revise the staff communications plan to ensure staff are fully informed and engaged	Communities and Partnerships	Completed	Staff communications has been revised and actions to improve staff engagement will be carried out over the next three months, including new staff newsletter / briefings. A key part of the engagement with staff over the next year will be the roll out of a series of 'One Council – Working Together' workshops starting in February 2015.
10	Implement the Web Development strategy to provide a more responsive and effective Council website that will support more 'self-service' activity by council service users	Communities and Partnerships	March 2015	The Web Development Strategy has been agreed to produce a new website using Responsive Design to suit a range of devices, replace existing website self-service functions with improved self-

				<p>service facilities and extend self-service capability to other services and provide improved on-line booking and payments facilities.</p> <p>Implementation has been delayed but measures are now in place to begin the project and bring it back on track.</p>
11	Further develop the Council's service planning process moving towards three-year service planning linked to financial planning based on staff and stakeholder engagement	Communities and Partnerships	Completed	A three-year service planning framework linked to financial planning and How Good is Our Council self-evaluation with staff and stakeholder engagement has been developed. This will be rolled out for use by all services over the next year.

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive – Resources and People Services

SUBJECT: Procurement in Councils (Audit Scotland, April 2014)

7

1 PURPOSE

- 1.1 To advise Audit and Governance of the findings of the Audit Scotland report, '*Procurement in Councils*' and to reflect the extent to which East Lothian Council is working in accordance with the recommendations of that report.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee notes the report and the actions that East Lothian Council is taking to improve the effectiveness of East Lothian's procurement process.

3 BACKGROUND

- 3.1 Audit Scotland published '*Procurement in Councils*' in April 2014. The report drew evidence from published and unpublished procurement information, fieldwork at Scotland Excel (the centre of excellence for Local Authorities) and six Local Authorities and interviews from public and private sector organisations, including the Federation of Small Businesses and the Scottish Council for Voluntary Organisations.
- 3.2 The report is designed to assess whether Councils are efficiently and effectively managing the procurement of goods and services, what savings and other benefits can accrue through good procurement, the management of the procurement process within Councils and the role of Scotland Excel in facilitating these aspirations. The report's conclusion is that, although there is good practice in procurement being demonstrated in local authorities across Scotland, there is room for improvement in the manner in which procurement is being utilised as a tool to deliver savings and benefits. It identifies a number of areas where improvements can be made and allocates these to Scottish Government, Scotland Excel,

Councils, Council Management Teams and procurement staff as appropriate.

- 3.3 The Report is in three parts; Setting the Scene, which sets out detail of the initiatives by the Scottish Government and Scotland Excel in this area since 2006; the benefits of effective procurement, which considers the benefits of greater participation in collaborative procurement activity and the impact of Community Benefits on local economies; and how Councils are performing, predominantly looking at the Procurement Capability Assessment (PCA) results to give a pan Local Authority procurement picture. The PCA is a procurement audit undertaken annually by Scotland Excel on behalf of the Scottish Government.
- 3.4 The legislative framework for procurement is currently undergoing significant change with the Procurement Reform (Scotland) Act about to be implemented. The 2014 EU Procurement Directives and the Social Care (Self-directed Support) (Scotland) Act 2013 will also have a significant impact on Councils' procurement.

The East Lothian Position

- 3.5 The Procurement Improvement Panel (PIP) has been established in East Lothian Council to provide a clear link between procurement activities and the most senior management of the Council. The objectives of the PIP include securing improvements in procurement strategy and practice across the Council. A recent Service Review saw Procurement moved from the Finance service to be realigned with Legal in a new Legal & Procurement service that recognises the synergy between the skills and knowledge in the two areas, particularly given the regulated nature of procurement.
- 3.6 The report makes a number of recommendations that Councils should implement to ensure efficient and effective procurement practice. East Lothian Council is currently operating in accordance with those recommendations in a number of areas.

Submission of Information to Scottish Government Procurement Information Hub

- 3.7 Following the transfer of the procurement function to the new Legal and Procurement service unit and the consequential review of roles, the submission of accurate and complete procurement information to the Scottish Government Procurement Information Hub (Spikes Cavell) is now underway.

Make greater use of tools and facilities to benchmark progress

- 3.8 With the increased focus on reporting, use of tools and training for the procurement team, information is being regularly interrogated and benchmarked to better inform procurement decisions and options.

Use Public Contracts Scotland tender module for all applicable contracts

- 3.9 East Lothian Council was one of the early users of the module, and the Procurement Team Leader has been invited to become a member of the Advanced Users Group

Make full use of national collaborative contracts

- 3.10 Before any procurement process is initiated, the procurement team advise stakeholders where opportunities exist to utilise collaborative or framework contracts in order to maximise participation by East Lothian Council. Where the client decides not to use a collaborative or framework contract, a reason is recorded for that decision.

Calculate procurement savings using a consistent and transparent methodology

- 3.11 Work is already underway to use the information extracted from the Spikes Cavell system to enable these savings to be demonstrated and recorded.

Report savings and non-financial procurement benefits to an appropriate committee

- 3.12 The Procurement Improvement Panel (PIP) has requested that savings are incorporated into the monthly Contract Delivery Plan document that is presented to this group and this is being done. Work is underway between the Procurement team and East Lothian Works to reinvigorate the Community Benefits methodology and process and to make this a standard measure as part of the procurement journey.

Examine the benefits of joint working or joint procurement teams

- 3.13 The report anticipates that economies of scale should be achievable through more extensive use of joint working or collaborative procurements. East Lothian Council participates in a number of procurement forums including the Local Government Procurement Officers Forum and a cross public sector group hosted by NHS Scotland. Forthcoming procurement plans are shared at this with a view to identifying the opportunity for collaboration. Midlothian Council have recently started attending the monthly PIP meetings to share good practice and identify any areas where joint procurement may be appropriate.

Phase out paper purchasing systems

- 3.14 The report asks Councils to move towards automation of procurement and payment processes. East Lothian Council currently pays for 77% of purchases using electronic means and engages with contractors to explore e-invoicing in all contracts where repeated orders are anticipated.

- 3.15 There are a number of areas where further work is underway or is required to demonstrate compliance with the report recommendations.

Early engagement with suppliers to develop contract specifications and allow for greater innovation

- 3.16 Previously, the Procurement team tended to work on a reactive basis; the requirement contained in the new EU Regulations for Councils to publish an annual contract plan will ensure visibility of future workload both in terms of new requirements and the re-letting existing contracts. This visibility will allow more efficient workload scheduling and a more detailed analysis of the entire procurement journey as advocated by the Scottish Government and this will go some way to meeting this recommendation.

Make better use of market research, cost avoidance and improved contract management

- 3.17 The report recommends that these tools, if used fully, will result in further financial savings and potential service improvements. Contract Management has been acknowledged as a weak element of the current procurement process in East Lothian Council. Improvements in this area have been identified as a priority by the PIP for the coming year. Work is underway to explore IT systems which could assist in this aspect of the process. Contract Management is an issue for the Council as a whole.

Aim to achieve the superior performance level (75%) in the PCA

- 3.18 East Lothian Council has consistently improved its PCA score over the last three years; 32% in 2011, 44% in 2012 and 55% in 2014. There has been regular discussion at the PIP regarding the costs and benefits of working towards the next level of PCA scoring. The PIP recognises that 75% is a very ambitious target given the resource constraints facing the procurement team, along with the Council as a whole.

Benchmark procurement staffing against other Councils with higher PCA scores

- 3.19 The following table shows the procurement budget (primarily staff costs), the level of Council spend, the number of staff in the procurement service and the PCA scores for a selection of Scottish Local Authorities of a comparable size to East Lothian. The figures for East Lothian Council reflect the 2013/14 position and the staff budget has since been reduced following the transfer of the procurement function to the new Legal & Procurement team.

Local Authority	Total FTE Procurement staff	Total Staffing cost	Total Procurement Spending 2012-13	PCA Score
Angus	5.5	£223,320	£17,000,000	51
East Dunbartonshire	4.0	£171,943	Not given	44
East Lothian	4.0	£151,758	£84,309,000	55
Midlothian	5.0	£196,000	£74,000,000	60
Moray	9.0	£209,359	Not given	55
South Ayrshire	7.0	£243,229	£20,046,271	65

- 3.20 The figures demonstrate that, despite having a relatively small team, East Lothian Council is performing well in the PCA and this reflects an efficient and effective procurement service. The Audit Scotland report recommends that, where such benchmarking demonstrates that it is appropriate, Councils should produce a business case for employing additional qualified staff.

Systematic collection and reporting of information on non-financial benefits

- 3.21 The collation of such information is not currently part of the procurement process. Monthly meetings with East Lothian Works have been initiated and will provide a significant element of this information, which will then be reported to the PIP.

Raise staff awareness of accountability and controls

- 3.22 The report identifies three methods of achieving this; implementing a written code of ethics, requiring procurement staff to complete a declaration of interests statement and requiring Internal Audit to conduct a regular assessment of procurement risk, including fraud. The first two matters have not previously been implemented in East Lothian Council but can be readily adopted in the next few weeks. Internal Audit currently have procurement risk within their remit and regularly undertaken audits and investigations as they consider appropriate.

Provide specific training on procurement for Elected Members to help them undertake their governance role more effectively

- 3.23 The introduction of the new legislation referred to in paragraph 3.4 offers an ideal opportunity to refresh and expand the training available for Elected Members.

4 POLICY IMPLICATIONS

- 4.1 The Audit Scotland report has highlighted a range of areas where the procurement journey can be improved across Scottish Council's. A number of parties have a part to play in implementing these improvements. The forthcoming statutory and regulatory changes will also require a refresh of the Council's procurement processes and strategy. This will be overseen by the PIP. There are significant areas where a step change can only be achieved if resources are committed to this and these will be subject to discussion as part of the next budget setting process.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

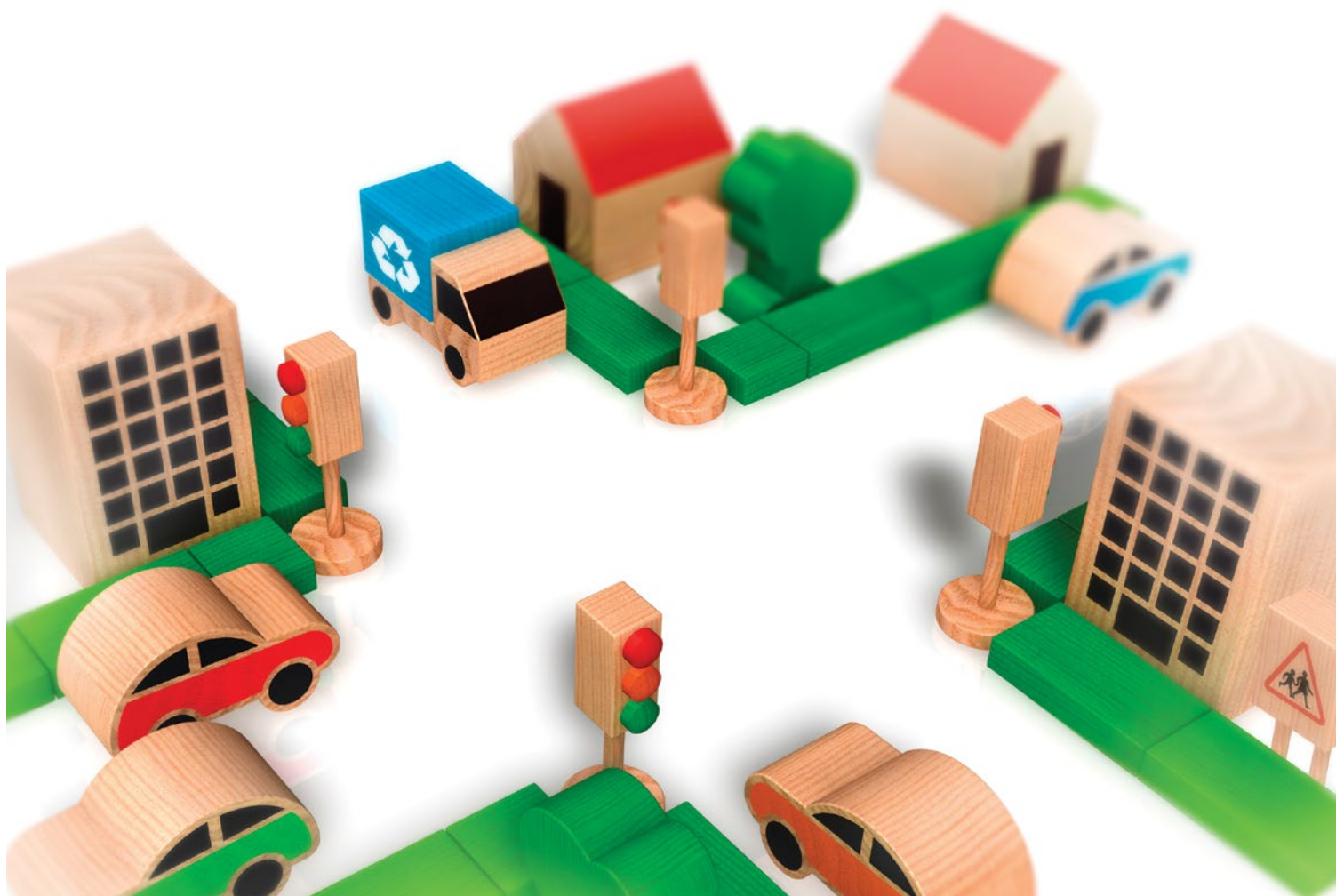
- 6.1 Financial – none.
6.2 Personnel - none.
6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 Audit Scotland 'Procurement in Councils' Report, April 2014

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Procurement in councils



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
April 2014

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

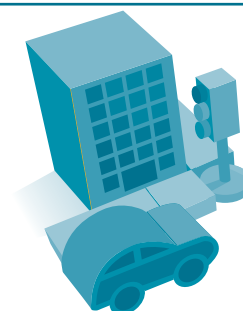
Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
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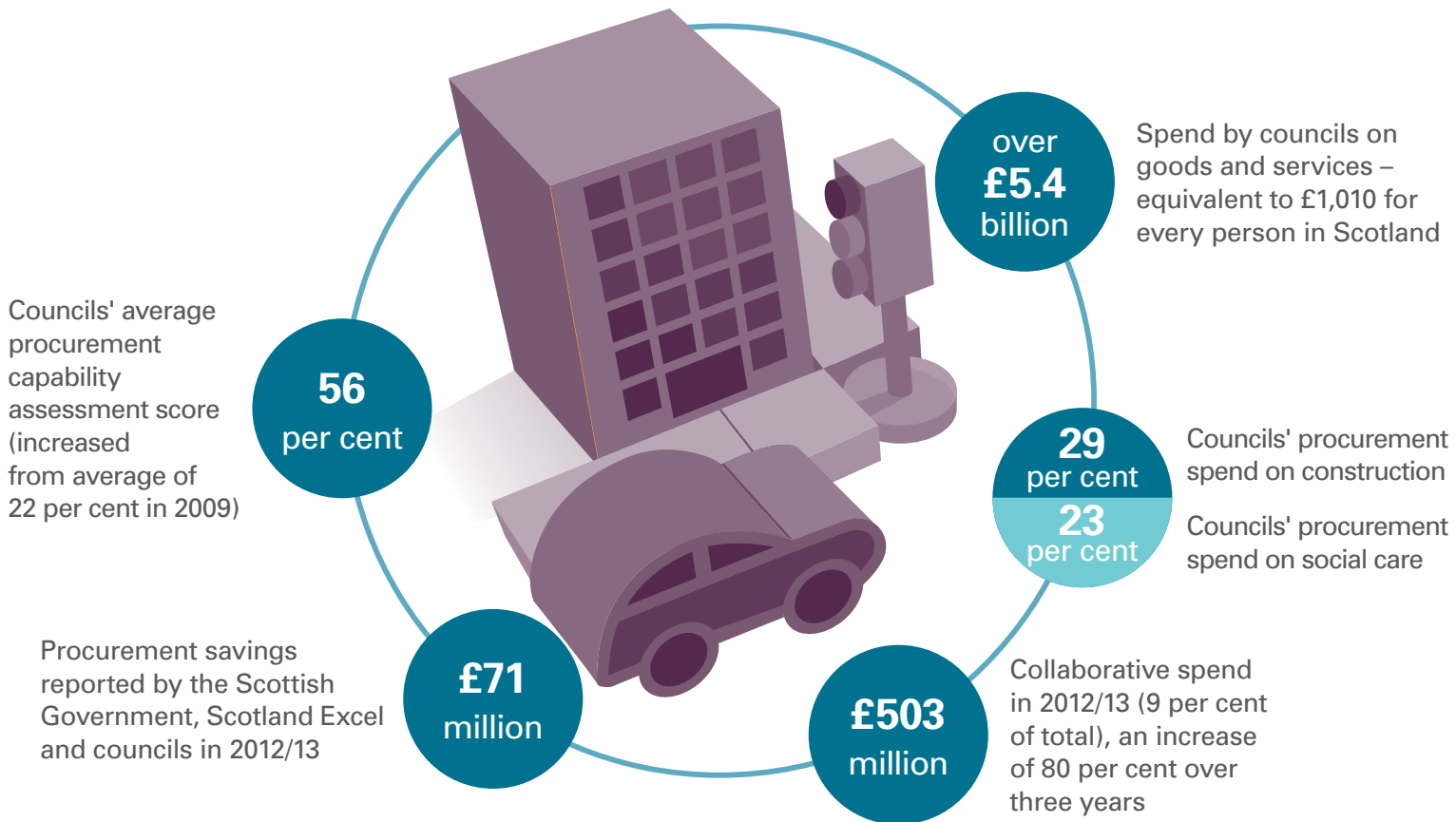
Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Summary



Key facts




Background

1. Procurement is the process that councils follow to buy the goods and services they need to provide public services. Effective procurement is important in helping councils achieve their local outcomes and priorities, secure value for money and deliver other benefits. Effective procurement involves the following:

- Having the right people in the right place – does the council have adequate numbers of appropriately qualified staff and appropriate organisational structures?
- Defining the supply need – does the council have a well-planned process for deciding what it needs, including deciding how it should provide services and looking at alternative ways of delivering services?
- Sourcing strategies and collaborative procurement – does the council have a good idea of how it can best meet its needs?
- Contract and supplier management – does the council manage its suppliers and contracts effectively?
- Purchasing processes and systems – does the council have effective and reliable processes and ICT systems to support procurement?

2. Councils spent over £5.4 billion, over a quarter of their total capital and revenue spend, on procurement in 2012/13. This represents over half of the public sector procurement spend and about £1,010 for every person in Scotland.

3. In March 2006, the Scottish Government published the *Review of Public Procurement in Scotland* (the McClelland report). This concluded that public sector structures, people and technology were not in place to improve procurement. The report identified the opportunity to achieve significant, recurring financial savings across the public sector through increased use of collaborative contracts (agreements between one or more contracting authorities and one or more companies, which set out the terms under which the companies will enter into contracts with a contracting authority). Since 2006, the Scottish Government and Scotland Excel have launched several initiatives to improve procurement in councils.

4. Our 2009 report, [Improving public sector purchasing \(PDF\)](#)  concluded that public bodies' progress in making savings from better procurement had been variable and slower than expected. It also identified wide variation across public bodies in the quality of purchasing data, practice and skill levels. Our other performance audits have also examined aspects of councils' procurement. These include:

- [Improving public sector efficiency \(PDF\)](#)  (2009)
- [Getting it right for children in residential care \(PDF\)](#)  (2010)
- [Commissioning social care \(PDF\)](#)  (2012)
- [Major capital investments in councils \(PDF\)](#)  (2013).

About our audit

5. The aim of our audit was to assess whether councils are efficiently and effectively managing how they procure goods and services. The specific objectives were to determine:

- How much do councils spend on goods and services and what savings and other benefits have councils identified through better procurement?
- Do councils manage procurement well and have good governance for it in line with good practice?
- How well is Scotland Excel helping councils to improve procurement and achieve savings in spending on goods and services?

6. This report focuses on the performance of councils and Scotland Excel; the latter is the centre of procurement expertise for Scottish councils. We did not look at procurement by arm's-length bodies set up by councils to provide services. We did not evaluate procurement activities outside local government such as the operation of Public Contracts Scotland or the wider work of the Public Procurement Reform Board (the PPRB brings together leaders from across the public sector to champion procurement reform and influence their sectors). We did draw on information from these areas where they were relevant.


7. We gathered audit evidence from:

- published and unpublished information on procurement, including the results of councils' Procurement Capability Assessments (PCAs) undertaken by Scotland Excel
- fieldwork at six councils and Scotland Excel
- our survey of 32 councils and analysis of data from the Scottish Government Procurement Information Hub (the Hub)
- interviews with representatives from organisations including the Scottish Government, Scotland Excel, private sector organisations such as the Scottish Chambers of Commerce and the Federation of Small Businesses, and the Scottish Council for Voluntary Organisations.

8. Further details of our audit approach are included at [Appendix 1](#).

9. This report has three parts:

- [Part 1. Setting the scene](#)
- [Part 2. The benefits of effective procurement](#)
- [Part 3 How councils are performing.](#)

10. In addition to this report, we have prepared a [Checklist for elected members in councils \(PDF\)](#)  to help them in their scrutiny role.

11. The Accounts Commission may undertake a follow-up audit, depending on councils' progress.

Key messages



- 1** Councils spent over £5.4 billion on goods and services in 2012/13; over half of the total public sector procurement spend in Scotland. This spending is extremely diverse, although more than half is on social care and construction. Since 2006, initiatives by the Scottish Government and Scotland Excel have led to significant changes in councils' procurement practices. Procurement now has a higher profile and councils are buying more goods and services collaboratively. New legislation and EU directives will bring about further change.
 - 2** Councils can use procurement to improve service quality and achieve benefits for the community. Councils are systematically using procurement spending to support local economic development. Councils have recently begun to make community benefits such as apprenticeships and environmental improvements an integral part of contracts.
 - 3** Councils' spending through collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of their total procurement spend. This percentage is likely to increase further as Scotland Excel and the Scottish Government introduce more collaborative contracts. The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13, 1.3 per cent of procurement spend; with £43 million (61 per cent) of these savings arising from Scotland Excel or Scottish Government collaborative contracts. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts and replace paper-based systems with 'purchase to pay' compliant ICT systems.
 - 4** Councils and Scotland Excel have used the Procurement Capability Assessment process to improve procurement practice. All councils have improved their procurement capability since 2009; however, the average assessment score has only reached 56 per cent. The rate of improvement varies among councils and some need to improve more quickly. Councils that invest in qualified improvement staff and improved systems can both improve service quality and achieve financial savings.
-

Recommendations

The Scottish Government should work with councils to:

- review and update the Best Practice Indicators (BPIs), drawing on councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to councils.

Scotland Excel should:

- maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies
- set realistic timescales for contract development, particularly in new areas of contracting.

Councils and Scotland Excel should:

- review and formalise arrangements to fund procurement reform activity beyond 2016.

Council staff involved in procurement should:

- submit accurate and complete information to the procurement Hub on a regular and timely basis (ideally quarterly, and as a minimum within three months of the end of the financial year)
- examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions
- make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress
- engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts
- use the Public Contracts Scotland tender module for all applicable contracts
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis
- calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement
- make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements

- aim to achieve the superior performance level in the PCA, particularly in relation to:
 - spend covered by agreed commodity/project strategies
 - participation in Scotland Excel contracts
 - automation of procurement and payment processes
 - spend captured in the council's contract register.

Councils' corporate management teams should:

- benchmark their procurement staffing against similar-sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have lower staffing levels
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts
- phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis
- raise staff awareness of accountability and controls by:
 - implementing a written code of ethics
 - requiring staff involved in procurement to complete a register of interest statement
 - require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud.

Councils should:

- require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis
 - encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.
-

Part 1

Setting the scene



Key messages

- 1 Since 2006, Scottish Government and Scotland Excel initiatives have led to significant changes in councils' procurement practices. Procurement now has a higher profile and councils buy more goods and services collaboratively. New legislation and EU directives will bring about further change.
- 2 Councils spent over £5.4 billion on goods and services in 2012/13; over half of the total public sector spend in Scotland. This spending is extremely diverse, although more than half is on social care and construction.
- 3 The Scottish Procurement Information Hub is a powerful source of information for analysing council spending data, but not all councils are fully using it. Councils populate the Hub with information on BPIs, but we found little evidence that they use these effectively.

Since 2006, Scottish Government and Scotland Excel initiatives have led to significant changes in councils' procurement practices

12. In March 2006, the Scottish Government published the *Review of Public Procurement in Scotland* (the McClelland report). The report concluded that public sector structures, people and technology were not in place to improve how the public sector buys goods and services and that the public sector needed to improve quickly. Since then, the Scottish Government has implemented several measures that have changed the organisation of procurement across the public sector. They include:

- **The Public Procurement Reform Board (PPRB)** – established in 2006, the PPRB brings together leaders from across the public sector. Although it has no formal powers to direct public bodies, its members promote procurement reform and influence their sectors.
- **The Scottish Procurement Information Hub (The Hub)** – set up in 2006, the Hub uses data from public bodies' payment systems to produce a broad picture of public sector spending. It provides a starting point for public sector bodies to identify areas of spend, common suppliers and spend with small and medium-sized enterprises (SMEs). Councils also populate the Hub with information on their BPIs.^{1,2}

councils spent over £5.4 billion on goods and services in 2012/13, £1,010 for every person in Scotland

- **Public Contracts Scotland** – launched in 2008, this website is the platform for all public bodies in Scotland to advertise and tender public sector contracts. It aims to promote efficiency and to give suppliers open access to contract opportunities.
- **The Scottish Futures Trust** – established in 2008 as a limited company, and wholly owned by Scottish ministers. Its purpose is to facilitate and improve the procurement and delivery of public sector construction projects.
- **The Single Point of Enquiry** – this was established in 2008 as an independent, impartial and confidential service for suppliers. It offers advice on procurement rules and works with suppliers and public sector bodies to resolve concerns about tender exercises.
- **The Procurement Capability Assessment (PCA)** – in 2009, the Scottish Government introduced a new improvement tool to assess all public bodies' purchasing activity and to promote improvement.

13. In 2008, councils set up Scotland Excel as a shared service funded by its members. Scotland Excel develops and manages a range of collaborative contracts for goods and services, from salt for winter road maintenance to secure care for children. It provides the centre of procurement expertise for councils in Scotland and works with them (and suppliers) to develop and share best practice and raise standards. It conducts PCAs annually with each council and supports them with the development of their improvement plans.

14. The McClelland report identified that increased use of collaborative contracts could achieve significant, recurring financial savings and service quality improvements, based on three groups of contracts:

- **National** – for goods and services that the whole of the public sector commonly uses, for example utilities and office supplies. The Scottish Government's Procurement and Commercial Directorate leads collaborative procurement of these goods and services.
- **Sector-specific** – for goods and services that a specific sector commonly uses. There are centres of procurement expertise for each sector that lead collaborative procurement for public bodies in their respective sectors. Scotland Excel is the centre for councils.³
- **Local** – for goods and services where public bodies make contracts at a local level. Local or regional collaboration may be useful for some goods and services.

Further changes in procurement legislation and practice are underway

15. The Scottish Government introduced The Procurement Reform (Scotland) Bill to the Scottish Parliament on 3 October 2013. It proposes to place a new general duty on public bodies to conduct procurement effectively and in a proportionate manner. It will require public bodies to consider social and environmental factors, such as the creation of apprenticeships, as part of their procurement decisions.

16. The Bill will sit alongside the 2014 EU directive, which also supports these aims by introducing a criterion of the 'most economically advantageous tender' in contract award procedures. This will enable councils to give greater weighting to quality, environmental considerations, social aspects or innovation in their procurement decisions. It will also encourage councils to call for tenders to solve a specific problem without pre-empting the solution, leaving room for innovative solutions.

17. The Social Care (Self-directed Support) (Scotland) Act 2013 came into effect on 1 April 2014. This requires councils to commission a wide variety of services to meet the needs of people who opt to direct their own care. The Accounts Commission will publish a report in mid-2014 on councils' preparations for this new duty.

18. The Scottish Government published the results of a review of how the public sector awards construction contracts in October 2013. The review made several recommendations, including a chief construction adviser to be appointed by the Scottish Government and a review of how construction priorities are set across the public sector.⁴

The procurement landscape is complex

19. In addition to councils and groupings of councils, other organisations are involved in supporting improved procurement in councils. The main ones are the Scottish Government, Scotland Excel and the Scottish Futures Trust ([Exhibit 1, page 13](#)). Councils also have access to frameworks and framework contracts set up by councils and groups of councils in Scotland and the rest of the UK.⁵

The Scottish Futures Trust will become increasingly important in construction procurement

20. The Scottish Futures Trust (SFT) was set up to support and improve public sector infrastructure investment. It manages the 'hub community infrastructure partnership programme' across five territories (in the South East, North, East Central, West and South West regions of Scotland). In each area, public bodies have joined with a private partner to form a new joint venture company. SFT intends these joint venture companies to be a value-for-money option, which can become a first port of call when a public body wishes to undertake a community construction project.⁶

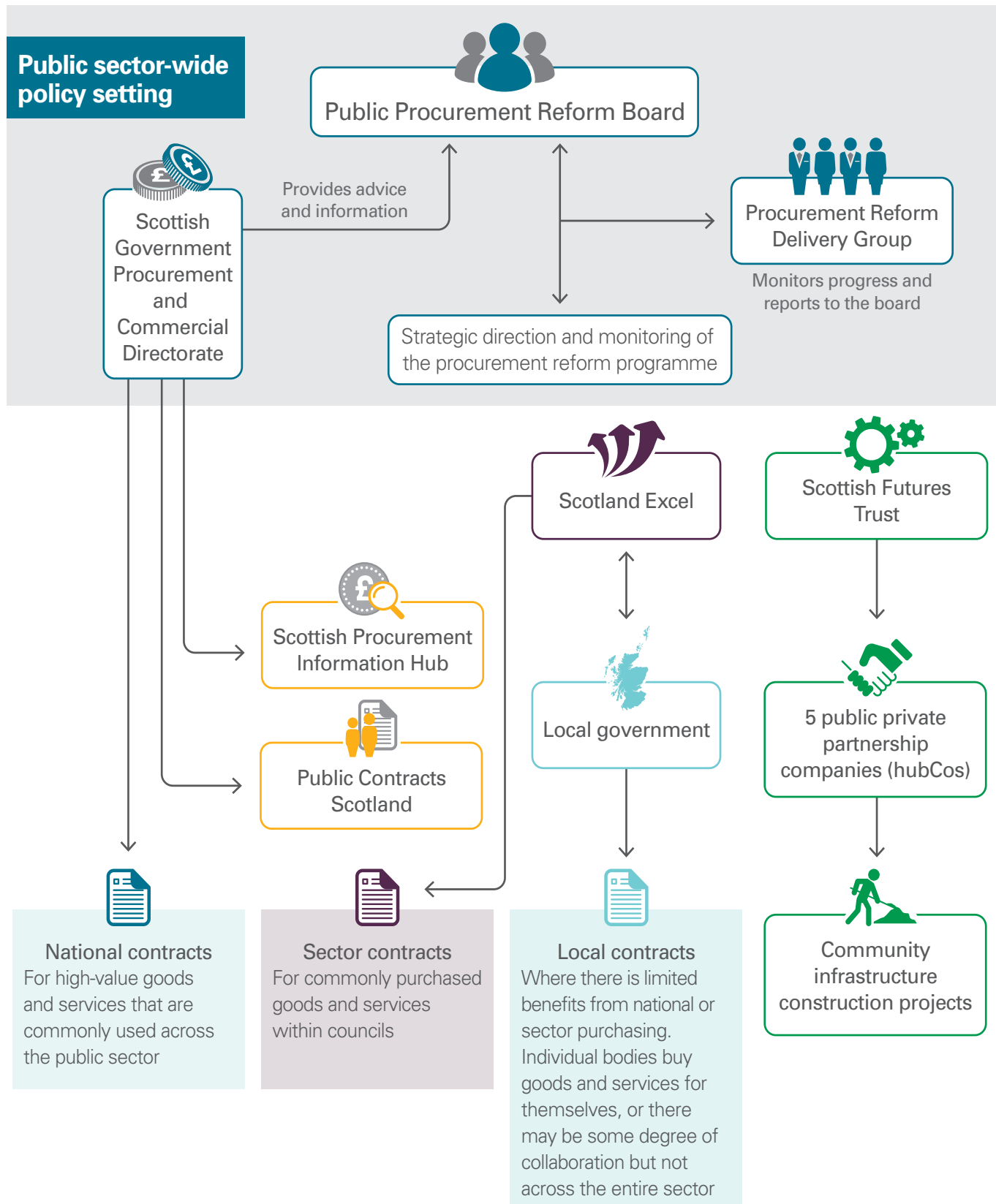
21. All 32 councils have signed up to the programme. SFT estimates the value of all current projects to be over £1 billion. Of this, over £700 million relates to councils. Most work is in the development stage, with £70 million completed and £225 million in construction. Almost 60 per cent of the programme is made up of school projects.

22. Each joint venture company has performance indicators that include the amount of work awarded to SMEs. SFT reported that SMEs have won 77 per cent of the £105 million of contracts awarded to date. The SFT also seeks to have apprenticeships built into contracts and is collecting data on other community benefits.

Exhibit 1

More organisations are becoming involved in council procurement

It is important that national procurement organisations maintain strong lines of communication.



23. It is important that national procurement organisations maintain strong lines of communication. We found that there was regular contact between Scotland Excel and the Scottish Government. There has also been engagement between Scotland Excel and the SFT on specific contracts; however, there was only limited evidence of engagement around the joint venture company activity. The expected growth in the number and value of construction projects through the joint venture companies may create further opportunities for Scotland Excel and the SFT to work together on contracts for items such as plumbing materials or education.

Councils spend over £5.4 billion on goods and services, over half the total for the public sector in Scotland

24. In 2012/13, councils spent over £5.4 billion buying goods and services, over one-quarter of their total capital and revenue spending. This represents over half of the total procurement spend for the public sector in Scotland and is equivalent to £1,010 for every person in Scotland. This includes £259 million spending by arm's-length external organisations (ALEOs), including £240 million by Glasgow ALEOs. ALEOs can be used by councils to deliver services.^{7,8}

25. Procurement spending varied among councils, depending on size, ranging from £35 million in Shetland Islands Council to £622 million in Glasgow City Council. Councils spend money on many kinds of goods and services, although over half is on construction (29 per cent) and social care (23 per cent) ([Exhibit 2, page 15](#)).⁹

26. Between 2010/11 and 2012/13 councils' procurement spending increased by £300 million (6 per cent) in real terms. The biggest increase was in construction spending, which rose by £208 million (15.2 per cent) in real terms. Spending fell in some areas, such as legal services and public transport. Real-terms spending increased in 20 councils and fell in 12 councils. Individual councils' annual procurement spend can seem volatile because of capital projects, which may cause large increases (and decreases) in procurement spending from year to year.

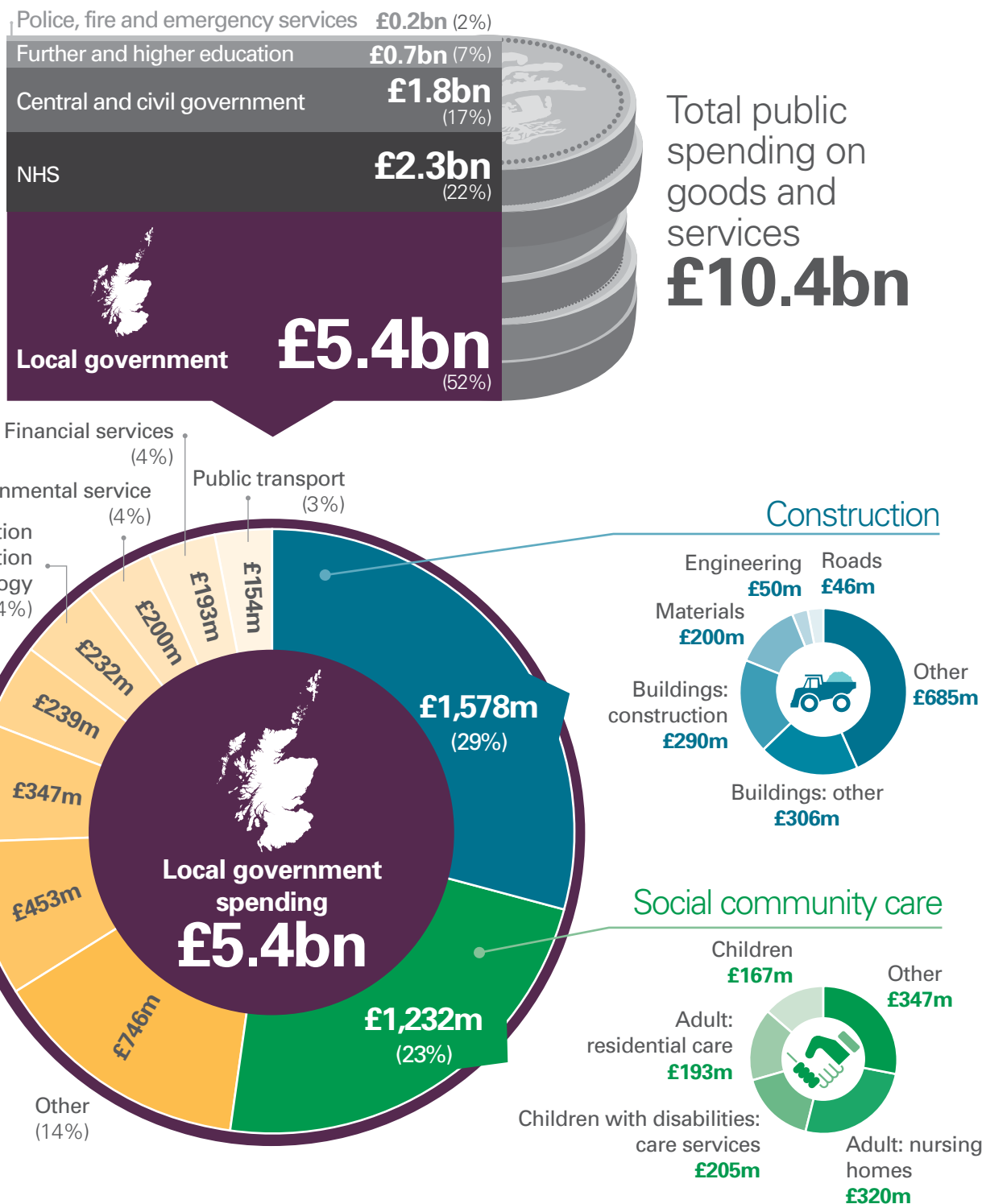
The Scottish Procurement Information Hub is a powerful information source but councils are not fully using it

27. The primary source of information about public sector spending on goods and services is the Scottish Procurement Information Hub (the Hub). Councils submit payment data to the Hub, which is then categorised in various ways, for example by supplier, local spend, spend with SMEs and contract type. The Hub has some limitations; for example, it classifies spending using a supplier's main business, not on the goods or services a council buys. This means that where a supplier's main business is ICT, but it also supplies air conditioning, the Hub would classify all spending with that company as ICT.

Exhibit 2

Estimated public sector spending on goods and services in Scotland 2012/13

Councils are responsible for over half of all Scottish public spending on goods and services. This spending is extremely diverse, though most is on social care and construction.



Notes:

1. This is core trade spend, which is spend with suppliers with whom over £1,000 has been spent in a 12-month period, that have also been classed as a trading organisation or as a non-trade social care provider.
2. There are inconsistencies in how councils report ALEO spending. In some councils, ALEOs pay their suppliers through council payment systems. Where this happens, councils sometimes include ALEO payments in their Hub submissions. ALEOs with their own systems do not supply payment data to the Hub. Because of the way the Hub is configured, it is not possible to separate out ALEO spending.
3. The spending information includes spending information from all councils and health boards, 16 out of 19 universities, 12 out of 32 colleges and central and civil government bodies with significant procurement spend (with the exception of four public corporations, including Scottish Water).

Source: Audit Scotland analysis of Scottish Procurement Information Hub data.



28. The Hub is a potentially powerful source of information with a wide range of functions. It can enable organisations to:

- comprehensively analyse their spend on goods and services
- identify suppliers and analyse spending they have in common with other public sector bodies to help identify opportunities for collaborative purchasing
- find out how their spend profile compares with other public sector bodies
- connect contract and spend data to make it easier to analyse, track and manage spend
- measure their progress using a standardised set of public sector-specific key performance indicators, in this case BPIs (we consider these in more detail below).

29. Hub data is becoming more comprehensive and up to date. But councils submit data inconsistently; some councils submit data on a quarterly basis and some annually (some over three months after the end of the financial year).

30. It is in councils' interests to have a good working knowledge of the Hub and ensure they record their data accurately. Councils vary in how well they use the tools and facilities available on the Hub. Greater use of these could better inform councils' decision-making. There are good online training facilities on the Hub database, but some councils feel that additional 'hands-on' training would be helpful.

31. Both Scotland Excel and the Scottish Government use the Hub database to identify areas that may be suitable for national and sector-specific collaborative contracts.

Most councils collect information to produce BPIs but we found little evidence that councils are using them effectively

32. In May 2008, in consultation with other bodies, the Scottish Government introduced the Procurement BPIs. These include performance measures such as contracted spend, savings, staff qualifications and e-procurement. The intention was that the PPRB and Delivery Group would use the indicators to monitor improvements and identify areas of concern. Public bodies submit BPI data directly to the Hub to help them to share best practice, improve joint working and increase efficiency. In 2012/13, 31 councils submitted BPI data to the Hub. Only Stirling Council had not submitted BPI data to the Hub at the time of audit, although data was incomplete for several others.

33. In 2011, the Scottish Government made it an indicator in the PCA for councils to complete the BPIs. The Scottish Government identified inconsistencies in savings reported through the BPIs compared with those reported through Efficient Government in 2012. To ensure all public bodies report consistently, the Scottish Government published savings and benefits guidance in November 2012. Procurement policy has changed since 2008, for example in terms of sustainability and community benefit, and a review of BPIs would be appropriate to ensure they reflect current practice. Some council procurement managers do not currently use BPIs as they find them less useful than the PCA.^{10,11}

Recommendations

The Scottish Government should work with councils to:

- review and update the Best Practice Indicators (BPIs), drawing on councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to councils.

Scotland Excel should:

- maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies.

Council staff involved in procurement should:

- submit accurate and complete information to the procurement Hub on a regular and timely basis (as a minimum within three months of the end of the financial year)
 - examine the costs and benefits of differentiating ALEO and council expenditure in their Hub submissions
 - make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress.
-

Part 2

The benefits of effective procurement



Key messages

- 1** Councils can use procurement to improve the quality of services and achieve benefits for the community. Councils are systematically using procurement spending to support local economic development. Councils have begun to make other community benefits such as apprenticeships and environmental improvements an integral part of contracts.
- 2** The use of collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of total council procurement spend. It is likely to increase further as Scotland Excel and the Scottish Government introduce more collaborative contracts.
- 3** The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13, 1.3 per cent of procurement spend; with £43 million (61 per cent) of these savings arising from Scotland Excel or Scottish Government collaborative contracts. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts.

Councils are using procurement spending to stimulate local economic development; other community benefits are beginning to follow

34. The initial focus of the McClelland procurement reforms was on collaboration and financial savings. More recently, the Scottish Government launched the Scottish Sustainable Procurement Action Plan. In it, the Scottish Government defines sustainable procurement as 'A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole-life basis and generates benefits not only to the organisation, but also to society, the economy and the environment'.¹²

35. To achieve Best Value when deciding between procurement options, councils consider the balance between cost, quality and wider community benefit. For some contracts, for example buying goods such as stationery, price is likely to be the biggest factor in the procurement decision. In others, for example social

council spending through collaborative contracts is increasing, but accounts for a relatively low proportion of procurement spend

care, it will be service quality. In major contracts, particularly larger construction contracts, whole-life costs and community benefits such as the creation of apprenticeships and economic development will also be significant factors. Achieving these wider benefits depends on councils having enough skilled procurement personnel, good ICT and effective procurement processes.

36. The Procurement Reform (Scotland) Bill places emphasis on encouraging innovation from suppliers and enhancing contract opportunities for newer businesses, SMEs and the third sector, such as voluntary organisations. The Bill also includes a sustainable procurement duty to promote economic, social and environmental wellbeing.

37. Scotland Excel has supported councils' economic development and community benefit policies by breaking contracts into smaller 'lots' to encourage SMEs to bid. Scotland Excel currently has 38 contracts with 409 suppliers valued at £408 million; of these:

- 286 suppliers (70 per cent) are SMEs and they account for 44 per cent of spend
- 167 suppliers (41 per cent) are Scottish SMEs and they account for 31 per cent of spend
- 48 per cent of overall spend is with Scottish suppliers.

38. Hub information shows that 54 per cent of Scottish councils spend is with SMEs, ranging from 35 per cent in Inverclyde Council to 77 per cent in Shetland Isles Council. While there was no change in spending with SMEs between 2010/11 and 2012/13, a 2013 survey, commissioned by the Federation of Small Businesses, indicated that these initiatives were having an impact. It found that 53 per cent of Scottish councils' spending was with SMEs compared to a UK average of 47 per cent.¹³

39. All councils are working with local suppliers to help them bid for council contracts. Additionally, the Supplier Development Programme (SDP), a local authority partnership programme supported by 25 councils, helps SMEs and third sector organisations to win more public sector contracts. It offers support, and runs training events, to help SMEs and third sector organisations understand councils' tendering processes. Councils are also using procurement to help benefit the community and the environment. North Ayrshire Council is particularly active in using procurement to improve local economic development ([Exhibit 3, page 20](#)).

40. Although most councils have a well-established supplier development programme, examples of community benefits and environmental improvements are relatively recent. Some councils, such as Renfrewshire and Dundee, have appointed community benefits managers to engage with suppliers and take a systematic view of community benefits (for example, they coordinate apprenticeships and training across council construction projects to enable local apprentices to complete their training). Falkirk Council has made environmental improvements ([Exhibit 3, page 20](#)). However, PCA results indicate that most councils have yet to implement a systematic approach to achieving community and environmental benefits.

Exhibit 3

Good practice examples of councils using procurement to achieve community, economic and environmental benefits

North Ayrshire Council's economic development programme

The council is implementing a plan to help SMEs and local businesses that includes:

- holding Supplier Development Programme (SDP) events and providing 'Meet the Buyer' and 'Is the Public Sector for you?' presentations
- offering to meet local businesses one-to-one
- offering to debrief unsuccessful suppliers to help with future bids
- monitoring the SME and local business success rate in the pre-qualification questionnaire (PQQ) process
- ensuring its tender strategies take account of SMEs' needs
- ensuring they invite a fair representation of local companies to bid for low-value quotes and monitoring the success rate of this policy
- reviewing tender documents to ensure they are consistent and user friendly and by streamlining the information required in a tender process.

The council is also working on a 'Partners for Change' pilot to improve its relationships and communication with the third sector.

The council uses community benefits clauses to maximise the economic, social and environmental wellbeing of the area. As well as targeted recruitment and training clauses, the council also requests other voluntary community benefits. The council has recruited a Community Benefits Officer to support this initiative. The council has advertised on the Public Contracts Scotland portal for expressions of interest from third sector organisations to provide services to the council. It aims to use this database for 'quick quote' requirements and to share it with main contractors to help with subcontracting opportunities.

Falkirk Council – environmental benefits

Falkirk Council has specified a minimum mandatory standard for cleaning products and cleaning services. Successful contractors work with the contracting authority to achieve best practice standards. Contract award conditions included an environmental assessment of tenderers' proposals to mitigate their impact on the environment, for example through waste disposal and fuel emissions. The council monitors contractor performance throughout the lifetime of the contract.

Renfrewshire Council – the benefits of improved supplier engagement

Renfrewshire Council's Building Better Communities (BBC) is a £103 million programme of investment in schools, sports, social care and community facilities. Improved supplier engagement and a partnership approach helped to improve the delivery of major capital projects. It also helped deliver community benefits. These included 31 per cent of subcontracted work going to local subcontractors; jobs for 27 apprentices; and the development of local environmental projects, including educational input to local schools.

Exhibit 3 (continued)

Fife Council – using outcome specifications to encourage to innovation

Following a review of its services by Fife’s Youth Offenders Management Group, Fife Council put services out to tender for young people who offend. Expected outcome specifications were set, including evidence that:

- young people and families satisfactorily engage with the services being provided
- young people using the service reduced the frequency and seriousness of their offending behaviour
- victims satisfactorily engage in restorative processes.

The review also helped to clarify the format of expected quarterly performance monitoring reports including key targets and outcomes. Following the revision of the service specification, the council was able to demonstrate the impact of the service provider on the level of offending in Fife.

Source: North Ayrshire Council, Falkirk Council, Renfrewshire Council, Fife Council

Better consultation with suppliers could lead to improved contracts

41. The Federation of Small Businesses and Chambers of Commerce believe that better and earlier engagement with suppliers could help develop contract specifications that more accurately reflect user requirements and allow for greater innovation. Good examples of early engagement with suppliers and using outcome specifications to encourage innovation are Renfrewshire Council and Fife Council ([Exhibit 3](#)). Some councils are nervous of early engagement with suppliers because of the risk that companies not awarded contracts could legally challenge them for giving some suppliers an unfair competitive advantage. The Procurement Reform (Scotland) Bill and the new EU procurement directive will specifically encourage innovation in this area.

42. Organisations representing small businesses have said that the bureaucracy and cost involved is a major disincentive to bidding for public sector contracts. One particular issue for small businesses is the way councils use pre-qualification questions (PQQs), which are time-consuming for small firms to complete. This becomes a significant problem when different councils require similar, but slightly different information. To help small businesses, Public Contracts Scotland has recently introduced PCS tender which holds businesses’ answers to standardised PQQs on the system, avoiding duplication and reducing the burden on businesses. More councils need to use this facility. Although 31 councils have been trained to use PCS tender; not all currently use it, although more plan to do so in future.^{14,15}

Council spending through collaborative contracts is increasing, but accounts for a relatively low proportion of procurement spend

43. The vast majority of councils' procurement spend is through local contracts. Almost 9.3 per cent is through Scottish Government and Scotland Excel collaborative contracts. Council procurement spending in 2012/13 can be broken down as follows:

- £253 million (4.7 per cent) – on national contracts negotiated by the Scottish Government's Procurement and Commercial Directorate for goods and services used across the whole of the public sector (utilities, such as gas and electricity, account for about 80 per cent of this total)
- £250 million (4.6 per cent) – on contracts negotiated by Scotland Excel
- About £4.9 billion (90.7 per cent) is spent on local contracts between the council and its suppliers, contracts where councils collaborate with each other or with other public bodies and off-contract spend. Of the councils who provided a breakdown of this spend:
 - 74.1 per cent is on local contracts between the council and its suppliers
 - 7.8 per cent is on contracts where councils collaborate with each other or with other public bodies
 - 18 per cent is off-contract spend.¹⁶

44. Council spending through collaborative contracts developed by Scotland Excel increased from £116 million in 2010/11, to £191 million in 2011/12 and £250 million in 2012/13. Over the same period, spending through Scottish Government contracts increased from £163 million in 2010/11 to £225 million in 2011/12 and £253 million in 2012/13. This represents an increase of just over 80 per cent.¹⁷

Scotland Excel is increasing the number and value of its contracts, but its original timescale was over-ambitious

45. Scotland Excel's 2012–15 business plan included a target to increase the value of its contract portfolio to £500 million in 2012/13. Its value had increased to £408 million at February 2014. Scotland Excel acknowledges that its original timescales were ambitious because of the high level of stakeholder and market engagement required for developing some contracts. It remains confident of meeting its overall target of £750 million by 2014/15.¹⁸

46. Scotland Excel reported particular difficulties in developing social care contracts, for example the extent of consultation required for the residential children's care services contract. Scotland Excel recognises that it needs to improve its estimates of the time required to develop contracts that are more complex.

47. Scotland Excel currently has four social care contracts in place: fostering, prepared meals, secure care and telecare equipment. A further four contracts, with an estimated value of £148 million, are planned in children's residential care services, adult specialist residential care, adult supported living and agency workers in social care. These contracts are currently at different stages of development and Scotland Excel has scheduled them for delivery between March 2014 and January 2015.¹⁹

48. Scotland Excel is making progress in social care contracts and this was recognised at the 2012/13 Government Opportunity awards (GO Awards),

where its social care team won the 'John F McLelland Collaborative Procurement Initiative of the Year Award' for work on the secure care contract.

49. Scotland Excel's management group monitors progress against its contract delivery schedule. The schedule for 2013/14 includes 50 contracts with an overall value of £732 million. Scotland Excel will:

- continue to manage 20 existing contracts valued at £217 million
- consider extending eight contracts, valued at £37 million
- renew ten contracts, valued at £153 million
- develop 12 new contracts valued at £325 million.

50. The Scottish Government has plans to introduce or renegotiate 27 contracts between 2013/14 and 2015/16, covering various goods and services, including server maintenance, travel services, general stationery and office paper.

Councils have saved money by using collaborative contracts

51. In 2012/13, total reported procurement savings were £71 million:

- £25.6 million (36 per cent of overall savings) reported by the Scottish Government for national contracts
- £17.7 million (25 per cent of overall savings) reported by Scotland Excel for sector contracts
- £5 million (7 per cent of overall savings) reported by councils for collaborative savings with other local councils or public bodies²⁰
- £23 million (32 per cent of overall savings) reported by councils for individual council contracts.²¹

52. We identified significant differences between savings reported by the national bodies responsible for making the collaborative contracts and savings reported by councils using those contracts. We looked in detail at the savings methodologies councils and Scotland Excel used to find out reasons for these differences.

Scotland Excel produces reasonable estimates of potential savings from collaborative contracts

53. Scotland Excel estimates potential savings for each new collaborative contract. It bases its calculations on the total spend of participating councils in the previous year(s) and current market data. It works closely with councils to develop its savings estimates and councils agree these estimates during the contract development process.

54. Scotland Excel calculates savings using the percentage saving that a council might achieve if it opted for the best value supplier in a framework agreement. When the contract becomes operational, Scotland Excel collects spend information from suppliers and applies the expected percentage saving to the actual spending on the contract.²²

55. Scotland Excel reports savings to councils through quarterly business review reports and to its governance committees. Its method of calculating savings is reasonable. But it may not always reflect the savings achieved by councils for the following reasons:

- The cheapest option in the framework may not be available to the council.
- The council may not choose the cheapest supplier from those in the framework, for example they may not choose the cheapest tyres in a framework contract if higher cost, but better-quality, tyres have a lower whole-life cost to the council.
- A council may join a contract after Scotland Excel has awarded it and the saving may be higher or lower depending on the price in the council's predecessor contract.

Councils need a more consistent approach to calculating savings

56. It is difficult to draw conclusions by comparing councils' savings figures with those provided by Scotland Excel because of the variation among councils in how they record and report savings. For example:

- some councils rely on savings figures provided by Scotland Excel and the Scottish Government for national collaborative contracts without calculating their actual savings
- councils use different methods to calculate and report savings ([paragraph 57](#))
- some councils do not calculate or report all procurement savings, including collaborative savings; some said that this was because their procurement teams did not have the time to do so.

57. We asked all councils to provide details of their three highest procurement savings for the year 2012/13. We reviewed seven to assess whether the savings calculations were reasonable. We found that:

- In two councils, the biggest savings arose from changes in recycling collection contracts. Instead of paying contractors to uplift recyclables, the councils sold the contract to uplift recyclables to private companies.
- Three councils made savings by securing a better price. They did this by introducing framework contracts or by securing a lower price than a previous contract.
- In one example, the saving arose from an open competition, where the council selected the bid with the best combination of price and quality.
- In one example, it was questionable whether the saving could be attributed to improved procurement. The council changed how it delivered one of its services. Savings were from staff costs and how buildings were being used. The council attributed the savings to improved procurement.

58. Although we consider the first three examples above to be procurement savings, the variation in how councils make and calculate savings shows how difficult it is to present a clear picture. The way councils use procurement savings also varies. In 2012/13, the 23 councils that were able to break down how their savings were used reported that, of their £34.3 million total recurring revenue savings:

- £9.4 million was recycled within the department making the savings
- £9.6 million was returned to the corporate centre to re-allocate
- £15.3 million was used to reduce service budgets to meet savings targets.

Councils could generate further savings if they made greater use of existing collaborative contracts

59. Most of the councils we visited viewed collaborative contracting as their preferred procurement method when looking to buy goods and services. In many cases, this is written into their standard procurement procedures, as these examples show:

- South Lanarkshire Council looks for contracts that are already available before setting up new contracts. They also use contracts set up by consortia in the rest of the UK (East Anglia, Yorkshire and West Midlands), as well as Scotland Excel contracts.
- The Tayside councils (Dundee, Perth & Kinross and Angus) and Tayside Contracts use Scotland-wide contracts. In addition, the Tayside Procurement Consortium (TPC) sets up contracts across the region and supports the procurement teams in each council.
- Aberdeen City and Aberdeenshire Councils have a joint procurement team that manages contracts on behalf of both councils and looks for opportunities for collaboration wherever possible.
- Renfrewshire Council has a policy of consulting surrounding councils to examine the scope for joint contracting when setting up a new contract.²³

60. Not all councils participate fully in collaborative contracting. In 2013, councils' uptake of Scotland Excel and Scottish Government contracts ranged from 49 per cent of available contracts in Orkney Islands to 92 per cent in West Lothian. The average participation rate was 58 per cent in Scottish Government contracts and 78 per cent in Scotland Excel contracts. There was a significant correlation between how councils used Scottish Government contracts and Scotland Excel contracts. The main reasons put forward by councils for not participating in national or sector contracts were as follows:

- The council or an ALEO provides the service directly, for example City Building in Glasgow.
- The council is tied to an existing contract and would incur penalties if they withdrew.

- There is little or no demand for the particular service in the council area.
- No suppliers came forward in the national tender exercise for a particular council area. This is a particular issue for islands councils, although it affects other councils too.
- The council has a specific focus on community benefit and has opted for a local supplier not included in the national contract.
- The council has identified a local supplier who can provide a better combination of price and quality than in the national contract.

61. In 2012/13, 23 councils reported savings of £6.5 million on spending of £250 million on Scotland Excel contracts. Councils could make greater savings if they all made better use of Scotland Excel contracts. We calculated that councils could make additional savings of £4.9 million if they used all of the available contracts at a similar level of spending to the ones they currently use. However, for the reasons outlined in [paragraph 60](#), this method of calculation is likely to overstate the achievable savings.²⁴

62. Scotland Excel believes there is significant scope for more collaborative contracts and greater savings. However, the complexities involved in setting up collaborative contracts mean it is not possible at present to estimate the savings that might be available. Scotland Excel and Scottish Government collaborative contracts currently account for 9.3 per cent of council spend, while collaborative spend is 34 per cent for the NHS and 28 per cent for further and higher education. However, collaborative procurement has a considerably longer history in the health sector and smaller ranges of goods and services are purchased in both sectors.

Councils are relying on procurement to generate savings to meet budget pressures

63. Councils have identified procurement as a source of significant savings. During 2013/14, 23 councils reported that they are planning to make £27 million of savings from procurement, representing 13 per cent of their overall savings targets. Targets set by individual councils vary from 0 per cent of their overall savings target (East Ayrshire, Orkney Islands and Stirling Councils) to 100 per cent (Comhairle nan Eilean Siar). The City of Edinburgh Council's four-year budget is heavily dependent on improved procurement delivering recurring annual savings of £41 million by 2017/18. However, as only a small number of councils set savings targets for more than a year in advance, it is not possible to make a reasonable estimate of the expected contribution of procurement savings beyond 2013/14.²⁵

64. In some cases, councils may have already achieved the savings available through collaboration, and saving money when renewing contracts will become more difficult. Because of this, the focus of high-performing councils is changing. It is now on making savings through improved market research, cost avoidance (avoiding buying unnecessary items) and improving how they manage contracts, rather than relying purely on competition in the bidding process.

Recommendations

Scotland Excel should:

- set realistic timescales for contract development, particularly in new areas of contracting.

Council staff involved in procurement should:

- engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts
- use the Public Contracts Scotland tender module for all applicable contracts
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement
- make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements.

Councils should:

- require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis.
-

Part 3

How councils are performing



Key messages

- 1** Councils and Scotland Excel have used the Procurement Capability Assessment process to improve procurement practice. All councils have improved their procurement capability since 2009; however, the average assessment score has reached only 56 per cent. The rate of improvement varies among councils and some need to improve more quickly. Councils that invest in qualified improvement staff and improved systems can both improve service quality and achieve financial savings.
- 2** Councils have increased the proportion of spend covered by contracts and are using IT to reduce the risk of fraud and error and improve performance information, but there is scope for improvement.
- 3** Savings of £9 million are possible by replacing paper-based systems with 'purchase to pay' compliant ICT systems.

The Procurement Capability Assessment is a reliable process that focuses on improving procurement practice

65. The Scottish Government introduced the Procurement Capability Assessment (PCA) to help public bodies improve their procurement structures, capability, processes and performance, and to achieve the best procurement standards. The aim of the PCA is to assess procurement capability in important areas against common criteria and standards and to help councils continuously improve. The PCA process involves an annual assessment visit by Scotland Excel staff. To facilitate the process, councils can provide evidence to Scotland Excel in advance of the formal assessment.

66. We examined Scotland Excel's PCA process and concluded that it effectively assesses councils' procurement arrangements. Scotland Excel employ experienced and knowledgeable assessors and they challenge councils' evidence appropriately. The PCA is accepted by councils as a demanding but worthwhile exercise.

67. The PCA uses 52 questions in eight sections ([Exhibit 4, page 29](#)) to assess councils' capability. For each question, Scotland Excel rates councils' capability from level 0 to level 3 and calculates a percentage score for each section and an overall percentage. Ratings are:

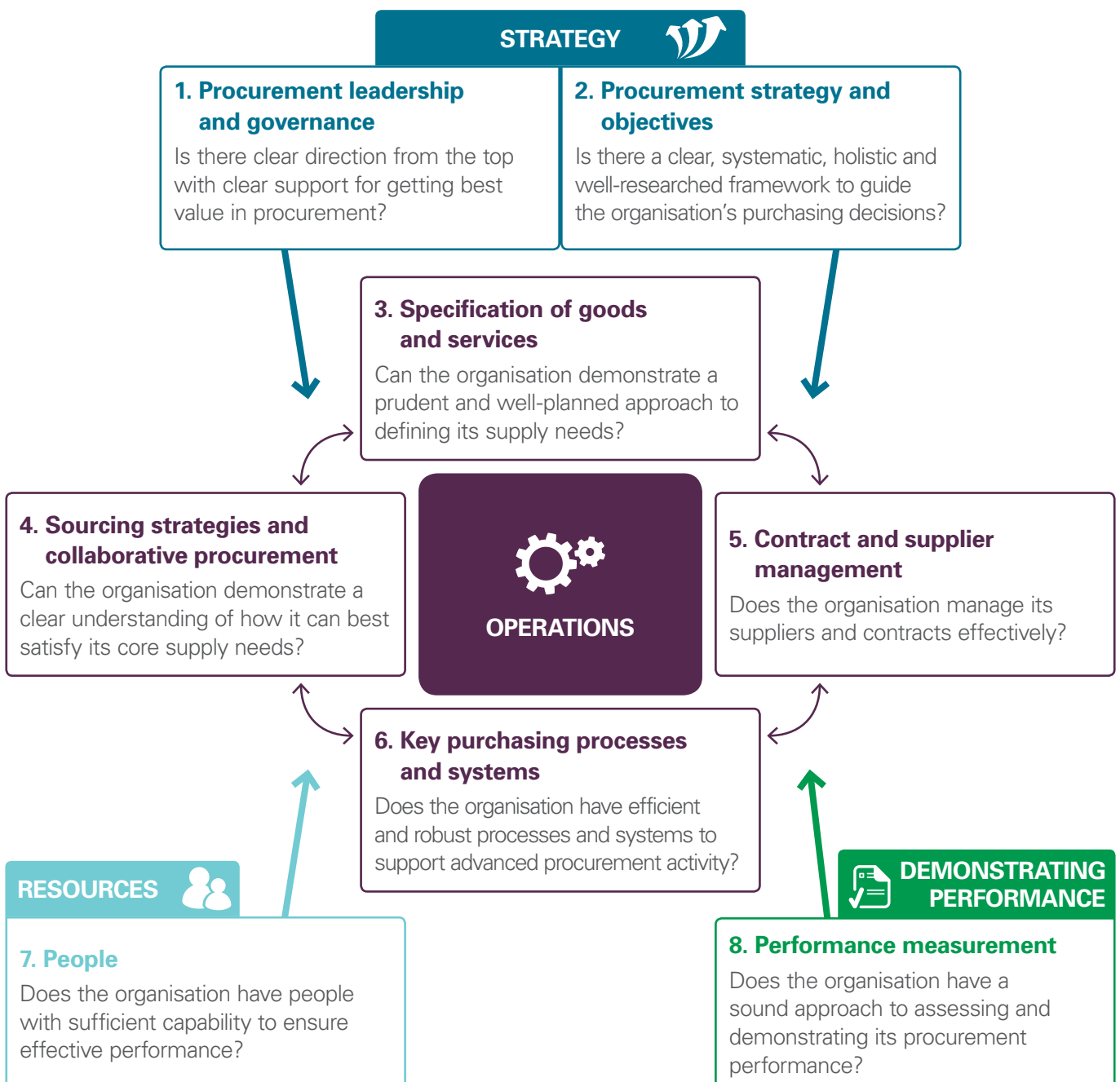
all councils have improved their procurement capability, but some councils need to improve more quickly

- 0–24 per cent – non-compliance
- 25–49 percent – compliance
- 50–74 per cent – improved performance
- 75 per cent or over – superior performance.

Exhibit 4

The Procurement Capability Assessment

The Procurement Capability Assessment tool involves systematically reviewing purchasing strategy, operations, resources and performance in eight sections.



Source: Scottish Government

68. Scotland Excel uses the results of PCAs and feedback from councils to help councils identify where they have not implemented good improvement practice and target improvement activity. Fieldwork councils told us that reporting PCA assessments to elected members (generally through a council committee) was helpful and led to a greater focus on improving procurement. All fieldwork councils had developed improvement plans in response to their assessment.

69. The chief executives and senior managers we interviewed said they found Scotland Excel's presentations to council management teams particularly valuable in providing an overview of their council's procurement challenges and identifying where the council needed to improve. Procurement managers also valued workshops that Scotland Excel held after completing PCA assessments.

70. Scotland Excel carried out customer satisfaction surveys for the first time in 2013. This involved surveying procurement leads, other procurement and technical contacts and chief executives. All surveys provided positive feedback, but also highlighted a small number of areas where Scotland Excel could improve, for example reporting progress on contract delivery, price stability within contract terms and the focus on sustainability in contracts.

71. When councils created Scotland Excel, the Scottish Government gave it a grant of £4.5 million to fund its set-up costs and procurement reform activities. At March 2013, £1.2 million remained, which Scotland Excel intends to continue to use to fund procurement reform activities, including the PCA. At current spending rates, these funds will run out in two to three years. Scotland Excel is reviewing options for long-term funding of reform activity, for example through secondments, central government funding or through charges. Introducing charges may be a challenge in the current economic climate.

Between 2009 and 2013, average council PCA scores improved from 22 per cent to 56 per cent; improvement rates vary and some councils need to improve more quickly




72. Our analysis of councils' PCA results between 2009 and 2013 indicates a general trend of councils improving their procurement performance. Between 2009 and 2013, average council PCA scores increased from a low base of 22 per cent to 56 per cent ([Exhibit 5, page 31](#)).


73. Although councils have improved in all PCA sections, progress has been slow in contract management, key purchasing processes and systems, and performance measurement where average scores remain at or below 40 per cent. Councils and Scotland Excel reported that it is more difficult to improve in these areas as improvement in contract and supplier management requires a culture change across the entire council. Changes in purchasing systems and processes generally require significant investment in ICT systems, which can be expensive and take time to implement.

74. There are significant differences between the highest- and lowest-performing councils in the PCA ([Exhibit 6, page 32](#)). Renfrewshire was the highest-performing council in 2013, scoring 80 per cent, and is the only council in the 'superior performance' category. Twenty-seven councils achieved 'improved performance' (50–74 per cent) and four councils were in the 'conformance' category (25–49 per cent). Orkney Islands Council was lowest at 31 per cent.

Exhibit 5**Overall changes in Procurement Capability Assessment areas between 2009 and 2013**


Councils have improved in all areas but significant improvement is still required.

Procurement Capability Assessment section	Average council score (%)				
	2009	2010	2011	2012	2013
Procurement leadership and governance	 25	 38	 48	 58	 63
Procurement strategy and objectives	 31	 43	 58	 64	 73
Defining the supply need	 13	 23	 30	 45	 54
Commodity/project strategies and collaborative procurement	 25	 32	 40	 53	 61
Contract and supplier management	 14	 18	 24	 33	 39
Key purchasing processes and systems	 26	 37	 39	 38	 40
People	 25	 39	 49	 58	 71
Performance measurement	 22	 22	 34	 39	 50
Overall score	 22	 32	 40	 48	 56


Non-compliance
 0–24 per cent


Compliant
 25–49 per cent


Improved performance
 50–74 per cent


Superior performance
 75–100 per cent

Source: Scotland Excel

75. The rate of improvement also varied among councils. Some, such as Renfrewshire, South Lanarkshire and Inverclyde, have improved significantly. But progress has been slower in some larger councils that performed well in the early years of the PCA, for example Aberdeen City, Aberdeenshire, City of Edinburgh, Glasgow City and Highland. Four councils have still not yet achieved the ‘improved performance’ target level set by the PPRB (Clackmannanshire, East Dunbartonshire, Orkney Islands and Shetland Islands).

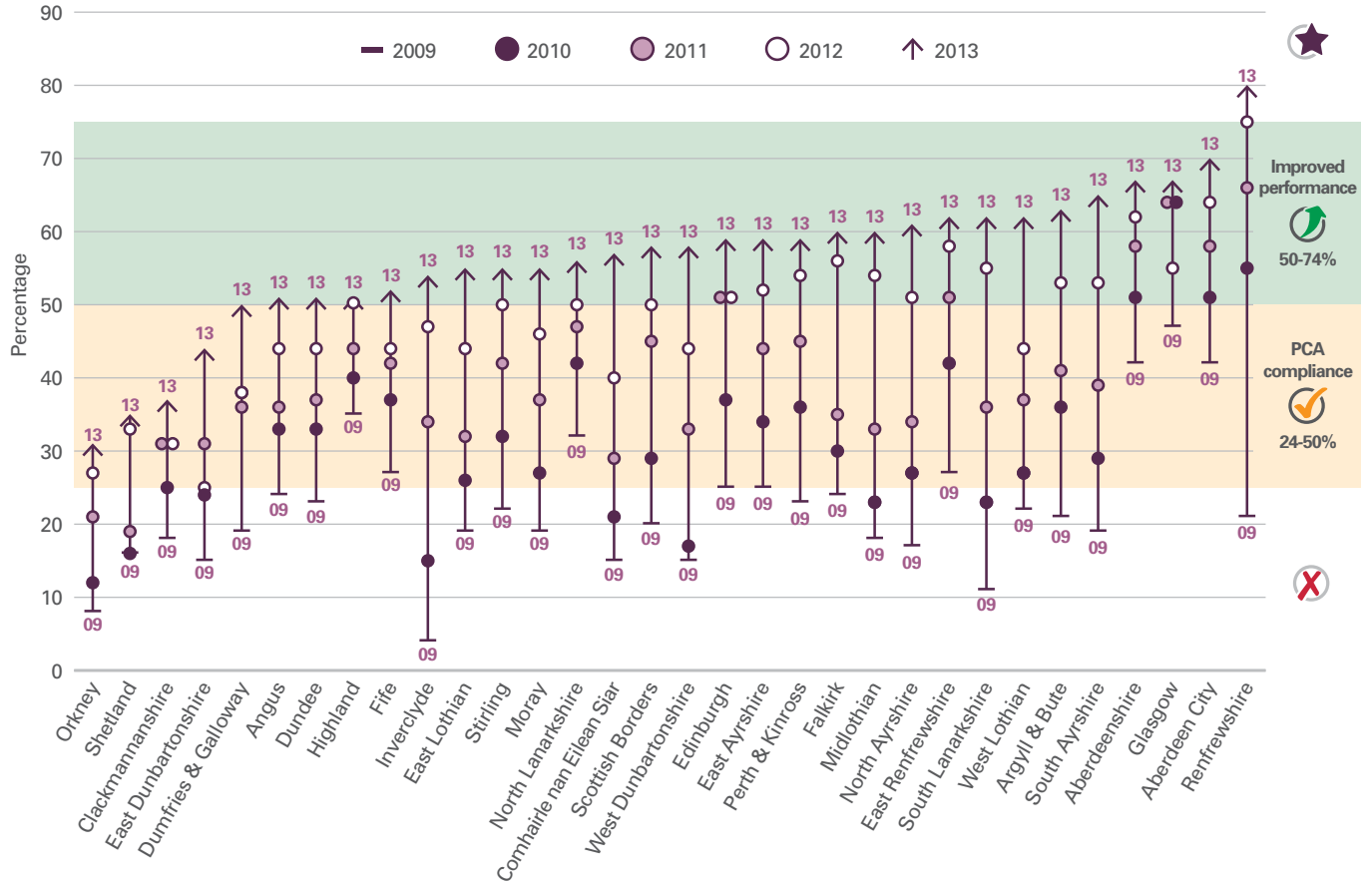
Larger councils perform better in the PCA, but smaller councils are catching up

76. Larger councils tend to score more highly in the PCA and there is a statistically significant correlation between PCA score and council size, (measured in terms of population or procurement spend). Some councils, such as Comhairle nan Eilean Siar and Renfrewshire, perform better than other councils of their size ([Exhibit 7, page 32](#)). ([Exhibit 8, page 33](#)) describes how these councils have invested in procurement and improved their performance. The strength of the link between council size and PCA scores has fallen since 2011, which indicates that smaller councils are catching up.

Exhibit 6

Changes in Procurement Capability Assessments 2009–13

Most councils have made improvements although their rate of progress varies significantly.

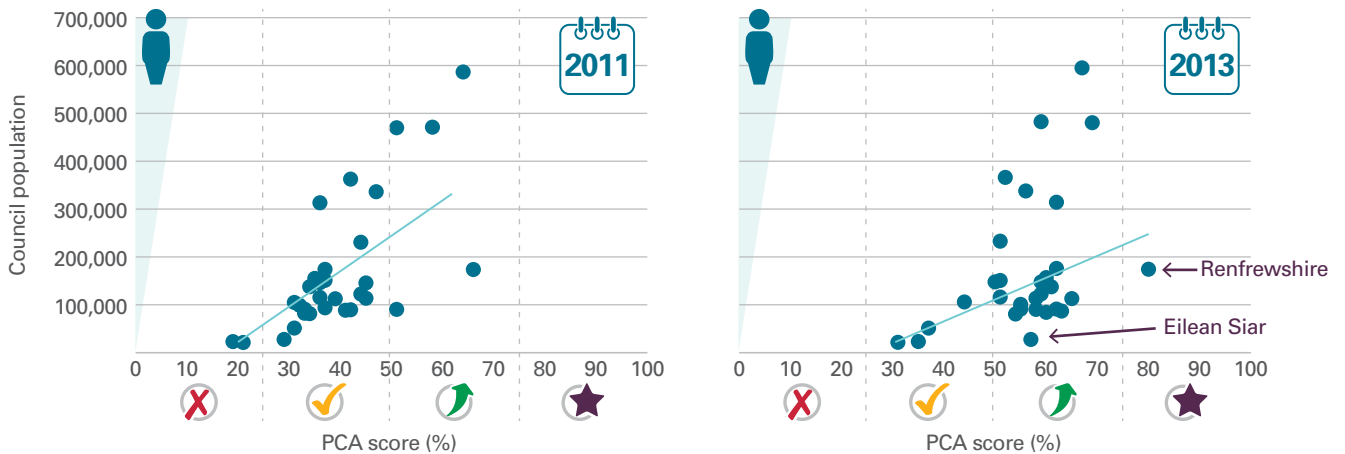


Note: Scotland Excel did not undertake the PCA in Dumfries and Galloway in 2010.
Source: Scotland Excel

Exhibit 7

Variation in PCA score against council size

Larger councils tend to score more highly in the PCA although the correlation between council size and PCA score is decreasing over time as smaller councils improve.



Source: Scotland Excel

Exhibit 8

Good practice examples of investing in staff to improve procurement performance

Renfrewshire Council

Renfrewshire is the highest-scoring council in the PCA. It attributes the improvement in its PCA score from 21 per cent in 2009 to 80 per cent in 2013 to the following factors:

- Visible and continuing support from the corporate management team and council members.
- The recruitment of a head of procurement with sufficient status within the organisation and leadership skills to develop the procurement function.
- Investment in qualified procurement staff over a period. This included:
 - In year 1 – three new procurement staff (in addition to the head of procurement).
 - In year 2 – seven new procurement staff, plus a change management team (consisting of three staff plus a project manager), plus some additional staff working within service teams.
 - Additional staff costs were £213,000 in year 1 and £300,000 in year 2.

A well-resourced procurement unit, which takes an active role in all areas of the council, can also significantly improve procurement performance. The council reported savings of £1.6 million in 2009/10, £6.9 million in 2010/11, £4.1 million in 2011/12 and £5.6 million in 2012/13.

Comhairle nan Eilean Siar

Comhairle nan Eilean Siar attributes the improvement in its PCA score from 15 per cent in 2009 to 57 per cent in 2013 to the following factors:

- Meetings between the senior stakeholders and Scotland Excel staff secured corporate commitment to improving procurement.
- A head of service to spend 50 per cent of time working in procurement, plus the refocusing of resources within the purchasing team to enable the establishment of a new procurement officer.
- The council established a procurement steering group consisting of three directors and three heads of service. This group approves all procurement strategies, specifications and contracts, and has raised the profile of procurement across the council.
- A procurement checklist for all contracts ensures that processes are followed and sets contract outcomes are set. This fosters a corporate approach to procurement and helps mitigate procurement risks.
- The council has a focus on bringing off-contract spend under contract and on reducing maverick spend.
- It has established a procurement training programme for managers, which 120 staff have completed to date.
- Investment in and the enforcement of the use of electronic procurement systems across the council.

Note: Maverick spend is where someone in the council purchases goods or services from a non-contracted supplier where the council already has a contract for those goods or services.

Source: Renfrewshire Council, Comhairle nan Eilean Siar

77. The impact of council size on the PCA depends on the area examined. Economies of scale appear most significant in purchasing systems and processes and defining the supply need, and least significant in the areas of people and commodity/project strategies and collaborative procurement.²⁶

78. Collaborative contracts have helped smaller councils to benefit from economies of scale and bring down the cost of some goods and services. They have also helped reduce procurement teams' workloads. But councils still need to contribute to Scotland Excel user groups to ensure that contracts meet their needs.

79. Another way for councils to achieve economies of scale is through joint working. This helps smaller councils to achieve economies of scale and local collaboration. Apart from Scotland Excel there are two formal examples of joint working among Scottish councils:

- The Tayside Procurement Consortium was launched in November 2007 as a shared service for Angus, Dundee City and Perth & Kinross Councils, in association with Tayside Contracts, to develop joint procurement. It comprises a central procurement unit based in Dundee together with procurement teams within the partner authorities.
- Aberdeen City and Aberdeenshire councils operate a fully shared procurement service. This enables collaboration across the councils and ensures consistency, economies of scale, and the best use of resources.

Councils with more qualified staff tend to perform better in the PCA

80. In 2012/13, councils spent £14 million on central procurement staffing. This varies significantly from £56,000 in Clackmannanshire to £1.5 million in Glasgow. Staffing levels varied considerably among councils, both in terms of numbers of staff and staff per procurement spend. Councils with higher levels of Chartered Institute of Purchasing and Supply (CIPS) qualified staff relative to procurement expenditure tended to have higher overall PCA scores, although there are exceptions.²⁷

81. The McClelland report identified a shortage of skilled purchasing staff in the Scottish public sector. Since then many councils have encouraged staff to undertake CIPS training. Currently there are 133 CIPS qualified staff and 67 trainees in Scottish councils. However, councils and Scotland Excel believe shortages of skilled purchasing staff remain, and that there is a limited pool of experienced purchasing staff in the public sector from which to draw. As the economy improves, there is a risk that councils will lose qualified staff to other public sector organisations and the private sector, where salaries are higher.

82. A council's ability to properly plan and manage procurement will depend on having enough qualified staff available to do the work, with even the smallest council requiring a team of staff. Above a minimum number, the staff required will increase depending on the scale and complexity of procurement spend. Significant investment in qualified staff has helped Renfrewshire Council to become the only council to achieve superior performance in the PCA and significant financial savings. Comhairle nan Eilean Siar, one of the smallest councils, has also achieved significant improvements ([Exhibit 8, page 33](#)).

Developing a council-wide approach to procuring particular goods and services can improve purchasing effectiveness

83. In addition to developing an overall strategy, it is also important that councils develop a strategy for purchasing in a particular service, for example social care or construction or for purchasing particular commodities used across the council, for example vehicles. Such strategies can lead to more consistent and better coordinated purchasing across the council. PCA evidence indicates that less than a third of councils perform well in this area with strategies accounting for:

- less than 50 per cent of procurement spend in nine councils
- 50–70 per cent of spend in 12 councils
- over 70 per cent of spend in five councils (Argyll & Bute, East Renfrewshire, North Ayrshire, North Lanarkshire and West Lothian)
- over 90 per cent of spend in five councils (East Lothian, Falkirk, Midlothian, Renfrewshire and Scottish Borders).

84. In some councils, the central procurement team is responsible for all procurement activity. In others, service departments, particularly social work and construction, have considerable autonomy. To ensure a consistent approach and minimise risk, it is important that the central procurement team has an influence over all council spend. For example, in Renfrewshire Council category managers are physically located in services. Working together in this manner ensures that services have access to both procurement and service-specific expertise and can improve service quality and reduce costs. Some councils also have special arrangements to ensure scrutiny of high-risk, high-value contracts ([Exhibit 9](#)).

Exhibit 9

Good practice example of taking a corporate approach to ensure contract quality

South Lanarkshire – arrangements for managing high-risk, high-value contracts

South Lanarkshire council uses a risk-scoring matrix to identify high-risk contracts. Procurement staff examine and score every contract based on the financial, reputational, service delivery and compliance risks, the complexity of what they are purchasing and the complexity of the procurement process. Procurement managers score each aspect of the contract on a scale of one to three, with definitions available for each score.

Where necessary, senior managers establish independent scrutiny groups to assess procurements classified as high-risk. These groups consist of a range of officers representing departments of the council, and procurement, legal services, finance and audit. They sign off each stage of the procurement (business case and options, specification and evaluation and the award process) and present their findings to the Corporate management team of the council.

Source: South Lanarkshire Council

Councils have increased the proportion of spend covered by contracts

85. It is good procurement practice to obtain goods and services through contracts. Contracts give councils a clear understanding of what they are buying and at what price. Councils can use contract registers to aggregate spending for particular goods or services across the whole council (or public sector) to bring about economies of scale and ensure value for money.²⁸

86. To reduce inefficient spending, council staff need to know which contracts to use to buy goods and services. The procurement team can play an important role in ensuring that staff are able to do this and to monitor spending to ensure it is in line with council policy and meets service requirements.

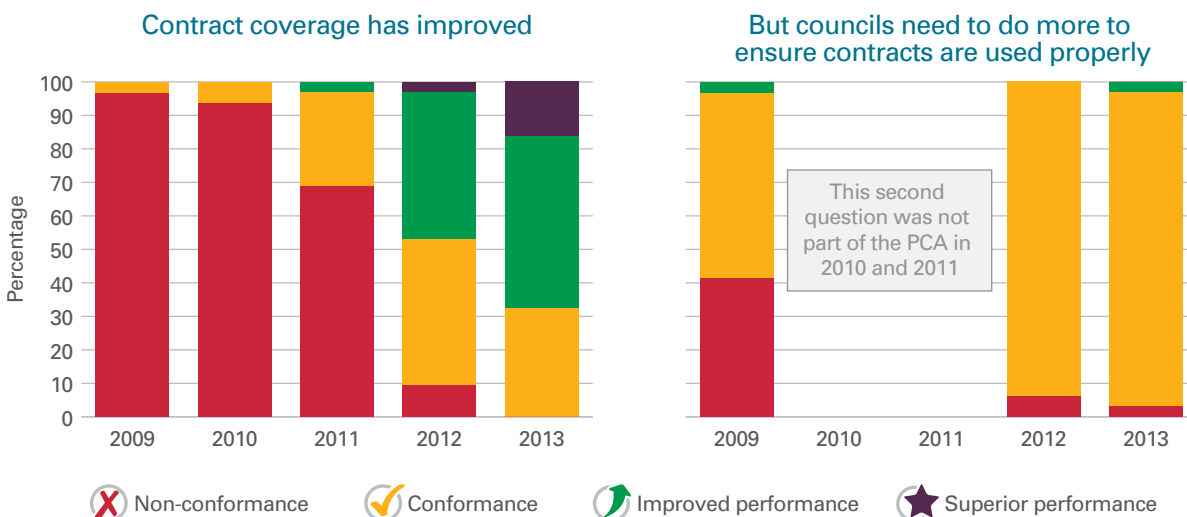
87. The councils we assessed in our fieldwork made good use of contract registers to identify areas for improvement, for example to identify regular off-contract spend. They used the registers to plan contracts coming up for renewal or retendering within a certain period. The 25 who could supply information in our survey reported that their total off-contract spend was about £704 million.

88. We asked councils to provide us with details of their three highest value areas of off-contract spend. Most of this spending (totalling £194 million) was in social work (60 per cent), land and environment (4 per cent), education (5 per cent) and roads (4 per cent).

89. The PCA covers how councils manage off-contract spend and control of maverick spend (spend outside of approved contracts) ([Exhibit 10](#)). Most councils have improved their contract coverage since 2009 – over half of councils are in the improved performance category (over 70 per cent of spend is covered by strategies) or superior performance category (over 70 per cent of spend is covered by contracts). Most councils still need to do more to ensure staff use contracted suppliers. Almost all councils are still in the conformance category and no councils are in the superior performance category.²⁹

Exhibit 10

PCA scores for contract coverage and ensuring councils use contracts properly



Source: Scotland Excel

Councils are using IT to reduce the risk of fraud and error and improve performance information, but there is scope for improvement

90. Before the McClelland report, procurement and purchasing systems were seen as separate functions from finance and accounting. ICT systems reflected this split. The absence of joined-up processes and detailed council-wide reporting of procurement spending meant that there was little opportunity to generate efficiencies. Councils can now generate significant procurement efficiencies by implementing integrated 'purchase to pay' systems (P2P) ([Exhibit 11](#)).

Exhibit 11

Advantages of 'purchase to pay' systems

'Purchase to pay' systems bring about significant efficiencies and reduce risks.

Advantages of 'purchase to pay' systems (P2P)

P2P is the process that covers requesting, purchasing, receiving, paying and accounting for goods and services. It is often associated with the technology that supports it, such as e-procurement.

P2P helps councils manage procurement more effectively:

- End-to-end automated processes reduce costs and the risks of fraud and error.
- They bring about a council-wide view of the goods and services provided by each supplier allowing a council to manage more effectively supplier relationships.
- They allow procurement staff to look at spending across the whole council, allowing them to monitor compliance with contract processes and adherence to council policies.
- They create opportunities for closer collaboration with suppliers on initiatives such as demand planning and forecasting.

Source: Audit Scotland

91. Our survey gathered information about the number and value of invoices processed through councils' paper and computerised payment systems. Seventeen councils used some paper-based procurement systems and one council, Clackmannanshire, used exclusively paper systems. Overall we found that:

- there were 322,523 transactions through paper-based systems (7.5 per cent) and four million electronic transactions (92.5 per cent)
- £544 million (9 per cent) of spending was through paper systems and £5.5 billion (91 per cent) through electronic systems
- 57 per cent of councils' electronic purchasing systems were fully P2P compliant

- of the transactions through electronic systems, £4.1 billion (75 per cent) of spending was through P2P-compliant systems and £1.4 billion was through non-compliant systems.³⁰

92. Councils tended to use more than one system to manage procurement, with an average of three procurement systems in each council. Councils commonly have separate purchasing systems in roads, construction and social work, although this is not always the case. Some systems provide additional functions such as care planning packages. Having multiple systems does not prevent councils achieving efficiencies, providing their systems can operate effectively together. However, this is not always the case and separate systems create inefficiencies in some councils, for example when records have to be reconciled using spreadsheets.

Savings of £9 million are possible by replacing paper-based systems with P2P compliant systems

93. Scottish Government guidance suggests that invoices processed through P2P systems offer a saving of £28 per invoice compared to paper systems, and £9 compared to on-line ordering with a procurement card. We estimate that savings of £9 million are possible by replacing paper-based systems with P2P-compliant systems. Councils could make further savings if all spending was through P2P-compliant systems. IT systems can also make better performance measurement possible by providing reporting systems and the ability to analyse spending data.³¹

Detected procurement fraud is low but it remains a high-risk area

94. Procurement fraud is any fraud relating to the purchasing of goods and services and can happen before and after a contract award. Examples include price fixing and bid rigging, false or duplicate invoicing, altered payment details and diverted payments and the delivery of inferior products. Detected procurement fraud in Scottish Councils averaged about £200,000 a year over the last three years, less than 0.1 per cent of procurement spend. Examples include fictitious creditors and nurseries claiming for children who have left.

95. Procurement fraud is difficult to detect and measure. Research by the National Fraud Authority and the CIPS among procurement professionals from the private, public and voluntary sectors found that:

- 9.3 per cent confirmed that their organisation had suffered at least one procurement fraud in the last year
- 41 per cent stated 'procurement fraud poses a significant risk to my organisation'
- 41 per cent said that spend on construction is at greatest risk from procurement fraud
- only 29 per cent said their organisation had ever undertaken a fraud risk measurement exercise.³²

96. The survey also found that a perceived lack of accountability and controls enables procurement fraud, and that more visible auditing and fraud awareness could prevent this. Only seven councils asked staff to complete a register of interest statement and only two (Eilean Siar and Midlothian) asked all staff involved in purchasing to complete a statement.

97. The PCA presents a mixed picture of the controls that councils use to minimise fraud risk. It found that most councils had good internal controls and delegation arrangements, backed up by regular internal audit and reporting to the audit committee. Arrangements for managing supply risk and controlling maverick spend were poor.

Most councils have good governance arrangements but there is room for improvement in performance measurement

98. It is important that councils' senior managers and elected members oversee procurement decisions and have clear and accurate information about procurement performance. The councils we visited monitored procurement performance and reported procurement activity, including spend and savings. Member approval was required for all contracts over a certain predetermined limit.

99. In our fieldwork we found various committee structures in place to oversee procurement, with one council (Renfrewshire) having a dedicated procurement subcommittee. The level of detail presented to members about tendering processes and contract selection varied among councils.

100. All of the councils we visited reported their PCA scores to committee and all said that this improved the focus on improving procurement. However, the level of council members' knowledge of procurement varied. Given the importance of procurement in terms of financial, service performance and reputational risk, it is important that council members have a good knowledge of procurement rules and their role in the procurement process.

101. The PCA section on leadership and governance had the third-highest average section score in 2013; but councils scored less well on performance measurement. The PCA results showed the following:

- Most councils have defined performance measures but focus largely on financial benefits, with less systematic reporting of performance against other objectives such as community benefits.
- Most councils monitor procurement outcomes on a contract-by-contract basis, but without an overall picture of performance.

102. Better performance measurement would enable councils to improve the transparency of their reporting to committee and improve governance.

Recommendations

Councils and Scotland Excel should:

- review and formalise arrangements to fund procurement reform activity beyond 2016.

Council staff involved in procurement should:

- aim to achieve the superior performance level in the PCA, particularly in relation to:
 - spend covered by agreed commodity/project strategies
 - participation in Scotland Excel contracts
 - automation of procurement and payment processes
 - spend captured in the council's contract register
- develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis.

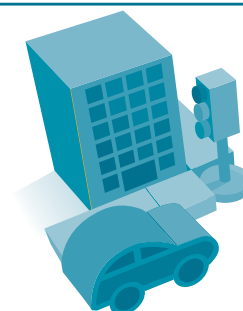
Councils' corporate management teams should:


- benchmark their procurement staffing against similar-sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have low staffing levels
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts
- phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis
- raise staff awareness of accountability and controls by:
 - implementing a written code of ethics
 - requiring staff involved in procurement to complete a register of interest statement
 - require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud.


Councils should:

- encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.
-

Endnotes

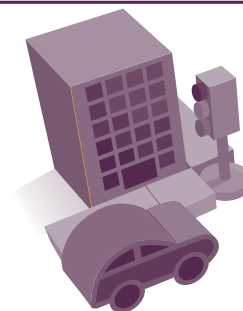


- ◀ 1 Spikes Cavell Analytic Ltd operate the Hub; users know it as the Spikes Cavell database.
- ◀ 2 SMEs are businesses with fewer than 250 employees.
- ◀ 3 The sectors are central government; universities and colleges; the NHS; and local government.
- ◀ 4 *Review of Scottish public sector procurement in construction*, Scottish Government, October 2013.
- ◀ 5 A framework is an agreement with suppliers to establish the terms that will govern contracts that may be awarded during the life of the agreement. The framework does not have to be a contract. However, where it is a contract it is treated like any other contract, and the EU procurement rules apply.
- ◀ 6 Each joint venture company is referred to as a 'hubCo' – these are not related to the Scottish Procurement Information Hub, mentioned elsewhere in this report.
- ◀ 7 For the purposes of this audit, we have focused on core trade spend. This is spend with suppliers with whom over £1,000 has been spent in a 12-month period, that have also been classed as a trading organisation or as a non-trade social care provider.
- ◀ 8 [Arm's-length external organisations \(ALEOs\): are you getting it right \(PDF\)](#)  Audit Scotland, June 2011.
- ◀ 9 Glasgow City Council spend includes ALEO procurement spend.
- ◀ 10 In the Efficient Government Initiative, the Scottish Government expects every public body to deliver efficiency savings of at least three per cent per annum during the course of the current Spending Review (2011/12 to 2014/15) and to report publicly on the actions undertaken and the results achieved.
- ◀ 11 *Scottish Publicly Funded Sectors: Procurement Benefits Reporting Guidance*, Scottish Government, November 2012.
- ◀ 12 *The Scottish Sustainable Procurement Action Plan for Scotland*, Scottish Government, October 2009.
- ◀ 13 *Local Procurement: Making the most of small businesses, one year on: Scotland Report*, Centre for Local Economic Strategies, July 2013.
- ◀ 14 *Local procurement – Making the most of small businesses*, Federation of Small Businesses, July 2012.
- ◀ 15 Shetland Islands Council have not been trained to use PCS tender and Shetland Islands Council and East Dunbartonshire Council have not used the PCS tender site.
- ◀ 16 Off contract spend is procurement spending with suppliers that is not covered by a contract. The figure quoted is from 21 councils.
- ◀ 17 Council spending and Tayside contracts.
- ◀ 18 *Three Year Business Plan 2012-15*, Scotland Excel, February 2012.
- ◀ 19 The January 2015 date for the adult supported living contract is under review.
- ◀ 20 Not all councils could provide local collaborative savings data. The figure quoted is from 13 councils.
- ◀ 21 Not all councils could provide local savings data. The figure quoted is from 24 councils.
- ◀ 22 A framework is an agreement with suppliers to establish the terms that will govern contracts that may be awarded during the life of the agreement. The framework does not have to be a contract. However, where it is a contract it is treated like any other contract, and the EU procurement rules apply.

- ◀ 23 All the councils we visited based their procurement documentation on the 'procurement journey', a complete set of documentation compiled by the Scottish Government and available on its website.
- ◀ 24 We made a number of assumptions in calculating these savings. Only total spend was analysed. We could not determine from the available data the individual contracts that each council used or the level of spend attributable to each contract. We calculated the estimated savings from councils using all available contracts by using estimated total spend and savings to calculate a 'savings rate' per council and applying this to actual spend. This was then pro-rated to the number of contracts each council used and adjusted upwards. This method does not take into account the contracts that each council currently uses or variation of demand from each council.
- ◀ 25 [The Audit of Best Value and Community Planning, The City of Edinburgh Council \(PDF\)](#)  Audit Scotland, May 2013.
- ◀ 26 There were statistically significant correlations between council population and purchasing systems and processes scores ($r^2 = 0.40$) and defining the supply need ($r^2 = 0.42$). Scores in the areas of people ($r^2 = 0.08$) and commodity/project strategies and collaborative procurement ($r^2 = -0.5$) were not statistically significant. The strength of the correlation between council population and overall PCA score fell between 2011 and 2013 (from $r^2 = 0.65$ to 0.38).
- ◀ 27 There was a statistically significant correlation between CIPS qualified staffing levels and PCA score ($r^2 = 0.36$).
- ◀ 28 A contract register will usually include the contract name, supplier name, contract start and end dates, total value, annual value, basic savings data, the level of contract management required, contract manager and procurement route (ie, whether it is a national, Scotland Excel or local contract).
- ◀ 29 We have based the exhibit on PCA questions: '5.2 Does the organisation have a clear understanding of its contract coverage?' and '5.1 How does the organisation ensure that contracts are being used?'
- ◀ 30 The total value of invoices is greater than the £5.4 billion included in [Exhibit 1](#) for several reasons: Hub core trade spend excludes annual spend of less than £1,000 with an individual supplier, payments to individuals, grants to organisations and some ALEO spend. In addition Edinburgh City Council's Hub return excluded over £300 million of relevant data.
- ◀ 31 *Scottish Publicly Funded Sectors, Procurement Benefits Reporting Guidance*, Scottish Government 2012.
- ◀ 32 *Annual Fraud Indicator*, National Fraud Authority, March 2012.

Appendix 1

Audit approach



The audit looked at the performance of councils and Scotland Excel. It did not examine procurement by any arm's-length bodies set up by councils to provide services. We did not evaluate activities outside local government such as the operation of Public Contracts Scotland or the wider work of the Public Procurement Reform Board.

Methodology

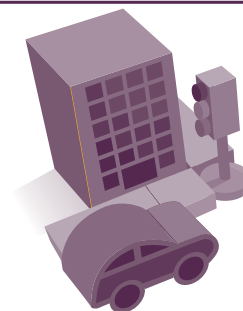
We used a range of approaches to address the aim and objectives of the audit, including document reviews, data analysis and interviews. The audit had three main components:

- **Desk research** – we reviewed a range of relevant written material on procurement, including council strategies and budgets, spending analysis, savings estimates and reports. We also looked at examples of good procurement practice by councils and reports on procurement by other audit agencies such as the National Audit Office.
- **Data analysis and surveys** – we analysed information on procurement spending including data from the Scottish Procurement Information Hub.¹ We analysed PCA results to show councils' progress in improving their procurement processes. We surveyed all 32 councils to collect information about procurement, including:
 - policies
 - staff numbers
 - consulting service users
 - spending data, including savings generated by improved procurement
 - use of information technology to streamline procurement processes.
- **Interviews with relevant public bodies and stakeholders** – we visited six councils (Aberdeenshire, Dundee City, Eilean Siar, Fife, Renfrewshire and South Lanarkshire) to look at how they manage procurement and collect qualitative information. We selected the sample so that it included large, small, urban and rural councils and reflected different levels of procurement capability. We also interviewed representatives from organisations including the Scottish Government and Scotland Excel. We also spoke to private sector organisations such as the Scottish Chambers of Commerce and the Federation of Small Businesses and third sector organisations such as the Scottish Council for Voluntary Organisations. We did this to seek their views on the effect of public sector procurement practice on local economies, including small to medium enterprises.

¹ Also known as the Spikes Cavell database. This provides extensive spending, supplier and contract data for public sector procurement in Scotland. The database draws on spending information provided by about 200 public bodies and the Scottish Government pays for its operation centrally. The database also provides a range of useful tools to enable users to analyse their own spending and spending across the public sector.

Appendix 2

Membership of the project advisory group



Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Position
Liz Cameron	Chief Executive, Scottish Chambers of Commerce
Dorothy Cowie	Director, Scotland Excel
John Downie	Director of Public Affairs, Scottish Council for Voluntary Organisations
Ian Howie	Deputy Director, Scottish Government procurement team
Ian Lorimer	Head of Finance, Angus Council
David Martin	Chief Executive, Renfrewshire Council
Angela Salmons	Corporate Procurement Manager, West Dunbartonshire Council
Julie Welsh	Head of Procurement and Business Support, Renfrewshire Council

Note: Members of the advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Procurement in councils

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REPORT TO: Audit and Governance Committee
MEETING DATE: 18 November 2014
BY: Director of Health and Social Care Partnership
SUBJECT: Self Directed Support (Audit Scotland, June 2014)

8

1 PURPOSE

- 1.1 To provide the Audit & Governance Committee with a summary of the Audit Scotland report, 'Self Directed Support'.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit & Governance Committee notes the report and the two supplements.

3 BACKGROUND

- 3.1 The Self Directed Support (Scotland) Act 2013 was introduced in April 2014. The Act ensures the right for individuals to have greater choice and control over their support and promotes a shift towards support which is outcome based.
- 3.2 Audit Scotland published 'Self Directed Support' in June 2014. The report highlighted the substantial amount of work that councils still need to do to implement Self Directed Support (SDS) and the need for effective leadership from senior managers and councillors to support the cultural and practical changes.
- 3.3 The report highlighted a number of recommendations for councils:
- Councils should ensure that they have a clear plan and effective arrangements for managing the risks to successfully implementing SDS. They should monitor the risks regularly, and keep councillors and senior managers informed of progress
 - Financial plans should indicate how money will be allocated to pay for support for everyone who is eligible as demand for services increases. The plans should also include how and when to stop

spending on existing services if too few people choose to use them and plans to develop and invest in new forms of support for people with social care needs.

- Assess and report on the short and long term risks and benefits of the way they have chosen to allocate money to support individuals. Councils should monitor and report on budgets and spending on social care services
- The council should adopt a more co productive approach with people who need support, their carers and their families, providers and communities, to involve them in planning, agreeing and implementing SDS strategies. As part of the assessment process it should be explained what SDS may mean for them and to help them think creatively about what services would have the most positive impact on their lives.
- People who need support, their carers and families, third and private sector providers, local businesses and communities develop a strategy for what social carer services and support will be available to people in the future.

3.4 The report also contained two supplements – issues for councillors and self assessment checklist for council officers. The issues for councillors sets out some issues councillors may wish to consider in relation to implementation and progress of SDS. The checklist for officers provides an opportunity to reflect on progress on implementing SDS. It will also support officers to identify what actions need to be taken.

The East Lothian position

3.5 Within Children's and Adults Wellbeing there are 2 implementation groups which oversee the progress and implementation of SDS. The lead officer for the council is Trish Leddy (Adult Wellbeing). SDS will continue to underpin all council strategies.

Children's Well Being

3.6 Children's Wellbeing has adopted a phased approach to implementing SDS and have prioritised implementation for children and young people with a disability. Progress has been made in the areas of co-production with families and partner agencies, assessment, support planning and the development of a resource allocation system. Future priorities include implementing the resource allocation system, commissioning and exploring opportunities for implementation of SDS across the service.

Adult Well Being

3.7 Since April 2014 SDS assessments have been offered to all community care clients who present as new referrals or require a review. There has been a robust training programme in place for front line staff which consisted of five modules. Phase 2 of the training programme is being finalised.

- 3.8 Prior to implementation we hosted a number of stakeholder events to discuss how we proposed to implement SDS. In addition we have hosted 8 engagement events which attracted people who use services, parents/carers and the third sector. The purpose of these events was to share our approach to SDS, to inform people of the process and support people to be more outcome focussed.
- 3.9 Regular updates on progress have been provided to the AWB management team and the councillor responsible for Health and Social Care.

4 POLICY IMPLICATIONS

- 4.1 Council Officers from CWB and AWB completed Supplement 2 and identified that the following actions need to be taken:

Leadership

Elected members and senior managers will need to embed and promote a shared vision of self directed support.

Embedding a culture across the health and social care partnership that supports the principles of SDS

- Leadership is a critical element having completed phase one of our learning and development plan. Phase one focused on the practical application of the principles underpinning self directed support and the operational systems and process. As part of phase two we are discussing with JIT and Thistle along with other stakeholders LCIL, Housing how we can support 'good conversations' further by developing a leadership programme for frontline managers across health and social care as well as more strategic element.

Operational requirements

- Further development of our approach for in house provider services, OT services, crisis response and telecare.
- Wider implementation across CWB. At present SDS only applies to children and families with a disability

Managing risk

- Considering the interface between Self Directed Support and Adult Protection embedding a risk enablement approach in process and practice.
- Contributing to the national work on Risk enablement. Building on the Lothian's work stream and approach to risk.
- Monitoring budgets and ensuring arrangements for managing budgets promotes choice and service user empowerment.

Financial sustainability

- Having developed an equivalence model RAS, evaluating its effectiveness and reliability to inform budget management.

Co production

- Further stake holder events and communication to inform and promote person centred approaches and self directed support. This includes NHS and the third sector.
- Continued user and carer involvement

Commissioning opportunities

- Working with the independent/ third sector considering how best we can commission for outcomes.
- Supporting the independent sector in East Lothian tackle the issue of recruitment for critical staff to stimulate the market.
- Consider how brokerage models of support, ISFs could support further in developing the offer in East Lothian.
- How strategic commissioning and procurement is addressed in the context of personalisation and the integration of health and social care.

Outcomes

- Further work to identify quantitative and qualitative outcomes.
- A funded place has been requested on the Personal outcomes course funded by Scottish Government and facilitated through Edinburgh university to inform and develop local intelligence further

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 An equalities assessment was completed by the Scottish Government on the SDS Act. East Lothian Council carried out an equalities impact assessment on April 16 2012 and no negative impacts have been found.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – A request for an additional £270,000 (£90,000 CWB and £180,000 AWB) has been submitted to the Scottish Government for SDS transformation resource.
- 6.2 Personnel – A recent service review was completed in AWB and identified the need to change the name of the community care brokers to self directed support brokers and recruit an additional member of staff. This will further support AWB's ability to deliver SDS.

6.3 We may need to consider staffing structures further within Adult Wellbeing to support the ongoing implementation of Self Directed Support.

6.4 Other – not applicable

7 BACKGROUND PAPERS

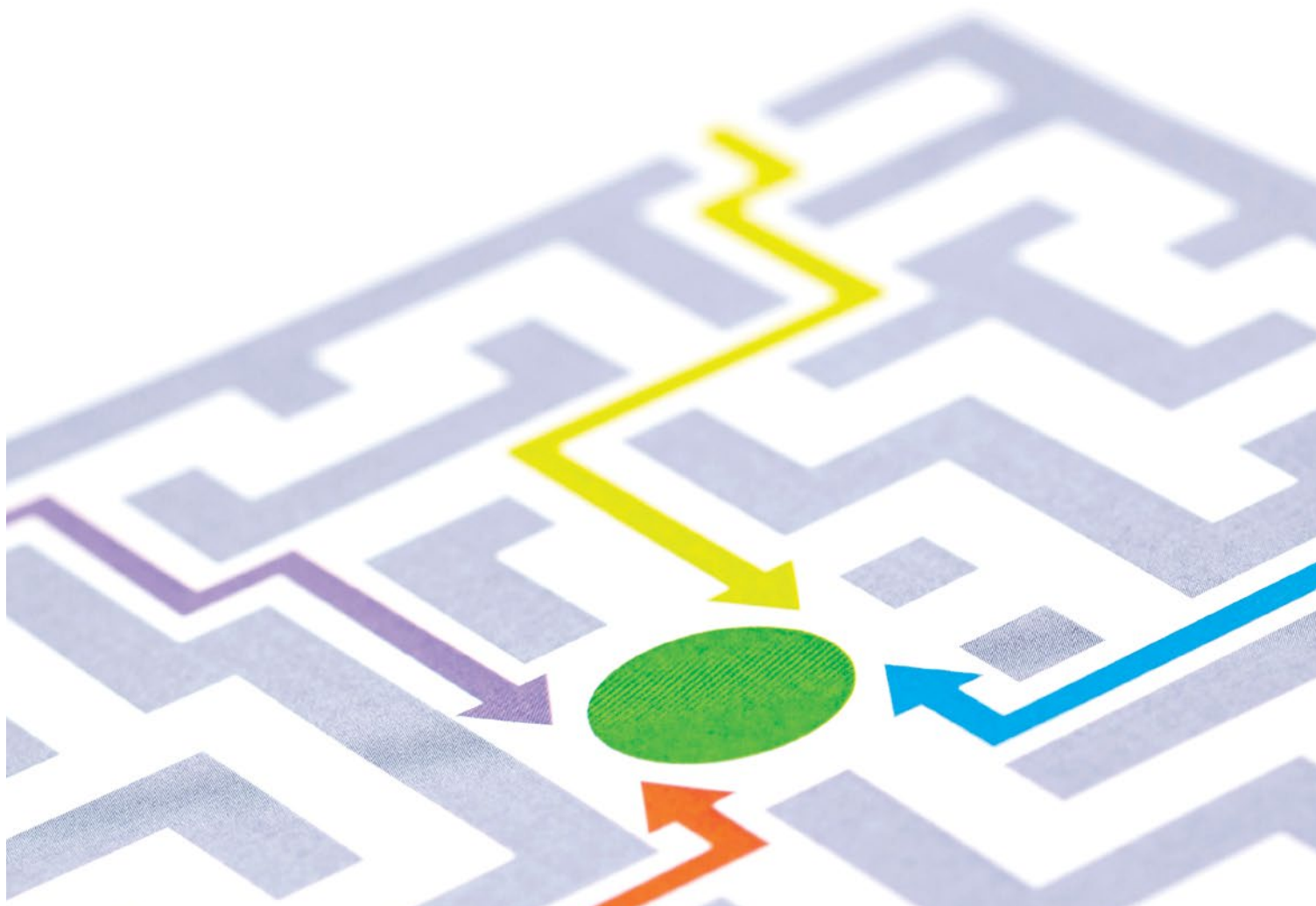
7.1 Self Directed Support; Audit Scotland, June 2014

7.2 Self Directed Support checklist, supplement 1, for councillors

7.3 Self Directed Support checklist, supplement 2, for council officers

AUTHOR'S NAME	Trish Leddy
DESIGNATION	Acting Service Manager Adult Wellbeing
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DATE	07.11.14

Self-directed support



 ACCOUNTS COMMISSION

 AUDITOR GENERAL

Prepared by Audit Scotland
June 2014

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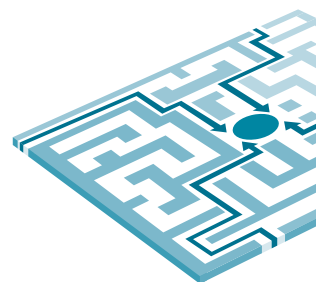
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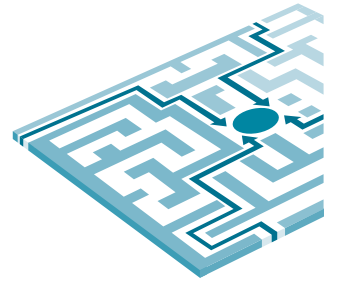
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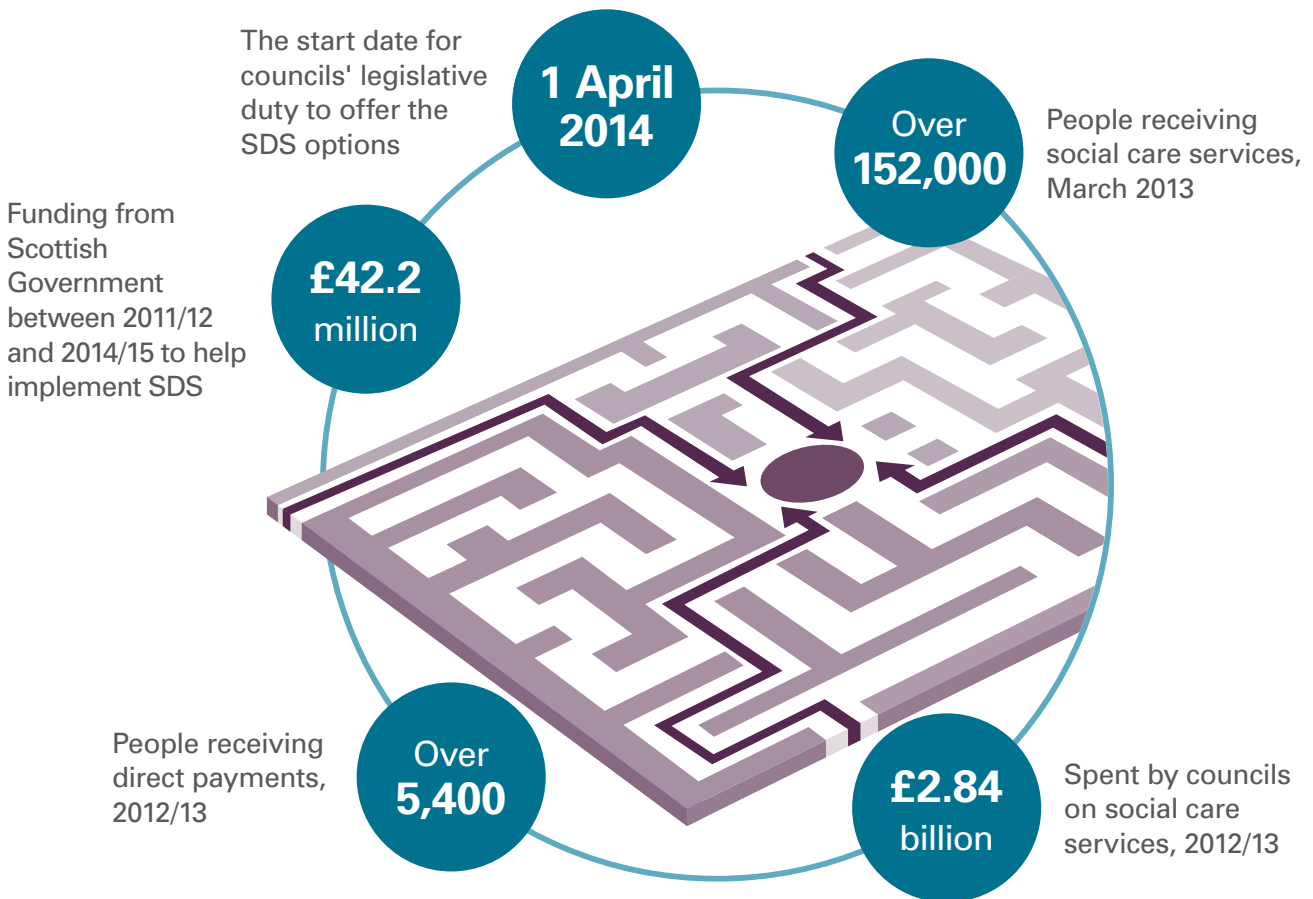


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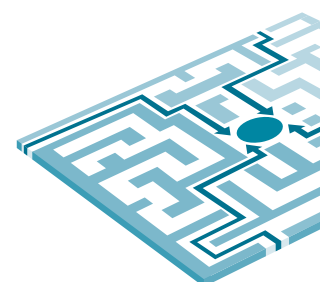
Summary



Key facts



Background



1. Self-directed support (SDS) is a major change to the way people with social care needs are supported. SDS is based on the human rights principles of fairness, respect, equality, dignity and autonomy for all.¹ This means that people should be equal partners with relevant professionals in determining their social care needs and controlling how their needs are met. SDS aims to improve the impact that care and support has on people's lives by helping them to choose and control what type of social care services they get, when and where they get them, and who provides them. Social care services include supporting people to live their daily lives and helping them with basic personal care like washing, dressing and eating. The support may be intended to help someone become more independent, or to keep in touch with friends or activities they enjoy. This means they are not limited to choosing from existing services such as day centres, respite care or homecare, but may still choose them if that will best meet their needs.

2. As well as changes for people who need support, SDS brings significant challenges for councils and third and private sector social care providers.² Councils will have to transform the way they deliver social care by changing many of their processes and procedures, the way they plan and manage their budgets, and how they work with external providers to ensure a balance of flexible, good-quality services. It will be challenging for councils to give people more choice and control over their support, and the freedom to be creative and take the everyday risks other people take for granted. These changes come at a time when councils' budgets are under pressure owing to ongoing financial constraints, increasing expectations and demand for social care. As the new arrangements for integrating health and social care progress, this transformation will need to be made in partnership with NHS boards.³

3. In 2010, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) published an SDS strategy.⁴ They intended councils to begin planning and implementing SDS from that point. They expect the strategy to take until 2020 to be fully implemented because of the scale of the changes required for everyone involved. In January 2013, the Scottish Parliament passed the Social Care (Self-directed Support) (Scotland) Act 2013 (the Act). The Act places a duty on councils, from April 2014, to offer people newly assessed as needing social care a wider range of options for choosing and controlling their support. People already receiving support before April 2014 should be offered these options the next time their council reviews their needs with them.

4. Social work services in Scotland have aimed to provide care and support tailored to individuals' needs for several years.^{5,6} Before the introduction of the SDS strategy, councils could already offer the SDS options to many people with care needs, but relatively few people have accessed support this way.

**the
introduction
of self-
directed
support will
have a major
impact on
social care in
Scotland**

The strategy and legislation were introduced to make change happen more quickly. Each person now assessed or reviewed as eligible for social care should expect their council to discuss and agree with them: how they want their life to improve; what support they would prefer and would help most; how much money the council will spend on their services; and how much control they want over arranging and managing their support and budget.

5. Many of the social care services provided today by councils and other organisations should look different by 2020 and beyond. The range of services available to people may differ between council areas as they should be developed in response to individuals' needs and choices. These changes will affect how councils manage the £2.84 billion a year they currently spend on delivering social care services in Scotland.

About the audit

6. Our audit examined councils' progress in implementing the SDS strategy and their readiness for the Social Care (Self-directed Support) (Scotland) Act 2013. It focuses on councils because they have the lead role, working in partnership with users, carers, third and private sector providers, NHS boards and other organisations. We carried out our audit work between December 2013 and February 2014.

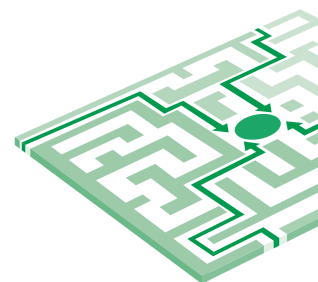
7. We reviewed progress at this relatively early stage because SDS has significant implications for the way councils and other organisations provide social care, and for people needing support. We highlighted SDS as a challenge in our report [Commissioning social care \(PDF\)](#)  (March 2012). Reporting now allows us to identify risks and examples of good practice to help councils with implementation and the changes ahead. The report also highlights issues for councils and NHS boards to consider as they establish new partnership arrangements for health and social care.⁷

8. We reviewed councils' plans for implementing SDS and carried out detailed case study work in four councils: City of Edinburgh, Dumfries and Galloway, Perth and Kinross, and South Ayrshire. We spoke to council managers, front-line staff, councillors, third sector providers, and people with support needs and their carers. This approach means we were not able to assess progress in every council but we have used case studies in our report to highlight examples of local progress, good practice and areas of potential risk. The risks we address in our report are the financial and organisational risks to councils in successfully implementing SDS rather than the risks relating to councils' responsibility for keeping people safe as they live their lives with social care support.

9. Our audit methodology is in [Appendix 1](#). [Appendix 2](#) lists members of our project advisory group, who gave advice and feedback at important stages of the audit. We have developed separate checklists on our website:

- [issues for councillors \(PDF\)](#) 
- [self-assessment checklist for councils officers \(PDF\)](#) 

Key messages



- 1** Councils still have a substantial amount of work to do to fully implement SDS. Some have made slower progress than others and they will have to implement the cultural and practical changes more quickly over the next few years. Councils need effective leadership from senior managers and councillors and continued support from the Scottish Government through detailed guidance and regular communication on how implementation is progressing across the country.
- 2** Councils have adopted different methods of allocating the money they spend on social care to support individuals. There are risks and advantages with each model. Regardless of the approach taken, councils should manage the risks carefully without unnecessarily limiting people's choice and control over their support.
- 3** Social care professionals have welcomed SDS because it has the potential to improve support for people who need it. SDS will work best if councils make sure that people can choose from a range of different services and support. Councils should work more closely with people who need support, and with their carers, providers and local communities to develop the choices that will improve people's lives.

Key recommendations

Councils should:

- ensure that they have a clear plan and effective arrangements for managing the risks to successfully implementing SDS. They should monitor the risks regularly, and keep councillors and senior managers informed of progress
- plan how they will allocate money to pay for support for everyone who is eligible as demand for services increases. They should have plans for how and when to stop spending on existing services if too few people choose to use them, and plans to develop and invest in new forms of support for people with social care needs
- assess and report on the short and long-term risks and benefits of the way they have chosen to allocate money to support individuals. They should monitor and report on budgets and spending on social care services. They should also take action to lessen the risks of overspending, which might mean that they are unable to provide support for everyone who needs it

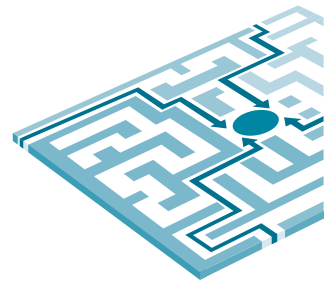
- work more closely with people who need support, their carers and families, providers and communities, to involve them in planning, agreeing and implementing SDS strategies. They should discuss with people what SDS may mean for them and help them to think creatively about what services would have the most positive impact on their lives
- work more closely with people who need support, their carers and families, third and private sector providers, local businesses and communities, to develop a strategy for what social care services and support will be available to people in the future. They should take account of the various challenges faced by different communities, for example those living in rural areas or areas of high deprivation.

The Scottish Government should:

- have a strategy to measure and report on:
 - what councils have achieved with Scottish Government transformation funding
 - the progress of SDS implementation
 - the impact of SDS on people who need support.
 - engage and maintain contact with COSLA, the Association of Directors of Social Work (ADSW) and other key national partners to:
 - identify guidance and other activities that would help with some of the challenging areas of implementation, including any issues that arise after April 2014 and guidance on the practical issues relating to option 2 of SDS ([paragraph 31, page 18](#))
 - coordinate development of guidance and sharing good practice
 - support councils and other partners as they learn more about what works well and develop their approaches to SDS.
-

Part 1

Planning for self-directed support



SDS will have a significant impact on social care at a time of increasing demand and financial pressures

10. Councils have a statutory duty to assess people's social care needs. If they assess a person as needing support and eligible to receive services, councils must provide or pay for services to meet these needs. People with social care needs include children and families, people with physical, sensory or learning disabilities or mental health problems, and older people. The duty to meet people's care needs can be difficult to manage as demand can be hard to predict and the amount of money available to pay for these services is finite.

11. The legislative duty of SDS comes at a time when councils' budgets are under pressure owing to ongoing financial constraints. Between 2009/10 and 2012/13, council spending on social care services decreased by five per cent in real terms, from £2.97 billion to £2.84 billion.⁸ Expectations and demand for social care are increasing because:

- people are living longer, but not necessarily healthier, lives
- more people with long-term or complex conditions are living longer.

12. The Scottish Government predicted in 2010 that spending on health and social care for older people would need to rise from about £4.5 billion in 2011/12 to nearly £8 billion by 2031, because of an ageing population. This is unless there are changes to the health of the population and the way public, third and private sector organisations deliver services.⁹

13. The Scottish Government expects councils to fund SDS from existing social care budgets. To do this, councils should work with their partners in the NHS and third and private sectors, and with people using care services and their carers. This will help to ensure that people get the services and support they need. Councils also need to make sure that services are sustainable. As they change the way they provide social care, councils will need to target their spending effectively at service users' priorities and choices.

14. SDS changes the way people have their care needs assessed and the services they might receive. Previously, people had fewer choices and less control over the types of care and support they could receive. With SDS, professional staff such as social workers and occupational health staff must work in partnership with the person and, where appropriate, their family to identify and agree their needs, what difference they want services to make to their lives and what sort of services and support will help them to achieve it. This partnership working, where professionals and people who need support combine their knowledge and expertise to make joint decisions, is sometimes called co-production.

self-directed support will affect all social care services and is expected to take up to ten years to implement

15. The council determines an appropriate budget for each person's support, sometimes known as an individual budget. The person can choose to have as much control over their individual budget as they wish. There are four distinct options under SDS ([Exhibit 1, page 11](#)). There are some exceptions to the duty to offer the four SDS options. For example, a person may be refused a direct payment if it would put their safety at risk; a child or family in need of short-term emergency support may not be offered the SDS options; and people choosing long-term residential care cannot be offered a direct payment, although the Scottish Government is currently exploring this.

SDS aims to give people greater choice and control

16. The traditional approach to social care has been for the council to arrange services for people (SDS option 3). But for over ten years, many people with support needs have been entitled to ask for a direct payment (SDS option 1).¹⁰ Option 2 is an approach that many councils and people who use social care services have not tried before. It allows people to have choices and to control their support, without the responsibility of managing the money. Someone else arranges their chosen support and administers their budget on their behalf. There are few examples so far of how this works in practice. But there are many examples of the positive impact that controlling their own support can have on people ([Case studies 1 and 2](#)).

Case study 1

Andrew in South Ayrshire

Andrew is a young adult who has cerebral palsy and epilepsy.¹ He lives at home with his parents. He attended a special school when he was younger but is now an adult and wants to live his life more independently.

On leaving school, Andrew attended a local college with the support of a local care provider. Andrew's mother attended a local event on SDS and realised that this could offer Andrew more independence and choice over how he lives his life. His parents then contacted the council and sought a direct payment to employ a personal assistant for Andrew.² They spoke to the provider and directly employed one of the provider's staff on a part-time basis. Andrew was happy with this new arrangement because he already knew and liked the personal assistant.

Andrew now gets out with his personal assistant, who accompanies him to watch ice hockey, his favourite sport. He reached a huge milestone last winter when he went to Belfast with his personal assistant and his younger brother and stayed overnight to watch a big match. These activities have helped to give Andrew more independence as a young adult, making his own decisions and experiencing things many people would take for granted. This in turn is helping to build his confidence in other aspects of his life.

Notes:

1. We have not used the young man's real name in order to protect his anonymity.

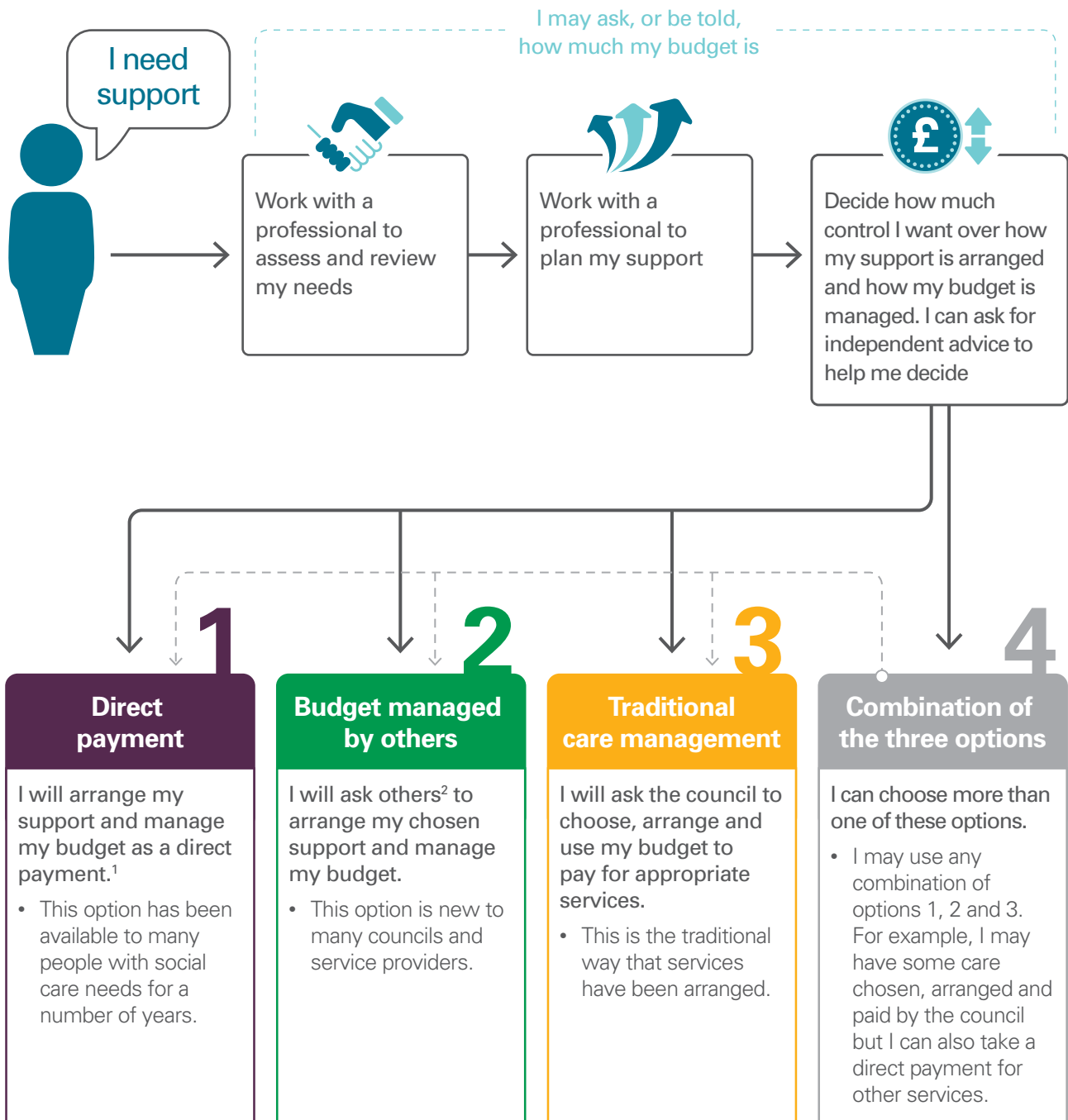
2. Personal assistants are care staff employed by someone to provide personal care and daily living support. People often choose direct payments so that they can employ a personal assistant.

Source: Audit Scotland

Exhibit 1

How councils work with individuals to assess their care needs and arrange support

SDS is designed for each person to choose his or her services and how much control they want.



Notes:

1. My parent, guardian or someone I trust may help me.
2. This may be the council, a third or private sector social care provider or an organisation that manages people's budgets in return for a fee.

Source: Audit Scotland

Case study 2

Families working together in Perth and Kinross

Several parents of disabled children living in Crieff worked together to arrange a programme of activities for their children. They felt that this programme would better meet the needs of their children compared to traditional council services, and provide a stimulating environment for them.

This project is part of the work of 'Building Bridges', a group of people with a learning disability, family members and other local residents from the Strathearn area. The group identifies its own resources to support people with learning disabilities to become more active in their local communities, instead of only using paid council services. For example, the group works with local bus companies to improve the transport for people with learning disabilities.

Source: Audit Scotland

17. Many people who need social care support have said that having more choice and control through direct payments has been a very positive experience. For example, a user support organisation told us about service users who had previously found it difficult to organise appointments (eg, with a doctor or dentist) because there was no flexibility in what time care workers visited. The organisation also reported that people receiving direct payments said they now feel enabled rather than disabled, and that having direct payments was 'like getting out of jail'.

Councils have started to make significant changes to social care but progress is slower in some areas

18. Over 5,400 people received direct payments in 2012/13, but no national data is currently available on the number of people being offered option 2 of SDS.¹¹ The number of direct payments has been growing steadily over the last decade but is only approximately five per cent of eligible social care users. Direct payments accounted for £67 million (2.4 per cent) of councils' social care spending in 2012/13.¹²

19. The SDS strategy is a ten-year strategy, running from 2010 to 2020. The way councils plan and deliver social care is not expected to change immediately. Councils will gradually spend an increasing proportion of their social care budgets on direct payments or newer packages of care that people have designed through SDS. Our case study councils expected to take between one and three years to offer the SDS options to all eligible people. They anticipate that fewer people will choose day centres and respite care. Councils often provide respite care in a local residential centre where supported people stay for short periods at a time to give their carers a break. Councils will find it challenging to manage this change because some people may still want to use these existing services but there may be so few people using a service that it may not remain financially viable. As some elements of SDS are relatively new, it is difficult for councils to plan for the impact of these changes. This means that councils must monitor closely the choices people make following the introduction of the Act, and keep reviewing their plans to make sure they are ready to provide the services people choose in future.

20. Councils should make sure that they have arrangements in place to offer the SDS options to people assessed as needing support ([Exhibit 2](#)).

Exhibit 2

Council arrangements for implementing SDS

Councils should have the following arrangements in place as they implement SDS.



Strategies and plans for implementing SDS



Methods for working with people to assess their needs, identify the desired impact of social care on their lives and decide the budget for their support



Methods for assessing and reviewing individuals' support to make sure it is having a positive impact on their lives



Information and support, including advocacy, for people about their choices under SDS. This includes information about, or referral to, independent organisations (eg, Scottish Personal Assistant Employers Network or local, user-led organisations such as Centres for Inclusive Living¹)



Engagement and partnership working with people who need support and their carers



Engagement and partnership working with third and private sector providers



Joint working with the NHS so that people receive coordinated health and social care support

Note: 1. A user-led organisation is one where at least half of the management committee or board members are people who have experience of using social care services.

Source: Audit Scotland

21. We did not examine in detail the progress made with implementing SDS in each council. At January 2014, the majority of councils had documented evidence of planning for SDS implementation. Not all of these written plans and papers demonstrated a clear commitment to fully implementing all the arrangements set out in [Exhibit 2](#). For example, some councils' plans did not set out what actions they would take, or by when; some referred to providing information for people, but not seeking their views or contributions to developing SDS; and many did not mention joint working with the NHS.

22. For those councils that have done little to implement the SDS strategy in its first few years, there is a lot of work to do. Now the legislation is in place, councils should continue to implement and review their plans and arrangements. Our fieldwork identified:

- examples of councils identifying and monitoring risks to their implementation strategy, although this was not happening well enough in all areas
- evidence of councils monitoring the use of existing services and being clear about when these services might become unsustainable, as people choose alternative types of support.

23. It will take time for councils to move their spending away from existing services such as day centres, respite provision or homecare, if necessary, and towards giving people their own budget to spend. It can be very difficult to withdraw services like day centres, even when they are clearly underused, owing to public and political pressures. It will also take time to develop new services that people will want. This is particularly an issue in rural parts of Scotland where there may not be local alternatives to traditional homecare services. There are examples of good practice of councils working with local businesses and communities to manage and develop what services are available to people ([Case study 3](#)).

Case study 3

Perth and Kinross Council working with local communities to develop social care

Perth and Kinross Council has set up a community engagement group in Pitlochry. It involves:

- people who need support and their carers
- the Pitlochry Community Care Forum
- the Institute for Research and Innovation in Social Services (IRISS)
- GrowBiz, which helps local businesses and social enterprises in Perthshire to get started or expand
- postgraduate students from Duncan of Jordanstone College of Art and Design.

Group members are working together to better understand how local social care services are delivered. The group's aim is to plan new ways of providing people with the support they need.

The group has identified what services are currently available in the community and recorded how people would like their care services to look in future. The group is now thinking creatively about how to provide these services in the community and has narrowed these ideas into themes and priority areas. IRISS has allocated a £10,000 challenge fund to the project to help pilot any new approaches.

Source: Audit Scotland

Some councils have underestimated the scale of the cultural change and the need for effective leadership

24. Implementing SDS involves changing the way councils support people with care needs. This means changes for staff working in social care. For example, staff will have to move away from allocating people to existing services, and work together with people to help them choose what support they want and would best meet their needs. People may choose new and different types of support that staff have not considered before. This cultural change is at the heart of implementing SDS. In each of our four case study areas, front-line social care staff were very positive about what SDS means for people and their carers, while acknowledging the challenges in moving to this new way of working.

25. Achieving this cultural change is a major task for councils. Research shows that it is likely to take at least three years to establish a new culture.¹³ Our review of councils' plans suggests that several have underestimated the scale of the changes required. They have built staff training into their plans but have no documented evidence of tackling the other things that matter. These include:

- having a clear, shared vision across the whole service
- giving managers and front-line staff opportunities to examine their procedures and contribute to changes ([Case study 4](#))
- ensuring leadership from councillors, managers, team leaders and front-line staff
- developing ways of assessing the impact of the changes.

Case study 4

City of Edinburgh Council's Collaborative Inquiry Group

In early 2013, the City of Edinburgh Council established a staff group to address the cultural change needed to implement SDS. It recruited 18 members from the main staff groups that would be involved in the changes, including social workers, occupational therapists, business support, homecare, finance, commissioning and IT. The group's remit is to:

- contribute to working out the council's approach to SDS in practice
- develop procedures and tools for all staff to use (eg, forms and IT systems for recording information)
- pilot and test new tools and procedures
- design and help to deliver staff training
- help other staff implement the new procedures.

The group has been working on all of these areas and by May 2013, the 18 members had been in contact with over 500 other relevant staff members.

Source: Audit Scotland

Councillors and senior managers are not providing effective leadership for SDS in every council

26. Changes of this scale require effective leadership from councillors and senior managers. Yet in January 2014, councillors in five councils had not been updated through formal committee papers on progress with implementing SDS in their council, or the implications for social care and other services.¹⁴ Councillors in a further three councils had considered information within committees for the first time in late 2013 or early 2014. Nine councils had regularly updated councillors on progress over at least the last two years, through committee papers. Without this information, councillors and senior managers cannot provide the leadership and oversight needed to fully implement SDS.

27. In two of our four case studies, we saw evidence of effective leadership from relevant councillors and the councils' senior management teams:

- Sharing a clear vision with managers, team leaders and front-line staff of the council's approach to SDS and how social care services would be delivered in the future.
- Receiving regular, formal reports about progress in implementing SDS, and being involved in decision-making.
- Being actively involved in meetings and events to engage with people who use social care services and their carers, and providers about the council's approach to SDS.

The Scottish Government has fully involved stakeholders in developing SDS policy but more guidance and support may be needed in future

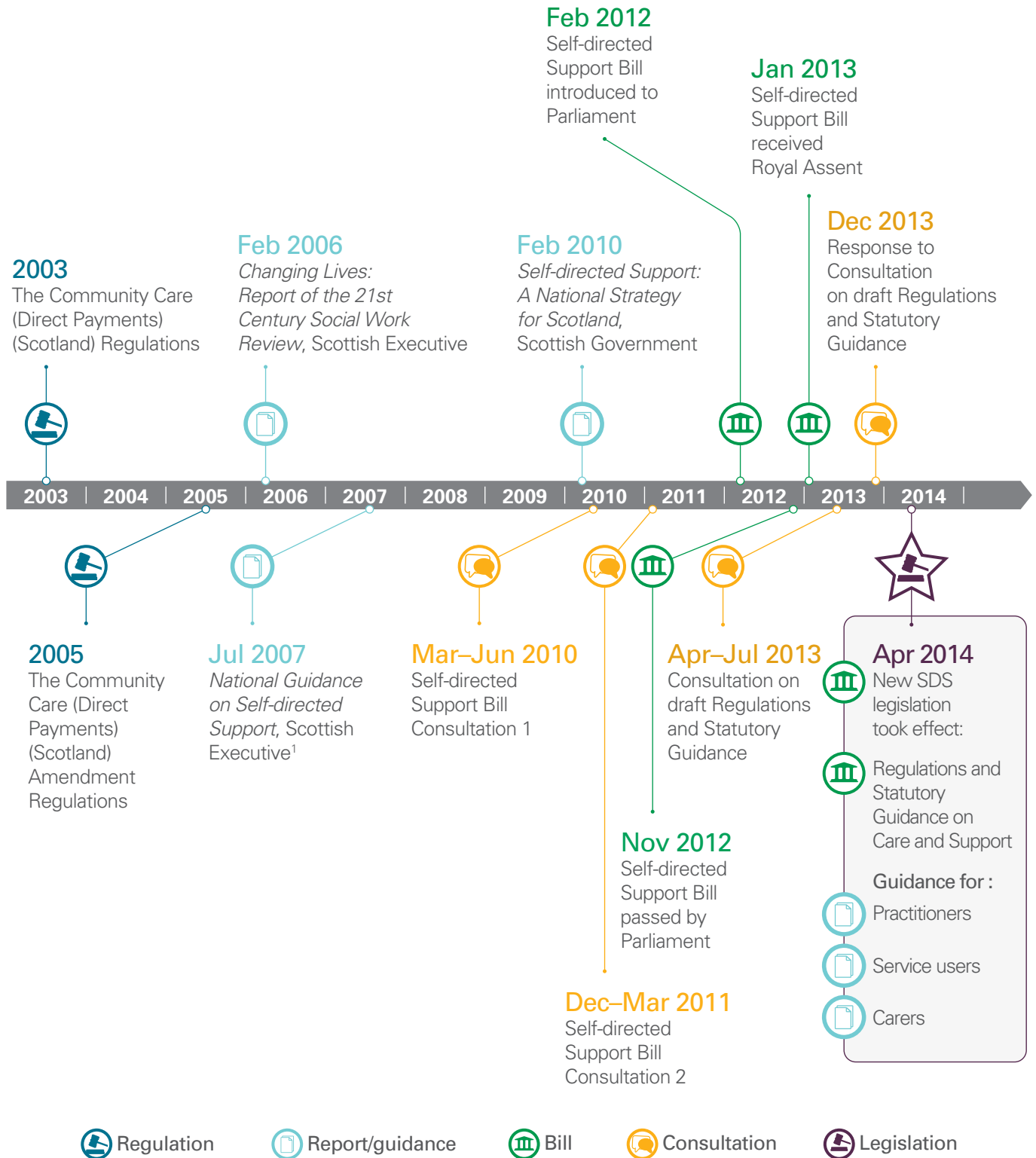
28. SDS is part of a long-term aim of the Scottish Government to have more personalised health and social care in Scotland. COSLA and groups representing users, carers and providers support a move to more personalised care. A number of key policy and legislation developments since 2003 have contributed to this move ([Exhibit 3, page 17](#)).

29. At every stage of developing the SDS Bill, regulations and statutory guidance, the Scottish Government consulted with and involved councils, people who use services and their carers, organisations representing users, third and private sector providers and other relevant organisations. They were involved as partners in developing guidance and overseeing work programmes to help with implementing SDS and participants saw this as a very positive and inclusive approach. As part of that effort, the Scottish Government created a network of named people in every council to keep in touch by email and to meet regularly. This has been an important way for councils to keep up to date with the Scottish Government's progress, to share experiences and learn from each other.

Exhibit 3

How the SDS legislation has been developed

A number of policy and legislation developments have led to the new Social Care (Self-directed Support) (Scotland) Act 2013.



Note: 1. This is guidance on direct payments, which was referred to as self-directed support at that time.

Source: Audit Scotland

30. The consultation and close working took time. But some case study councils reported that delays in producing the final regulations and guidance, which were finalised seven weeks before April 2014, held up their progress with implementing some aspects of SDS. The issues that were clarified late include:

- the circumstances in which certain people would not be offered some of the SDS options
- employing family members as personal assistants
- waiving of charges to carers
- how SDS should work for children and families.

However, the Scottish Government circulated draft regulations and guidance in advance to all councils. The delay with the final regulations and guidance should not have prevented councils from planning and implementing major changes, such as improving how they assess people's needs and planning the services they expect people to choose in future.

31. Further guidance and national coordination may be required to help councils implement option 2. This option gives people choices and control over their support, but the council or another organisation arranges the services and manages the money for them. Although councils will want to find local solutions, they will all have to deal with legal and contractual issues because, under option 2, they formally purchase the services and have duties in relation to best value and procurement. Currently, all 32 councils are trying to address these issues without clear guidance. There is a risk that some will interpret the rules and regulations so cautiously that they may limit the choice and control people have over their own support. As councils develop their approach to option 2, the Scottish Government should work with COSLA, ADSW and other partners to provide guidance and share learning.

The Scottish Government allocated £42.2 million to help organisations prepare for SDS

32. The Scottish Government does not expect SDS to increase social care costs in the long term. Based on evidence from other parts of the UK, it expects that the money councils spend on people's individual budgets will come from current spending on services that people will no longer want. The Scottish Government recognised there may be a need for short-term funding to help councils make this shift in spending and transform how they deliver social care. It estimated that short-term funding of £42.2 million would be required to help councils, user organisations, third and private sector providers and others to transform culture, systems and approaches.¹⁵


33. The Scottish Government allocated £24.9 million of the transformation funding directly to councils over a four-year period: £1.1 million in 2011/12, £6.8 million in 2012/13, £11 million in 2013/14 and £6 million in 2014/15. It specified to councils that the funding should be used to achieve significant progress towards delivering the SDS strategy and to ensure they were ready to meet the statutory duties of the Act. Councils were able to choose how they would use the funding to do this. The Scottish Government is using the other £17.3 million to support SDS implementation more widely, including:

- developing the knowledge, skills and capability of social care staff
- providing information and guidance on SDS for users, carers, providers and professionals
- funding people who use social care services, their carers and representative organisations, and service providers to develop new and innovative services and ways of supporting people
- exploring how people with long-term conditions or combined health and social care needs can best benefit from the SDS options, supported jointly by NHS boards and councils.

34. Councils are spending a significant proportion of their transformation funding on extra staff to help implement SDS. This information comes from a Scottish Government survey in 2012 and our four case studies.¹⁶ An important part of calculating the funding for councils was to make sure every council had at least enough to appoint a person to coordinate SDS implementation. Our case study councils had all appointed staff for this purpose.

35. Councils that are further behind in implementing SDS must plan for how they will continue to make the necessary changes if transformation funding from the Scottish Government does not continue at current levels after 2014/15. If they are using the funding for additional staff posts, there is a risk that from April 2015, a decrease in staff numbers may lead to delays in assessing and reviewing people's needs.

36. The Scottish Government is monitoring the success of the development initiatives it funded. It has published the evaluation reports of early pilots, research on the costs of SDS and a survey of councils' preparation activities in 2012. It has also built into the initiatives the need to evaluate the projects and share learning. However, it should also seek appropriate evidence of what councils have achieved with the transformation funding. This would help to demonstrate value for money.

37. In our report [Reshaping care for older people \(PDF\)](#)  (February 2014), we highlighted that the Scottish Government needs to ensure its policies are implemented successfully and achieve what it intends. The SDS strategy sets out what successful implementation of the SDS policy as a whole should look like ([Exhibit 4, page 20](#)). It is too soon to expect to see a major impact in most areas, as the changes are just taking effect for new people assessed as needing care from April 2014.

38. Assessing the impact of SDS is challenging as the policy focuses on enabling people to design different ways of meeting their needs and improving the quality of their lives. These factors are hard to measure locally and even more so at a national level. The Scottish Government is developing a monitoring and evaluation strategy, including a set of indicators for councils to use to monitor and report on SDS implementation locally. It is important that the Scottish Government can demonstrate the impact of the policy, including the intended improvements to the quality of people's lives. It will collect national data from 2014 to monitor how many people choose each of the four SDS options.

Exhibit 4

Measures of success from the SDS strategy

The SDS strategy sets out a number of measures of success.



Better quality of life for individuals



Radical increase in uptake of SDS and direct payments



A sustainable network of advocacy and peer support organisations



A sustainable network of independent support organisations for training and supporting personal assistants



A proficient body of trained, experienced personal assistant employers



An appropriate workforce of trained personal assistants, with regulated employment conditions



Improved partnership working between people receiving support, public bodies and third and private sector providers

Source: *Self-directed Support Strategy: A National Strategy for Scotland*, Scottish Government and COSLA, 2010

SDS has implications for integrated services and how the Care Inspectorate will scrutinise the quality of social care

39. Many people need a combination of health and social care support. Under current legislation, an NHS board can transfer money to a council so that a person can receive a direct payment that includes funding from both the council and NHS.¹⁷ There are examples of this working well. However, there is no obligation on NHS boards to release funds to contribute to a direct payment. The SDS Act only places a duty on councils to offer the SDS options in relation to assessed social care needs. NHS boards only have the duty where councils have formally delegated responsibility for social care to the board. For example, NHS Highland is responsible for adult social care services in the Highland area.

40. The Public Bodies (Joint Working) (Scotland) Act 2014 requires NHS boards and councils to establish new health and social care partnerships. Under these arrangements, NHS boards and councils will be required, as a minimum, to combine their budgets for adult social care, adult primary healthcare and aspects of adult secondary healthcare. Although the SDS Act does not apply directly to health services, the SDS policy will have implications for health because NHS boards and councils will share money, staff and other resources under the new arrangements. For example, councils can charge people for some social care services while NHS services are free at the point of contact. Councils and NHS boards should be clear about the implications of SDS before they put new partnership arrangements in place.

41. The Care Inspectorate has an essential role in ensuring that care services meet quality standards. To do this, it registers care providers and inspects services against national care standards. It also inspects how councils plan and deliver social care. The SDS strategy was launched three years ago and the Care Inspectorate is now taking account of this in the way it inspects councils' adult and children's services.

42. The Care Inspectorate should also review the way it regulates individual care services. As SDS gives people more choices about their support and more control over how they use their budget, more people are likely to choose a mixture of different services and support.¹⁸ They may purchase services from more than one provider, choose services not regulated by the Care Inspectorate (eg, personal assistants or cleaning agencies), and use their budgets more creatively to purchase support other than existing services. The national care standards are also being reviewed to reflect the new emphasis on the impact that social care services have on people's lives, not just their experience of the service quality.

43. With the introduction of the Public Bodies (Joint Working) (Scotland) Act, the Care Inspectorate is required to work with Healthcare Improvement Scotland to review joint strategic commissioning plans prepared by the new health and social care partnerships. These plans should set out how councils and NHS boards will jointly plan and deliver health and social care services, including SDS. The Care Inspectorate and Healthcare Improvement Scotland are considering how they will inspect councils' and NHS boards' health and social care services.

Council staff meet routinely with users, carers and organisations providing care, but have not always worked together with them in planning SDS

44. Councils should plan and implement SDS working closely with people who need care and support, their carers and families, and organisations providing services. We saw evidence of some good user involvement at City of Edinburgh and Perth and Kinross councils ([Case study 3, page 14](#)). In Dumfries and Galloway, service users' involvement included designing and delivering staff training, and developing a way for people to assess their own social care needs, with help from professionals. We also heard from users and user representative organisations that some councils have not given people who use services the opportunity to contribute to local SDS strategies.

45. The national SDS strategy is clear that it is about improving people's lives, not about delivering services more cheaply. However, like other public sector services, social care finances are under continuing pressure and councils have to find savings in some services as well as finding ways to respond to increasing demand for social care. This creates a risk that communities may see SDS solely as an opportunity for councils to reduce spending rather than to improve the lives of people who need support. Councils should spend time working with communities, explaining the benefits of SDS and helping people to think creatively about what services would have the most positive impact on their lives. Without this, people may be less willing to think about alternative approaches to care because they may view alternatives simply as cost-saving measures. For example, Glasgow City Council extended its engagement with service users, carers and families, and providers after they expressed concern about implementation of the first phase of its personalisation programme (SDS programme) ([Case study 5, page 22](#)).

Case study 5

Glasgow City Council's engagement with users, carers and providers

Glasgow City Council has been implementing a programme of personalisation since 2010. The objective of the programme was to ensure a fair and equitable distribution of available financial resources to provide services for people with a learning disability, mental health issues or physical disability. The council intended this programme to:

- reduce spending on existing services by an expected 20 per cent
- redirect some of that spending to new users and services, giving them a fair share of the available resources based on comparable needs, for example to look after young people in transition beyond the age of 19
- contribute to savings the council had to make because of public sector funding reductions.

Councillors approved the programme in October 2010, with the council aiming to allocate individual budgets to nearly 2,700 service users over a period of 18 months, starting with 1,800 people with learning disabilities.¹ Implementation actually took over three years. The anticipated speed of implementation and a reduction in some people's services led to unions, user groups, service providers and others expressing concerns. Providers supported the policy but felt that the council had not communicated and consulted adequately with providers and service users.²

In 2011, the Care Inspectorate highlighted the concerns of users, carers, staff and providers involved with learning disability services, and their perception that the council's motive was primarily or solely that of saving money rather than improving services.³ Since then, the council has been consulting and working more closely with service users, carers and providers by, for example:

- Running regular scrutiny sessions, where user and carer representative organisations and service providers challenge council officers and councillors about aspects of the personalisation programme. This has progressed from six-monthly informal scrutiny sessions to eight-weekly multi-stakeholder sessions, formally linked into the council's committee structure.
- Continuing to invest in the Social Care Ideas Factory (SCIF), a third sector organisation that facilitates a range of communications between providers, service users and carers and the council.
- Developing an innovative Public Social Partnership involving the voluntary sector and service users.

Notes:

1. *Personalisation of social care*, Glasgow City Council Executive Committee, 7 October 2010.
2. *Personalisation: Readiness and capacity to respond: A survey of providers in Glasgow*, Social Value Lab, 2012.
3. *Glasgow City Council Scrutiny Report*, Care Inspectorate, 2011.

Source: Audit Scotland

Not all the case study areas had arranged independent information and advice about SDS


46. People may be confused about what SDS is and what it might mean for them. Some service users we spoke to, and some information produced by local organisations for service users, describe SDS in quite different ways. They often confuse SDS with direct payments, when in fact direct payments are only one of the SDS options. This makes it important that councils provide the information and advice that people need to help them understand their options and choose the best way to arrange their support. Councils should also direct people to independent sources of advice and advocacy.

47. In our case study councils, some information and advice were available for people choosing direct payments but councils were still considering how best to expand this to include all social care users. There are user-led organisations in each area, such as centres for inclusive living or support networks, but councils were being cautious about investing too much in these services until they could be more certain of demand. Organisations offering information and advice to people told us they found it difficult in some areas because the council did not regularly provide them with up-to-date information to give users about its SDS processes and the services available in the area.

Councils should work more closely with providers to develop a range of support for people

48. The Act requires councils to take reasonable steps to promote a variety of providers and support so that people who use services have real choices. Councils should communicate and work with providers to do this successfully. Councils are at different stages in their relationships with current providers. It can be hard to work closely with providers if there are a lot of them in a single council area, such as a large city. For example, they can be business competitors in some circumstances and yet be expected to work collaboratively together in others. Larger providers often work with several councils. Some told us they were finding it more difficult to plan their services and make changes in areas where the council has not communicated its plans to providers.

49. The four case study councils we visited were at different stages. For example, Perth and Kinross Council has been working together with providers in its SDS preparatory work and in developing innovative services over a number of years. Other councils have more recently begun to develop closer working relationships with providers specifically in preparation for full SDS implementation.

50. Councils also work with providers in different ways. In some cases, councils only provide information and may talk to providers through formal network meetings. In others, councils involve providers in their SDS implementation programmes by being represented on project boards and other forums and have a say in the council's approach ([Case study 6, page 24](#)). It is important to involve providers as they can bring new and constructive ideas and experiences and can help deliver the required changes. We recommended in our [Commissioning social care \(PDF\)](#)  (March 2012) report that councils establish and maintain good working relationships with providers in line with Scottish Government guidance.¹⁹ Providers have told us that this is still not happening in every council.

Case study 6

City of Edinburgh Council's engagement with providers

The City of Edinburgh Council published a draft market-shaping strategy for consultation and launched this at an event in July 2013. Councillors hosted the event, which was attended by 60 providers. This was subsequently followed by over 50 smaller meetings and individual provider question-and-answer sessions.

There have been some tensions between the council and providers, who feel they were not fully involved in developing the strategy. They feel the council has been telling them what it expects of them without engaging them in considering the market as a whole, including the council's own services.

Third sector providers in Edinburgh told us that the council is now really trying to work in partnership with them. They recognise that the council is ultimately responsible for providing social care, so it must have controls in place to ensure people are supported effectively and public money is used properly. However, they feel the council is beginning to trust them more and work more closely with them.

In September 2013, the council created an Innovation Fund of £500,000 to invest in new and innovative services. Decisions about which projects and organisations to invest in were made through a *Dragons' Den* approach in November and December 2013. The 'dragons' included service users, carers, third sector representatives and council staff.

The council awarded 16 organisations funding through this approach, including:

- small organisations developing targeted activities such as outdoor activities for Polish families affected by depression, story-sharing sessions for older people with dementia and a gardening project to help vulnerable people become involved in their communities
- projects that help supported people meet and make friends with other, like-minded people
- a financial advice service for carers and specialist support for young carers
- a service user cooperative for adults with learning disabilities whose parents are getting older and want to see something more sustainable for their sons/daughters.

Source: Audit Scotland

Providers have to change the way they work and councils can help by having strategies for developing services in each area

51. It is not only councils that need to change the way they work; providers need to change too. Third and private sector providers employ two-thirds of the social services workforce.²⁰ These organisations are all at different stages in implementing SDS, just as councils are. They may need to:

- focus more on having a positive impact on people’s lives
- diversify the support they offer
- be more flexible and responsive to people’s choices
- be able to manage people’s budgets under option 2 of SDS
- provide more detailed information about their services to councils and people who need support
- manage their funding and budgets differently to help them make these changes.

52. The Scottish Government has allocated funding to third and private sector organisations to help them develop SDS. For example, it allocated £519,846 over four years to the Coalition of Care and Support Providers in Scotland (CCPS) to run the ‘Providers and Personalisation Programme’ (including separate guidance for users and carers, and providers). It also allocated £213,050 to Scottish Care, the organisation representing private sector care organisations, to run a three-year programme ‘People as Partners’. These programmes aim to help providers understand the implications of SDS and develop their services. Scottish Government transformation funding of £13.3 million has also supported 72 provider and user support organisations to develop new and innovative approaches and to share these with other organisations ([Case study 7, page 26](#)).

All councils should have a strategy for developing services in their area

53. Councils should make sure they have the right balance of services in their area to meet people’s social care needs. To do this, they should develop a strategy that sets out the services people are likely to need in the future and where there are gaps in current services. This is known as a market-shaping strategy or market position statement. This helps both the council and providers to make decisions about the future. City of Edinburgh and Moray councils have published market-shaping strategies. If councils do not have clear strategies and do not work closely with providers, they risk leaving gaps in the services available. This risk is higher in rural or remote areas where there may already be a lack of choice or shortage of some type of services. The risk is also greater for specialised types of services that relatively few people need, such as care for people with Huntington’s Disease, neurological illnesses or acquired brain injuries.

Case study 7

Examples of initiatives funded by the Scottish Government

Click-Go

The Scottish Government awarded Carr Gomm £188,199 over four years to develop 'Click-Go' and pilot it with a range of social care providers, including Penumbra and The Richmond Fellowship Scotland (TRFS). 'Click-Go' is a web-based tool that helps people to choose their support, manage their budget and record their progress. Carr Gomm provides support for adults and children with a very wide range of support needs.

'Click-Go' runs on any device with internet connectivity. It is easy to understand and use, and helps people who receive support, and their families and carers, to access information and make informed decisions about what support they want and which worker they would prefer. For example, there are pictures of each worker with information about them to help people choose.

'Click-Go' allows a person to view their budget and expenditure, plan and request their support visits, send and receive messages from support workers, review and record their outcomes, and see information about the team of workers that supports them. People who use it say:

'It helps me to put faces to names, and reassures me that the worker who is coming to my house is someone that I've met before.'

'Click-Go is great; it really meets our needs and is easy to work. It opens up a world of opportunities for supporting people with dementia.'

There are 19 organisations using 'Click-Go' so far and Carr Gomm is working with others to help them start using it too. Carr Gomm has 35 people using 'Click-Go' and says: 'We can see the difference it is making: translating grey legislation into the colourful reality of choice and control'.

The Minority Ethnic Carers of Older People Project (MECOPP)

This project in Edinburgh and the Lothians works to help minority ethnic carers to access services and support that suit their caring situation. It received £133,360 Scottish Government funding over four years to:

- raise awareness of SDS in black and minority ethnic communities
- provide information, advice and practical help to people considering SDS.

The project has hired two members of staff. One works with South Asian communities in Edinburgh and the Lothians to offer information and advice about SDS and help people access direct payments. The other is working in three council areas with gypsy/traveller communities to explore how SDS might help.

Cont.

Case study 7 (continued)

These two staff have identified barriers to people taking more control of their support and are developing information and advice to increase uptake, including:

- an easy-read book to help service providers understand the issues and barriers that gypsy/traveller people face in trying to use social care services
- an animated DVD and online video with voice-overs in Bengali, Chinese, Punjabi and Urdu to help people understand what SDS is all about
- a guide to help translators explain SDS in these languages
- individual help for people using direct payments.

Source: Audit Scotland

Workforce issues may affect the services available for people with support needs

54. The introduction of SDS has major implications for the social care workforce. As people choose new and different types of support to improve their lives, social care workers will have to develop different ways of working. The Scottish Social Services Council (SSSC) is leading work to implement the SDS workforce learning and development strategy.²¹ The strategy aims to increase awareness and understanding, provide accessible information and help social care workers to develop the way they work to deliver SDS.

55. In 2012, there were an estimated 191,000 people working in social care, excluding personal assistants.²² A third work for the public sector, 41 per cent for the private sector and 27 per cent for the third sector. They are mainly female (84 per cent). Approximately 80 per cent have permanent contracts, although this does not necessarily mean fixed working hours. Many workers in the third and private sectors are paid the national minimum wage (currently £6.31 an hour for adults).

56. We heard from our case study councils that social care providers find it difficult to recruit and retain social care staff in some areas. This is mainly because there are other jobs available that pay the same or more, such as retail jobs. Under SDS, the social care workforce will need to become more flexible to work collaboratively with people and respond to their choices. For example, people may choose not to have the same level of support every day or every week. But social care jobs may become less attractive if the hours are more varied and flexible or there is no guaranteed weekly income.²³ This may mean that third and private sector providers have to improve staff pay and conditions to attract and retain the right staff, leading to an increase in their costs and therefore the prices they charge.

57. More people may choose direct payments to employ their own personal assistants. Direct payments typically allow people to pay personal assistants the Scottish living wage. The Scottish Government has made a commitment to pay public sector employees at least a living wage, set at £7.65 per hour from April 2014. Social care workers in the public sector are also paid at least the living wage, and normally have terms and conditions that are better than the legal minimum, for example annual leave or pension provision. This difference in pay and conditions between social care workers in the different sectors may add to recruitment difficulties for third and private sector providers.

58. By 2020, the SSSC will register and regulate the majority of the social care workforce. This means all staff will:

- have their criminal records checked regularly through membership of the Protecting Vulnerable Groups Scheme²⁴
- be signed up to the SSSC code of practice
- have, or be working towards, a suitable qualification
- have regular training and development.

59. The Care Inspectorate registers and inspects the services provided by this workforce. But personal assistants are not required to register with the SSSC and the Care Inspectorate does not inspect the services provided by personal assistants. Some argue that as more people choose direct payments and employ personal assistants, the current system will not be able to provide assurance that people's needs are being met. Others argue that people should continue to be able to make an informed choice to employ a personal assistant who does not have to be registered with the SSSC or inspected by the Care Inspectorate. Regulating personal assistants would introduce extra administration costs and reduce people's flexibility about who they choose to employ; but insufficient regulation, advice and help may put people at risk of not having their needs met.

60. Councils have responsibilities for all the people they support, whether this is through direct payments, a service provided by others, or by providing services directly. They must take action where necessary to ensure that there is a strong social care workforce in their area. They should work with the SSSC, Care Inspectorate, other relevant organisations, local businesses, colleges and communities to do this.

61. Some councils are considering ways of tackling recruitment problems. For example, South Ayrshire Council runs an apprenticeship scheme for social care workers and is working with small rural communities to match up people who need support with people who might be willing to be their personal assistant or home carer.

Recommendations

Councils should:

- monitor closely the activity and costs of care services following the introduction of the Act, as they spend an increasing proportion of their social care budgets on direct payments or newer packages of care and less on some traditional services
- review their SDS implementation plans, including identifying and monitoring risks to successfully implementing SDS. Their plans should ensure they:
 - have a clear, shared vision across the whole social care service
 - give managers and front-line staff opportunities to examine their procedures and contribute to changes
 - have effective leadership from councillors and senior managers, including active involvement in engaging with people who use social care services, their carers and providers
 - include actions that aim to change the council's social care culture, in addition to core staff training
 - develop ways of assessing the impact of the changes on how successfully social care services improve people's lives
 - provide regular progress reports to senior managers and councillors that include information about the implications for social care and other services
 - are clear how they will continue to implement the changes required for SDS after 2014/15 if Scottish Government transformation funding does not continue at current levels
 - work more closely with people who need support, their carers and families, providers and communities to involve them in planning, agreeing and implementing SDS strategies. They should discuss with people what SDS may mean for them and help them to think creatively about what services would have the most positive impact on their lives
- work more closely with people who need support, their carers and families, third and private sector providers, local businesses and communities to develop a strategy for what social care services and support will be available to people in the future. They should take account of the various challenges faced by different communities, for example those living in rural areas or areas of high deprivation
- take action, where necessary, to ensure that there is a strong social care workforce in their area, working with the SSSC, Care Inspectorate, other relevant organisations, local businesses, colleges and communities.

Councils and NHS boards should:

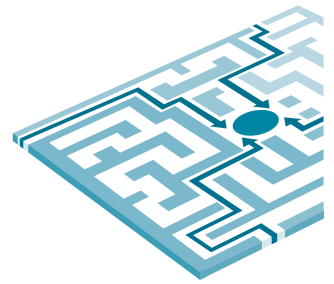
- consider the implications of SDS before they put in place the new health and social care partnerships planned under the Public Bodies (Joint Working) (Scotland) Act 2014.

The Scottish Government should:

- ensure it finalises any regulations and issues effective guidance in time to help the relevant organisations implement policy
 - engage and maintain contact with COSLA, ADSW and other key national partners to:
 - identify guidance and other activities that would help with some of the challenging areas of implementation, including any issues that arise after April 2014 and guidance on the practical issues relating to option 2 of SDS
 - coordinate development of guidance and sharing good practice
 - support councils and other partners as they learn more about what works well and develop their approaches to SDS
 - have a strategy to measure and report on:
 - what councils have achieved with Scottish Government transformation funding
 - the progress of SDS implementation
 - the impact of SDS on people who need support
 - complete its revision of the national care standards to reflect better how services focus on having a positive impact on people's lives.
-

Part 2

Managing budgets



SDS will change how councils manage their social care budgets and this directly affects the support available to people

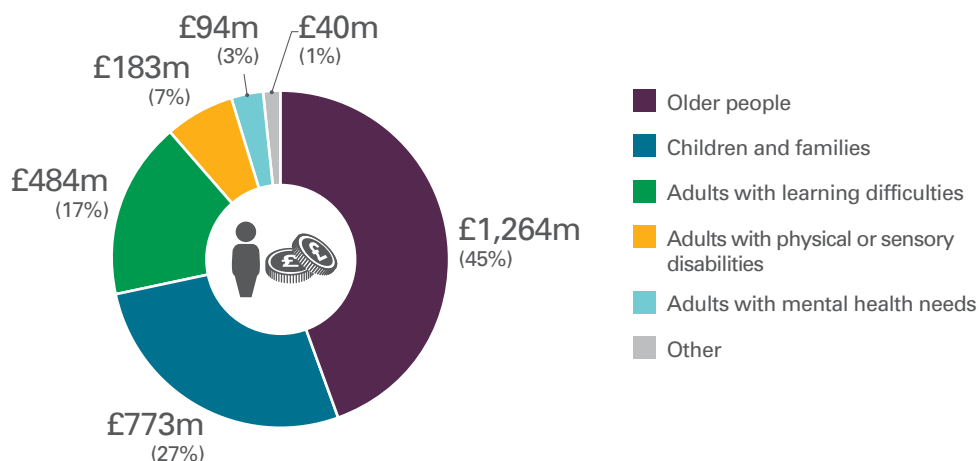
62. Councils spent £2.84 billion on social care services in 2012/13 ([Exhibit 5](#)). They provide care and support for over 152,000 people. Councils provide some of this through council-run services and buy some from external providers in the third and private sectors. Although SDS is not necessarily about delivering services more cheaply, councils are implementing SDS while managing pressures from declining budgets and increasing demand. In transforming the way they deliver social care, councils must also find ways to ensure that services are sustainable, as these pressures increase.

self-directed support will affect all social care budgets

Exhibit 5

Council spending on social care by user groups 2012/13

Forty-five per cent of councils' social care expenditure is on older people; 27 per cent is on children and families.



Source: Audit Scotland analysis of Local Government Financial Returns, 2012/13

63. An important aspect of SDS is how the council calculates an individual budget for each person assessed as having social care needs. This is a new approach for most councils and involves calculating their costs in a very different way. For example, rather than budgeting to run a fixed number of services such as respite centres, day centres, shared living units, or homecare services, councils must now budget to pay for individual care and support services for people.

64. This does not necessarily mean that existing services have to close. Some people will choose to spend their individual budget on these services anyway, and others may opt for the council to choose their services for them. However, if enough people stop using an existing service, it may not be financially viable. Councils have difficult decisions ahead about what to do in these circumstances. They may have to:

- reduce, merge or close a service
- find a way of paying for it
- find an alternative way of running it
- change it into a service that people will choose to use.

65. Councils should base these decisions on an appraisal of all the options and should take into account the effect on current users.²⁵ These changes will happen gradually as councils implement SDS. But in our case studies, we saw examples of councils closely monitoring which services they were spending money on and calculating which ones are sustainable as demand changes.

66. In our case studies, we saw evidence of short-term financial planning but less evidence of detailed, longer-term planning. It is difficult to predict what choices people will make in future and councils recognise the need to monitor trends carefully. However, it is important that they have longer-term plans in place so that they can:

- identify if progress varies from their plans
- spot trends in what is happening
- be ready to make potentially difficult decisions.

67. Long-term planning and regular monitoring of social care spending and activity are even more important at present because of current pressures on budgets and demand for services. In preparing budgets, councils need to develop scenario planning so that they are prepared for events which could have a significant impact on expenditure. An example is an unexpected rise in the number of people asking for a direct payment while money is still committed to paying for existing services.

Most councils have chosen one of two main ways to allocate individual budgets, each with benefits and risks

68. From April 2014, councils should be able to allocate individual budgets to people assessed as needing social care. The way they allocate budgets should make sure the council can afford to support all eligible people, both now and over the long term. Getting this wrong is a major risk for councils. It may result in their overspending their budgets, being unable to afford social care for some people, or providing inadequate support for them. These challenges are not new. Councils have always had to determine how to use available social care resources to best meet the needs of the local population.

69. Most councils have chosen one of two main ways to allocate individual budgets: a Resource Allocation System (RAS) or an equivalency model. We also saw a third approach at Perth and Kinross Council ([Exhibit 6, page 33](#)). Councils should consider carefully which is best for them, how to best meet the needs of local people and how to ensure that social care is sustainable in the longer term.

Exhibit 6

How councils allocate budgets to individuals

Most councils have adopted one of two models to allocate budgets to people who need support, with Perth and Kinross Council adopting a different approach.

Model	Resource Allocation System (RAS)	Equivalency model	Solution-led model (Perth and Kinross Council)
Description	Allocates budget based on a scoring system for people's assessed support needs. The amount of money allocated for each point scored is determined after calculating the total budget available and the projected demand for services	Allocates budget based on the estimated cost of the services people need. Councils normally estimate this from the services they would traditionally have given a person, for example seven hours a week of homecare	Allocates the actual cost of the support a person needs, which is agreed during assessment and discussion with the person's family and social worker or other professionals. Councils control allocation of resources through staff having differing levels of authorisation
Benefits	<p>Easy to adjust in future</p> <p>Predictable total spending</p> <p>Seen to be fair when calculations are transparent and based on assessed needs and calculated budgets</p> <p>Can ensure that no group of users is favoured over another</p>	<p>Results in little change for existing service users who wish to continue with their current services</p> <p>Predictable total spending</p> <p>Seen to be fair because it is clearly based on the amount of money that would have been spent before SDS was introduced</p>	<p>Aim is for people to get exactly the amount they need to pay for the support they have agreed</p> <p>Seen to be fair because it is clearly based on the actual cost of the support required</p>
Risks	<p>Depends on knowing costs to calculate the total budget</p> <p>Depends on having good information on projected demand</p> <p>Requires a lot of development and testing</p> <p>May be perceived by service users as a rigid and time-consuming process, at the expense of a good discussion about what support people would prefer</p>	<p>May perpetuate any existing inequity between user groups</p> <p>Unsustainable if demand increases</p>	<p>May result in overspending if the support costs more than planned and strict financial monitoring is not in place</p> <p>Unsustainable if demand increases</p> <p>People's expectations may be raised and not met if there is a need to cap spending</p>

Source: Audit Scotland

70. Case study councils that have opted for an equivalency model know that they may not be able to sustain it in the longer term because of rising demand. They may consider using a RAS in future. Councils in this position should not underestimate the amount of work involved in developing a reliable RAS.

71. Perth and Kinross Council is allocating individual budgets by calculating the costs of the support required. The council intends to give people exactly the budget they need. It is confident that this approach helps focus the discussions between the person and the professional on the support the person needs, rather than how much these services cost. However, this approach has a high risk of overspending the total budget. This could mean that some people get the support they need and others do not. Strong financial controls are needed ([Case study 8](#)).

Case study 8

Perth and Kinross Council's approach to allocating people an individual budget

Perth and Kinross Council has introduced financial controls to manage the amount of money that front-line staff can approve.

Each member of staff has an expenditure limit and can approve people's budgets below that limit. If a person needs to spend more than the limit, a manager must approve it. Managers also have an expenditure limit. If they want to spend more, they must refer the individual's budget to a group of managers for approval.

A crucial element of this approach is frequent reporting and review of how much is being spent. In the early days, finance and social care staff are meeting weekly to review spending.

Source: Audit Scotland

Councils are already changing their contracts with external providers

72. In recent years, councils have been using more block contracts with providers in the third and private sectors. This type of contract guarantees that councils pay an agreed fixed price and commits them to paying for a minimum amount of service, for example homecare hours, whether they use it or not. Councils are beginning to change their contracts because they do not want to commit to paying for services people may not choose to use. Instead, they have begun to introduce framework agreements.

73. Framework agreements are a way for councils to provide assurance about the quality of support or services people choose under SDS option 2, where they ask the council to arrange and pay for their chosen services. A framework agreement between a council and a provider requires the provider to meet certain standards and agree to provide certain information in return for being on the council's list of approved providers. The standards and information required should not be so demanding or restrictive that some new or innovative services would have difficulty meeting them.²⁶ Providers report that some current framework agreements restrict their ability to be flexible in response to service users' choices.

74. Not all councils have framework agreements in place, but several councils are introducing them in 2014. In our 2012 [Commissioning social care \(PDF\)](#) report, we highlighted that councils needed more staff with better skills in commissioning and procurement. Councils also need these skills to manage the introduction of framework contracts.

Councils need to manage financial risks when implementing SDS

75. Given the scale of the changes involved in implementing SDS, there are financial risks to the council involved in moving to this new way of working. Councils should ensure that they have considered and set out how they will identify and lessen these risks as more people take on SDS ([Exhibit 7, page 36](#)).

Recommendations

Councils should:

- plan how they will allocate money to pay for support for everyone who is eligible as demand for services increases. This requires regular monitoring of social care spending and activity. They should have plans for how and when to stop spending on existing services if too few people choose to use them, and plans to develop and invest in new forms of support for people with social care needs
 - base any decisions on when to change or close a service on an appraisal of all the options, taking into account the impact on current users
 - have short and long-term financial plans for SDS to monitor progress, identify variations between the progress and the plans, spot trends and be ready to make potentially difficult decisions
 - assess and report on the short and long-term risks and benefits of the way they have chosen to allocate money to support individuals. They should monitor and report on budgets and spending on social care services. They should also take action to lessen the risks of overspending, which might mean that they are unable to provide support for everyone who needs it
 - allow adequate time and resources to develop a transparent Resource Allocation System if they decide to develop one, and learn from councils that already have one in place
 - when introducing a framework agreement, ensure that the standards and information required are not so demanding that new or innovative services would have difficulty meeting them
 - ensure that they have a clear plan and effective arrangements for managing the risks to successfully implementing SDS. They should monitor the risks regularly, and keep councillors and senior managers informed of progress.
-

Exhibit 7

Financial risks of SDS

There are a number of significant financial risks councils need to address when implementing SDS.

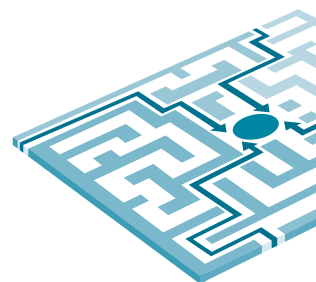
Risk	To lessen the risk, the council:
<p>Failure to enable sufficient flexibility and creativity in the way that people are supported, resulting in people's needs not being met well and their needing more support in future.</p>	<ul style="list-style-type: none"> • is listening to and encouraging users, carers, families, providers and communities to develop flexible, creative approaches to support • actively supports development of innovative solutions, both financially and practically • keeps its policies and practices under review to make sure they help, and do not get in the way of, new and creative approaches.
<p>There is not enough money to help fund preventative services, such as lunch clubs and social activities, because councils spend the entire social care budget on people's current needs. This may mean that the council fails to divert or delay demand for services resulting in:</p> <ul style="list-style-type: none"> • an increased demand that the council cannot afford • people who need support not getting it. 	<ul style="list-style-type: none"> • is working with communities to find out what preventative services currently exist and what is needed • supports new and existing services, both financially and practically, to grow and diversify.
<p>An unreliable RAS that is based on inadequate information about costs or demand for services could mean:</p> <ul style="list-style-type: none"> • an increased demand that the council cannot afford • people who need support not getting it • an increase in spending on crisis or exceptional situations. 	<ul style="list-style-type: none"> • understands the costs of each element of its social care services • identifies which elements of the total budget must be kept and which must be included in the RAS • develops a good system of analysing trends and predicting future demand for services.
<p>Increases in demand mean that councils that have not reviewed and changed significantly the way they provide social care for SDS, including those using an equivalency model, overspend their social care budgets.</p>	<ul style="list-style-type: none"> • understands the costs of each element of its social care services • develops a good system of analysing trends and predicting future demand for services • develops financial plans using this information • monitors its social care budgets closely against its financial plans and takes prompt action when it identifies any variation.
<p>Running in-house services that are no longer financially viable, resulting in overspending on these services.</p>	<ul style="list-style-type: none"> • knows the costs of running each in-house service and has calculated the point at which there are not enough users to financially sustain the service • monitors how many people are using the service • acts quickly to consider the options when trends show the number of people using the service is declining.

Cont.



Exhibit 7 (continued)

Risk	To lessen the risk, the council:
Being tied into block contracts that are no longer fully used, resulting in overspending on these contracts.	<ul style="list-style-type: none"> • monitors and reviews block contracts regularly to identify where it is paying for services that people are not using • if necessary, considers at the earliest opportunity the options for changing or withdrawing from contracts • considers using framework agreements.
Inadequate financial controls for individual budgets, resulting in misuse of funds or fraud.	<ul style="list-style-type: none"> • has reviewed its financial controls for direct payments • has reviewed previous misuse of direct payments and takes a proportionate approach to guarding against this • has suitable arrangements for approving single large items of expenditure.
Disproportionate financial controls for individual budgets, resulting in excessive administration costs and in service users being deterred from choosing to control their support and budget.	<ul style="list-style-type: none"> • has reviewed its financial controls for direct payments • takes a proportionate approach to monitoring individual budgets • has streamlined arrangements for approving expenditure.
Higher unit costs for external services owing to the need for greater flexibility, resulting in more expensive services.	<ul style="list-style-type: none"> • monitors closely the choices people make • works in partnership with providers to ensure that their services match what people want and that costs are kept to an affordable but realistic level.
People arranging their own support run into difficulties with their personal assistant or support provider and are found liable or lose money.	<ul style="list-style-type: none"> • gives people information and advice about employing a personal assistant, including employers' insurance and how to be a good employer • refers people to a user-led organisation that can advise and help them • ensures that people have contingency plans so they know what to do if their personal assistant is ill or does not arrive as planned.
An external provider fails to provide appropriate support or goes out of business because not enough people choose its services.	<ul style="list-style-type: none"> • monitors contracts with external providers, including their financial health • reviews regularly the impact that support and services are having on people's lives • has plans in place to ensure that everyone who needs a service continues to receive it.
SDS implementation not far enough advanced by the end of 2014/15. If Scottish Government transformation funding does not continue at current levels, this could result in a reduction in staff and delays in assessing and reviewing people's needs.	<ul style="list-style-type: none"> • has detailed SDS implementation plans in place for 2014/15 and beyond • prioritises actions to ensure progress does not stall in 2015/16.

Endnotes

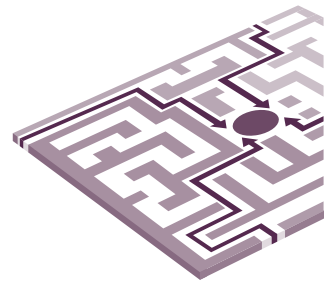


- ◀ 1 The Human Rights Act 1998.
- ◀ 2 The third sector is also referred to as the voluntary sector, and the private sector as the independent sector.
- ◀ 3 Public Bodies (Joint Working) (Scotland) Act 2014.
- ◀ 4 *Self-directed Support: A National Strategy for Scotland*, Scottish Government and COSLA, 2010.
- ◀ 5 *Changing Lives: Report of the 21st Century Social Work Review*, Scottish Executive, 2006.
- ◀ 6 *Changing Lives: Personalisation: A Shared Understanding; Commissioning for Personalisation; A Personalised Commissioning Approach to Support and Care Services*, Scottish Government, 2009.
- ◀ 7 Public Bodies (Joint Working) (Scotland) Act 2014.
- ◀ 8 *Scottish Local Government Financial Statistics 2012-13*, Scottish Government, 2014.
- ◀ 9 *Reshaping Care for Older People – A Programme for Change 2011–21*, Scottish Government, COSLA and NHS Scotland, 2010.
- ◀ 10 Following several pieces of legislation, most adults assessed by their council as needing social care, and the parents of disabled children, may receive a direct payment. This legislation includes the Community Care (Direct Payments) Act 1996 and subsequent amendment regulations to that Act.
- ◀ 11 *Social Care Services, Scotland 2013*, Scottish Government, 2014. The Scottish Government intends to include data on other SDS options in future years.
- ◀ 12 *Scottish Local Government Financial Statistics 2012-13*, Scottish Government, 2014.
- ◀ 13 *Culture change in the public sector (IRISS Insights, No. 17)*, Michelle Drumm, Institute for Research and Innovation in Social Service, 2012.
- ◀ 14 Argyll and Bute, Clackmannanshire, East Lothian, Stirling, West Dunbartonshire. No council committee papers on SDS between January 2011 and January 2014.
- ◀ 15 Social Care (Self-directed Support) (Scotland) Act 2013 Financial Memorandum.
- ◀ 16 *Self-directed Support: Implementation of the SDS Strategy and Bill – ‘Stock take’ Questionnaire Analysis Report*, Scottish Government, 2013.
- ◀ 17 The Community Care (Joint Working etc) (Scotland) Regulations 2002 (SSI 2002 No. 533).
- ◀ 18 *Self-directed support, regulation and inspection, Research 2014*, Coalition of Care and Support Providers in Scotland, 2014.
- ◀ 19 *Guidance on procurement for social care and support*, Scottish Government, 2010.
- ◀ 20 *Scottish Social Services Sector: Report on 2012 Workforce Data*, Scottish Social Services Council, 2013.
- ◀ 21 *Self-directed support in Scotland – workforce learning and development strategy*, Scottish Government, 2013.
- ◀ 22 *Scottish Social Services Sector: Report on 2012 Workforce Data*, Scottish Social Services Council, 2013. This figure excludes childminding assistants, volunteers, personal assistants and office staff not based where the services are provided.
- ◀ 23 *Public sector austerity, personalisation and the implications for the voluntary sector workforce*, University of Strathclyde, 2013.

- ◀ 24 All care workers in Scotland who have regular contact with children or protected adults through paid or unpaid work must be members of the Protecting Vulnerable Groups Scheme. It allows their employers to check that they do not have a record of harmful behaviour.
- ◀ 25 [How councils work: Options appraisal: are you getting it right? \(PDF\)](#)  Audit Scotland, March 2014.
- ◀ 26 [Commissioning social care services: Focus groups with social care services providers \(PDF\)](#)  ODS Consulting for Audit Scotland, 2011; *Guidance on procurement for social care and support*, Scottish Government, August 2010.

Appendix 1

Audit methodology



We reviewed a range of published information to inform our audit, including:

- Scottish Government strategy and policy documents, reports, statistics and financial information
- draft bill, consultations and responses relating to development of the SDS legislation
- reports and research by Institute for Research and Innovation in Social Services (IRISS), Scottish Social Services Council (SSSC), academic institutions and other relevant organisations
- plans, reports and papers submitted to us by all 32 councils in response to our information request.

We carried out case studies in four councils – City of Edinburgh, Dumfries and Galloway, Perth and Kinross and South Ayrshire – including interviews and group discussions with the following:

- council managers
- front-line staff
- councillors
- third sector providers
- people with support needs and their carers.

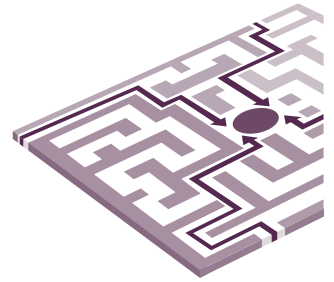
We interviewed staff and representatives from various public, private and third sector organisations including:

- Association of Directors of Social Work (ADSW)
- Care Inspectorate
- Coalition of Care and Support Providers in Scotland (CCPS)
- Convention of Scottish Local Authorities (COSLA)
- Encompass

- In Control Scotland
- Joint Improvement Team
- Self Directed Support Scotland (SDSS)
- Scottish Care
- Scottish Government
- Scottish Personal Assistant Employers Network (SPAEN)
- Social Care Ideas Factory.

Appendix 2

Project advisory group



Audit Scotland would like to thank the members of the project advisory group for their input and advice throughout the audit.

Member	Position
Craig Flunkert	Scottish Government
Dee Fraser	Coalition of Care and Support Providers in Scotland
Beth Hall	Convention of Scottish Local Authorities
Duncan MacKay	Association of Directors of Social Work
Sally Shaw	Care Inspectorate
Jess Wade	Self Directed Support Scotland

Note: Members of the advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Self-directed support

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www.audit-scotland.gov.uk 

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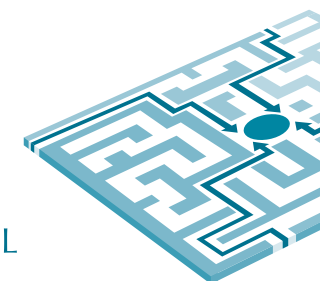
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Self-directed support



Issues for councillors





The Auditor General and the Accounts Commission published their joint report, [Self-directed support \(PDF\)](#) , on 12 June 2014. This paper accompanies that report and sets out some issues that councillors may wish to consider in relation to progress in implementing self-directed support in their council. It also aims to help them pose questions to council officers and seek assurance about local progress and activities.





Page references to main report	Issue	Questions for councillors to consider
Planning		
Pages 5, 9-10 Exhibit 1 (PDF) 	<p>The Social Care (Self-directed Support) (Scotland) Act 2013 places a duty on councils, from April 2014, to offer people newly assessed as needing social care a wider range of options for choosing and controlling their support. People receiving support before April 2014 should be offered these options the next time their council reviews their needs with them.</p> <p>With Self-directed support (SDS), professional staff such as social workers and occupational health staff must work in partnership with the person and, where appropriate, their family to identify and agree their needs, what difference they want services to make to their lives and what sort of services and support will help them to achieve it.</p>	<ul style="list-style-type: none"> • Are all eligible people newly assessed as needing social care offered the four SDS options? • Are people already receiving social care services before April 2014 offered the four SDS options when the council reviews their needs with them? • When people have their needs assessed and reviewed, do social workers and other professional staff help them to identify what impact they want services to have on their lives (their outcomes)?

Cont.

Page references to main report	Issue	Questions for councillors to consider
Pages 13-14, 31 (PDF) 	<p>Councils should monitor the use of existing in-house services and be clear about when these services might not be viable, as people choose alternative types of support. Some people will choose to spend their individual budget on these services anyway, and others may opt for the council to choose their services for them. Councils may have difficult decisions ahead about what to do in these circumstances. They may have to:</p> <ul style="list-style-type: none"> • reduce, merge or close a service • find a way of paying for it • find an alternative way of running it • change it into a service that people will choose to use. <p>Councils should base these decisions on an appraisal of all the options and should take into account the effect on current users. These changes will happen gradually as councils implement SDS.</p>	<ul style="list-style-type: none"> • Does the council know the point at which each of its in-house social care services may no longer be viable? <ul style="list-style-type: none"> – does the council monitor use of services to predict whether/when this is going to happen? – does the council have plans for what to do in these circumstances? – does the council appraise all the options for services that may become unviable?
Pages 14-15 (PDF) 	<p>SDS needs a change in the council's culture. It has to move away from allocating people to existing services, and work together with people to help them choose what support they want and would best meet their needs. People may choose new and different types of support that staff have not considered before.</p> <p>Changes of this scale require effective leadership from councillors and senior managers, including:</p> <ul style="list-style-type: none"> • sharing a clear vision with managers, team leaders and front-line staff of the council's approach to SDS and how social care services would be delivered in the future • receiving regular, formal reports about progress in implementing SDS, and being involved in decision-making • being actively involved in meetings and events to engage with people who use social care services and their carers, and providers about the council's approach to SDS. 	<ul style="list-style-type: none"> • What is the council's vision for the way it wants to deliver social care in future? • Is this vision understood and shared by councillors, senior managers and council staff? • What strategies does the council have for implementing SDS? • What detailed plans does the council have for continuing to implement and review SDS over the next few years? • Do councillors receive regular updates on how SDS implementation is progressing? • What are the main risks to the council in implementing SDS, and what are council staff doing to manage these? • What evidence does the council have that SDS is having a positive impact on people's lives? • How could the council engage better with people who use social care services and their carers, and providers and professional staff?

Page references to main report	Issue	Questions for councillors to consider
Pages 19-20 (PDF) 	<p>Many people need a combination of health and social care support. Under current legislation, an NHS board can transfer money to a council so that a person can receive a direct payment that includes funding from both the council and NHS. There are examples of this working well. However, there is no obligation on NHS boards to release funds to contribute to a direct payment. The SDS Act only places a duty on councils to offer the SDS options in relation to assessed social care needs. NHS boards only have the duty where councils have formally delegated responsibility for social care to the board. For example, NHS Highland is responsible for adult social care services in the Highland area.</p> <p>The Public Bodies (Joint Working) (Scotland) Act 2014 requires NHS boards and councils to establish new health and social care partnerships. Under these arrangements, NHS boards and councils will be required, as a minimum, to combine their budgets for adult social care, adult primary healthcare and aspects of adult secondary healthcare. Although the SDS Act does not apply directly to health services, the SDS policy will have implications for health because NHS boards and councils will share money, staff and other resources under the new arrangements. For example, councils can charge people for some social care services while NHS services are free at the point of contact. Councils and NHS boards should be clear about the implications of SDS before they put new partnership arrangements in place.</p>	<ul style="list-style-type: none"> • What are the implications of SDS for the council as it puts new health and social care partnership arrangements in place? • Will the implications of SDS be addressed by the new partnership arrangements?
Pages 20-21 (PDF) 	<p>Some people are confused about what SDS is and what it might mean for them. Councils should spend time working with communities, explaining the benefits of SDS and helping people to think creatively about what services would have the most positive impact on their lives. Without this, people may be less willing to think about alternative approaches to care because they may view alternatives simply as cost-saving measures.</p> <p>It is important that councils provide the information and advice that people need to help them understand their options and choose the best way to arrange their support. Councils should also direct people to independent sources of advice and advocacy.</p>	<ul style="list-style-type: none"> • Are people who use social care services, and their carers and families, involved in planning, implementing and reviewing the council's approach to SDS? • Does the council engage well enough with people who use social care services and their carers and families? • Does the council provide the right information, advice and advocacy to help people understand their options and make choices under SDS?

Cont.

Page references to main report	Issue	Questions for councillors to consider
Pages 22-23 (PDF) 	<p>The Act requires councils to take reasonable steps to promote a variety of providers and support so that people who use services have real choices. Councils should communicate and work with providers to do this successfully. Councils currently work with providers in different ways. In some cases, they only provide information and may talk to providers through formal network meetings. In others, councils involve providers in their SDS implementation programmes by being represented on project boards and other forums and have a say in the council's approach. It is important to involve providers as they can bring new and constructive ideas and experiences and can help deliver the required changes.</p>	<ul style="list-style-type: none"> • Does the council engage well enough with organisations providing social care services in the area? <ul style="list-style-type: none"> – are they represented on project boards? – are they engaged as partners in developing SDS plans?
Pages 31-32 Exhibit 6 (PDF) 	<p>An important aspect of SDS is how the council calculates an individual budget for each person assessed as having social care needs. This is a new approach for most councils and involves calculating their costs in a very different way. For example, rather than budgeting to run a fixed number of services such as respite centres, day centres, shared living units, or home care services, councils must now budget to pay for individual care and support services for people.</p> <p>Most councils have chosen one of two main ways to allocate individual budgets: a Resource Allocation System (RAS); or an equivalency model. We also saw a third approach at Perth and Kinross Council. Councils should consider carefully which is best for them, how to best meet the needs of local people and how to ensure that social care is sustainable in the longer term.</p>	<ul style="list-style-type: none"> • What approach does the council use to calculate individual budgets for people who have eligible social care needs? • What are the benefits and risks of the approach the council has chosen compared to other methods? • Will this approach continue to work well over the next few years?
Page 34 (PDF) 	<p>Framework agreements are a way for councils to provide assurance about the quality of support or services people choose under SDS option 2, where they ask the council to arrange and pay for their chosen services. A framework agreement between a council and a provider requires the provider to meet certain standards and agree to provide certain information in return for being on the council's list of approved providers. The standards and information required should not be so demanding or restrictive that some new or innovative services would have difficulty meeting them. Providers report that some current framework agreements restrict their ability to be flexible in response to service users' choices.</p>	<ul style="list-style-type: none"> • How is the council developing SDS option 2? • Does the council have appropriate contracts or framework agreements to support SDS option 2?
Page 34 Exhibit 7 (PDF) 	<p>Given the scale of the changes involved in implementing SDS, there are financial risks to the council involved in moving to this new way of working. Councils should ensure that they have considered and set out how they will identify and lessen these risks as more people take on SDS.</p>	<ul style="list-style-type: none"> • What are the financial risks in implementing SDS, and what are council staff doing to manage these?

Self-directed support

Self-assessment checklist for council officers

Prepared by Audit Scotland
June 2014

The Auditor General and the Accounts Commission published their joint report, [Self-directed support \(PDF\)](#), on 12 June 2014. This paper offers a checklist for council officers to help them review progress in implementing self-directed support in their council. Officers should consider each issue listed and decide which statement most accurately reflects their current situation. This approach will enable councils to identify what actions need to be taken.

The last column in the checklist can be used to record sources of evidence, supplementary comments to support your assessment or to highlight actions to take forward.

	Assessment of current position					
Issue	No action needed	No but action in hand	Yes in place but needs improving	Yes in place and working	Not applicable	Comments
Planning						
We now offer Self-directed support (SDS) to all eligible people when we assess or review their social care needs.				✓		Adult Well Being are offering SDS to all community care client groups (new referrals and through the review process) Within children's wellbeing SDS is offered to new referrals within Children's wellbeing and at review stage for all children and young people with a disability. Need to roll out SDS offer across wider service.
<p>We have a clear vision for the way we want to deliver social care in future:</p> <ul style="list-style-type: none"> • This vision is widely shared and understood by councillors, senior managers and staff. • Managers and front line staff are given opportunities to examine their procedures and contribute to changes. 		✓	✓ ✓	✓		<p>Plans to address this jointly by Adult and Children's wellbeing</p> <p>Managers and frontline staff who work with children and young people with a disability have all been involved in the planning and implementation of SDS. More work needs to happen across wider services for children and young people.</p> <p>Managers and front line staff have been able to contribute through training opportunities, team briefings and notice boards throughout the office.</p>

<p>We have clear strategies and detailed, up-to-date plans to continue implementing and reviewing SDS.</p>			<p>✓</p> <p>✓</p>		<p>We are keen to have more involvement from user and carers in reviewing our SDS plans. At present we have users and carer representation on our SDS implementation group but the aim is to widen this further.</p> <p>Other managers throughout the service are also taking an active role in implementing and reviewing SDS.</p> <p>There is a clear work plan that supports implementation of SDS for children and young people with a disability. A multi agency SDS steering group for children and young people and weekly catch up meetings allows for ongoing monitoring and evaluation. Gaps within the plan Include procurement and finance need to be addressed. There is also a need to address how SDS could be applied across the whole service.</p>
<p>We have developed ways of assessing the impact of SDS by monitoring how successfully social care services improve people's lives.</p>	<p>✓</p>	<p>✓</p>			<p>We are planning to link our outcomes and monitoring framework to the work being developed by the Scottish Government. In the interim we will continue to identify outcomes within individual assessments and can use a base line when completing the review.</p> <p>We are also working with JIT and Thistle to look at the Personal Outcomes Partnership and linking SDS with outcomes & integration.</p> <p>Children's wellbeing SDS Officer is exploring the usage of a tool called POET (Personal Outcomes Evaluation Tool) and will be reporting back to the wider SDS Steering group as to whether this we be a useful tool to pilot .</p>

<p>Our plans address:</p> <ul style="list-style-type: none"> • how we assess people’s needs and identify the impact they want services to have on their lives • how we allocate individual budgets • how we monitor and review the impact of individuals’ support on their lives. 			<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>		<p>Our assessment process has been refined and clearly identifies individual outcomes and budgets.</p> <p>assessment and support planning tools that workers use with children and young people with a disability reflect this.</p> <p>We need to look at developing a light touch review mechanism for situations whereby an individual wishes to make minor changes to their plan but does not require a full review.</p> <p>A resource allocation system is going to be piloted. weightings just need to be addressed to this.</p> <p>Implementation since April and therefore not a great deal of reviews have taken place. This will continue to be monitored.</p> <p>Social workers will continue to undertake their monitoring and reviewing role.</p>
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<p>Our plans address:</p> <ul style="list-style-type: none"> • how we work with providers in the third and private sectors, and local businesses and communities, to develop the services available to people • how we work with the NHS so that people receive joined-up health and social care support • how we involve service users, carers and families in planning, agreeing and implementing SDS. 			<p>✓ ✓ ✓ ✓</p>		<p>Prior to implementation we held stakeholder events for users, carers, providers and other stakeholders to discuss how East Lothian planned to implement SDS and to take on board suggestions & feedback. This approach has continued on and we hosted 4 further sessions in May & July which focused on customer's pathway.</p> <p>providers have participated in a ranger of different events including. Ongoing planning and work needs to be done in this area</p> <p>Locally we have joint planning groups established whose membership includes service users and carers to ensure we are actively involving these groups in our plans & implementation. Phase 1 of our training modules were also co produced and it is our plan to continue with that approach.</p> <p>Representation from NHS on SDS Steering group for children and young people is weak.</p> <p>We recognise that further work is required to provide a more joined up approach with NHS. This is happening strategically but improvement is required in the practical delivery.</p> <p>SDS Steering group has representation from parents and carers via Family Led information point.</p>
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<p>Our plans address:</p> <ul style="list-style-type: none"> • policies, procedures, training and guidance for front-line staff • information, advice and advocacy for people to help them make choices under SDS. 			<p>✓</p> <p>✓</p> <p>✓</p>		<p>We recently completed phase 1 of our training modules which included; intro to SDS, assessment for outcomes, support planning, enabling and managing risk and process in framework i. These modules were offered to all staff across adult well being and the evaluation was very positive and has provided direction about future learning & development opportunities.</p> <p>plans are In plan place for addressing policies, procedures, training and guidance for frontline staff in relation to children and families with a disability.</p> <p>Phase 2 of our training will focus on internal resources staff who provide support in residential care homes and day service staff.</p> <p>We have completed a mapping exercise of information, advice and advocacy services throughout East Lothian. We have well developed links with advocacy services and identified a gap in provision for people with a physical disability. We are in the process of commissioning an organisation to provide this service. Advocacy organisations participated in our stakeholder events to help their understanding of SDS in East Lothian.</p> <p>We have produced leaflets which provide information and advice along with signposting.</p> <p>Ongoing contract with LCIL to provide independent advice, support planning & payroll services.</p> <p>Limited advocacy is available for children and young people with a disability. Exploring provision of advocacy from EDG and Vocal. Families get sign posted to Family Led Information Point for peer support information and advice.</p>
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Leadership

<p>We regularly (at least quarterly):</p> <ul style="list-style-type: none"> • report progress against our implementation plans to senior managers and councillors • assess the risks and actions we are taking to lessen them • monitor and report on the options chosen by people under SDS • monitor use of in-house services to inform reviews of sustainability. 		<p style="text-align: center;">✓ ✓</p>	<p style="text-align: center;">✓ ✓</p>		<p>But a cabinet report is currently being prepared for Senior management. There is a need for regular reporting of progress.</p> <p>Regular updates have been provided to Adult Well Being Management Team and to the councillor responsible for AWB. Regular updates to the council wide management team, health and social care management team and full council need to be scheduled to take place on a regular basis. This is being planned at present. How this information will be reported will include a risk register and monitoring of uptake.</p> <p>Weekly meetings held by children wellbeing allow for risks to be accessed and a plan of action to be taken.</p> <p>evidence recorded by social workers and analysed and reported on by the performance and service improvement team within Children's Wellbeing.</p>
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<p>Our staff have the time, information, training and support they need to work with people to design their individual package of support.</p>			<p>✓ ✓</p>		<p>Staff have been offered a number of learning and development opportunities along with support from line managers to fully explore options with clients. Also we work closely with support organisations e.g. LCIL who also provide independent advice. The shift in approach will require ongoing support for staff and this is being planned.</p> <p>Staff have received training on assessment and support planning and receive ongoing support via supervision, briefings and ongoing training. Need to roll out across wider service for children and young people.</p>
<p>Our councillors and senior managers are actively involved in engaging with people who use social care services, their carers and providers.</p>				<p>✓</p>	<p>This happens on an individual basis and through our natural planning structures in East Lothian</p> <p>Councillors and senior managers engage with service users and carers via Family led Information pint, provider AGM meetings, and consultation and training events.</p>
<p>Working in partnership</p>					

<p>We fully involve users, carers, families, communities and service providers:</p> <ul style="list-style-type: none"> • in planning, agreeing and implementing our SDS strategy (ie, not just informing and consulting them) • in discussions about SDS that encourage thinking creatively about what services would have the most positive impact. 			<p>✓</p> <p>✓</p> <p>✓</p>		<p>As noted previously we have robust planning structures in plan which allows us to actively engage with all the stakeholders groups. We are continuing to look at ways to extend that engagement to people who are not directly connected with organisations represented on our planning groups.</p> <p>Family Led information Point is consulted on aspects of the SDS strategy. Parents and carers are also Invited to consultation and training sessions on all aspect of SDS planning and implementation.</p> <p>We are planning to do more road show type activities and to provide real life examples/good news stories about the different ways SDS can be used to help people to achieve their outcomes. People have told us that this approach has the highest impact.</p> <p>We are in the process of updating our communication plan to ensure that we are reaching different people and groups to help us plan, monitor and implement SDS locally.</p> <p>All parents and carers will receive support and tools that will assist them with support planning. They will also be signposted to other organisations that can help them think creatively e.g. LCIL.</p>
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<p>We work in partnership with service providers, giving them information, consulting them about our plans and fully involving them in our strategy for developing SDS services in our area.</p>			✓			<p>Prior to implementation we worked closely with providers to provide regular updates and to inform our approach to SDS. Local providers were also invited to attend 2 provider readiness workshops hosted by In Control. These events supported providers to think about practical day to day issues and long term planning.</p> <p>We are looking at re-establishing links with our providers forum to ensure that SDS is a regular agenda item. This has been on hold whilst we completed our procurement exercise.</p>
<p>Managing Budgets</p>						
<p>We know at what point each in-house service will no longer be viable and what action we will take if that happens.</p>		✓				
<p>We monitor our spending against our financial plans and we are ready to take action to avoid a potential overspend.</p>			✓			<p>Team leaders review the budget and spend on an ongoing basis.</p>
<p>We have assessed the benefits and risks of our chosen approach to allocating individual budgets and reported them to councillors and senior managers.</p> <p>We are planning to develop a RAS. To inform this, we have looked at how similar approaches work for other councils and allowed sufficient time and cost to develop it fully.</p>			<p>✓</p> <p>✓</p>			<p>Cabinet report for senior managers and councillors is currently being prepared and will include information on the RAS.</p> <p>Children's wellbeing RAS has been developed. Parents have been consulted on the RAS and social workers are currently undertaking a desktop exercise using the RAS. Weightings still need to be added to the RAS.</p>

<p>We have decided to introduce a framework agreement with external providers. In the contracts, the standards we require providers to meet and the information we ask them for is not so demanding or restrictive that some new or innovative services would have difficulty meeting them.</p>						<p>Children's Wellbeing plan to have a strategic commissioning event In November 2014. This event will bring together provider and parents and carers.</p>
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Audit and Governance Committee Annual Work Plan 2014/15

9

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
18/11/14	Modernisation Programme Public Records (Scotland) Act 2011 Bathroom Adaptations Financial Arrangements – Tranent Care Home Internal Audit Plan Progress Report		Managing Procurement in Councils Self Directed Support	2014/15 Council Improvement Plan Monitoring Report Treasury Management Mid Year Review report	Children's Wellbeing Service Risk Registers Adult Wellbeing Service Risk Register Education Service Risk Register
20/01/15	IT Disaster Recovery Fleet Management Review of Performance Indicators Tyne Esk LEADER Programme Standards and Policies Cash Handling and Banking Self Directed Support Partnership Funding		Re-shaping Care for older People Scotland's Public Finances Borrowing and Treasury Management in Local Government		Council Resources Service Risk Register Communities and Partnerships Service Risk Register Infrastructure Service Risk Register Development Service Risk Register Risk Strategy Update

	Schools Audit Follow-up Report Internal Audit Progress Report 2014/15				
17/03/15	Gifts and Hospitality Members Contracts Audit Mandatory and Discretionary Financial Assistance Fees and Charges Frameworki – Payments on Schedule Review of Previous Year's Work Internal Audit Plan 2015/16 Internal Audit Progress Report 2014/15				
19/05/15	Borrowings Pensions Payroll Overtime Non-Domestic Rates Internal Audit Progress			2015 Corporate Governance Self- evaluation/ Annual Governance Statement	

	Report 2014/15 Controls Assurance Statement 2013/14				
14/07/15				Draft 2014/15 Annual Accounts	

REPORT TO: Audit and Governance Committee
MEETING DATE: 18 November 2014
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Modernisation Programme (SHQS)

10

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Modernisation Programme (SHQS).

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the Council's Housing Modernisation Programme (SHQS) was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to review the effectiveness of the Modernisation Programme (Existing Stock) and to report on progress made by the Council towards meeting the Scottish Housing Quality Standard (SHQS).
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

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DATE	6 November 2014

EAST LOTHIAN COUNCIL – INTERNAL AUDIT MODERNISATION PROGRAMME (SHQS)

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14, a review was undertaken of the Council's Housing Modernisation Programme (SHQS).

1.2 Areas where Expected Controls were Met

- A detailed Delivery Plan was developed in 2006 clearly outlining how the Council proposed to meet the Scottish Housing Quality Standard (SHQS) by the target date (2015) set by the Scottish Executive.
- An independent survey was commissioned to assess the condition of the Council's housing stock – 94% of the Council's housing stock was surveyed by the independent surveyor in four separate tranches. In addition, since 2013 surveys have been carried out in-house to update the stock condition data held by the Council.
- Adequate funding was made available through the Council's Modernisation Programme to meet the investment required to ensure the Council achieved the SHQS by 2015.

1.3 Areas with Scope for Improvement

- The planned programme of works was not clearly aligned to the findings of the stock condition survey to ensure that investment was targeted to those properties identified as potentially failing the SHQS. We note however that since 2013 Management have sought to address weaknesses identified in the previous practices. *Risk – failure to achieve the SHQS.*
- There was a lack of adequate arrangements in place to ensure effective monitoring of the budgeted spend – for certain areas critical to achieving the standard, there was a failure to ensure 100% budgeted spend. *Risk – failure to meet the SHQS target.*
- There was a failure to ensure that progress was measured against key milestones to enable slippages to be identified and the delivery plan to be adjusted where necessary in light of the progress being made. *Risk – failure to achieve the SHQS.*
- A stock condition survey database was in place, however there was a failure to ensure that the database was updated to reflect repairs work undertaken on properties. We note that the Council has recently procured asset management software (Keystone) which is currently being populated with key information held. *Risk – information held may be incomplete.*

1.4 Summary

Our review of the Modernisation Programme (SHQS) has identified areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2014

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Effective monitoring and reporting arrangements should be put in place for the Council's Modernisation Programme to ensure the delivery of the SHQS.	High	Head of Communities and Partnerships	Arrangements being put in place to address – new Asset Team established and Manager appointed. Keystone asset management tool purchased and installed in June 2014 and data being input since then. Quarterly reporting on HRA expenditure now being reported to Cabinet (from Nov 2014). Regular reporting and liaison taking place with Scottish Housing Regulator.		Progressing to meet April 2015 compliance.
5.2	Management should ensure the accuracy of the Council's reported SHQS performance, sufficient to withstand scrutiny from the Scottish Housing Regulator.	High	Head of Communities and Partnerships	Previous data / intelligence being validated. Keystone asset management tool has capability of producing accurate reporting information on housing stock condition. Agreed actions are a key priority for Community Housing under the day to day direction of the recently appointed Asset Manager.		Progressing to meet April 2015 compliance.

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Records Management (Public Records (Scotland) Act 2011)

11

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Records Management (Public Records (Scotland) Act 2011).

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Records Management (Public Records (Scotland) Act 2011) was undertaken as part of the audit plan for 2014/15.
- 3.2 The Public Records (Scotland) Act 2011 came into force on 1 January 2013 and all local authorities are subject to its provisions. The main objective of the review was to assess the progress being made by the Council in meeting the requirements of the Act.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	6 November 2014

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
RECORDS MANAGEMENT
(PUBLIC RECORDS (SCOTLAND) ACT 2011)**

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15 a review was undertaken of Records Management and of the progress being made by the Council in meeting the requirements of the Public Records (Scotland) Act 2011.

1.2 Progress Update

- The Council has made significant progress in establishing a framework for records management. An Information and Records Management Policy is in place – the Policy was approved by Cabinet on 11 June 2013, however the Policy was only recently made available to staff on the intranet.
- A Business Classification Scheme and Retention Schedule has been developed and was approved by Cabinet on 10 June 2014. Our review highlighted a few sections that have yet to be completed. We note however that this is a live document and is subject to review and updating on an ongoing basis.
- A Records Management Plan has been prepared to meet the requirements of the Public Records (Scotland) Act 2011 – the Plan was approved by Council on 28 October 2014 and was submitted to the Keeper of the Records of Scotland on 31 October 2014. The Records Management Plan includes a detailed action plan outlining actions to be taken over the next five years.
- A high level Information Security Policy is in place, however the Policy has not been reviewed to ensure that it meets the requirements of the Records Management Plan.
- A Records Management Steering Group has been established to assist the Council in achieving the delivery of the Records Management Plan and in the ongoing implementation of the Plan.
- As part of our review a survey was undertaken to determine how the Council is currently managing its records – the survey results have highlighted mixed practices across the Council. Some areas with scope for improvement were identified including the need for detailed procedures and guidance to ensure consistency and a corporate approach to records management, a clear audit trail for tracking amendments to records, formal agreements for partnership and shared service arrangements, identification of vital records and the standardisation of documents. The findings from the survey will be shared with the Council's Records Manager.

1.3 Summary

The implementation of the Records Management Plan and the embedding of records management within the Council are expected to be undertaken in stages over the next five years and a detailed action plan forms part of the Records Management Plan. We note that a report is to be submitted by the Head of Council Resources on an annual basis outlining the progress being made in implementing the Plan.

**Mala Garden
Internal Audit Manager**

November 2014

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
RECORDS MANAGEMENT
(PUBLIC RECORDS (SCOTLAND) ACT 2011)**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	The findings from Internal Audit's survey and review should be considered by the Council's Records Management Steering Group.	Medium	Service Manager – Licensing, Administration and Democratic Services	Agreed		February 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee
MEETING DATE: 18 November 2014
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Bathroom Adaptations

12

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Bathroom Adaptations.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 As part of the audit plan for 2014/15 we examined the Framework Agreement in place for Bathroom Adaptations.
- 3.2 The main objective of the audit was to examine the adequacy and effectiveness of the Council's Framework Agreement for Bathroom Adaptations and to provide management with assurances that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	6 November 2014

EAST LOTHIAN COUNCIL – INTERNAL AUDIT BATHROOM ADAPTATIONS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15 we examined the adequacy and effectiveness of the Framework Agreement in place for Bathroom Adaptations. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- An East Lothian Equipment and Adaptations Partnership Agreement is in place, which sets out the legislative framework and policy context within which adaptations are carried out.
- All recommendations made by Adult Wellbeing staff for bathroom adaptations were in accordance with the provisions of the Partnership Agreement.

1.3 Areas with Scope for Improvement

- There was a failure to properly follow the evaluation procedures set out in the Invitation to Tender (ITT) and errors were identified in the procurement evaluation process. *Risk – failure to achieve the desired outcomes.*
- Opportunities to achieve best value had not been fully maximised – significant amounts of work were being awarded to the most expensive contractors on the framework. *Risk – failure to make optimum use of the resources available.*
- The budget setting process for disabled adaptations requires review – the annual budget failed to reflect the anticipated savings following the introduction of the Framework Agreement. *Risk – failure to ensure that expenditure is properly prioritised.*
- The existing arrangements for the management and delivery of bathroom adaptations require review to reflect the new Council structure – the service area now responsible for the budget has no direct involvement in controlling the actual spend. *Risk – failure to adequately monitor or control expenditure.*
- The current arrangements for monitoring the performance of contractors require review – there was a failure to ensure that a consistent approach was adopted for all contractors. *Risk – performance information may be inaccurate.*

1.4 Summary

Our review of Bathroom Adaptations has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

November 2014

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	The East Lothian Equipment and Adaptations Partnership Agreement should be updated to reflect the post implementation review – the updated agreement should be approved by the Project Board or by Senior Management.	Medium	Service Manager – Community Housing	Noted - Partnership agreement needs to be reviewed to reflect any changes brought about by H+SC integration.		March 2015
3.3.2	Management should ensure that approval for all bathroom adaptations is in accordance with the Partnership Agreement.	Medium	Service Manager – Community Housing	Noted QA checks will be carried out and reported to Joint Complex Cases Panel.		Implement by March 2015 for new financial year reporting
3.3.3	<p>Management should ensure that the specification for new build properties makes provision for any major adaptations required.</p> <p>Management should ensure that clear procedures are in place for dealing with items removed as part of the adaptation process.</p>	Medium	Service Manager – Community Housing	<p>Can only fully control spec if we are designing – not if design and build project (e.g. Antiquaries).</p> <p>We do not always know individuals' specific requirements at start of process, needs can change, so flexibility required.</p> <p>Contractors cannot always reuse materials removed, due to damage etc.</p>		

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	Management should review the current approach adopted for setting the budget for disabled adaptations.	High	Service Manager – Community Housing / Head of Communities and Partnerships	Budget is planned based on previous year’s spend and informed by planned/pipeline cases.		
3.6.1	Management should ensure compliance with the evaluation procedures outlined in the ITT. Management should review the effectiveness of the current framework in maximising opportunities for best value.	High	Service Manager – Legal & Procurement Service Manager – Community Housing	Advising on compliance with evaluation procedures set out in the ITT. Noted but need to recognise best value is about ensuring quality as well as financial.		In Place
3.7.1	Management should review the appropriateness of the existing arrangements whereby the allocation of work to particular contractors is undertaken by a service area with no budget responsibility.	High	Service Manager – Community Housing / Head of Communities and Partnerships	Team Manager – Housing Asset now approves expenditure.		In Place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1 (cont)	<p>In view of the significant price differentials between the framework contractors, Management should ensure that the Council achieves best value when awarding work to contractors.</p> <p>Management should ensure that a consistent approach is applied for monitoring the performance of contractors.</p>	High	<p>Service Manager – Community Housing / Service Manager – Strategic Asset & Capital Plan Mgmt</p> <p>Service Manager – Community Housing / Service Manager – Strategic Asset & Capital Plan Mgmt</p>	<p>Suggest contract needs to be retendered but meantime will ensure monitoring of costs & quality, and developing criteria to determine when ok to use contractor not cheapest (e.g. capacity to deliver to timescale).</p> <p>Scorecard is in use – evidence of monitoring and improving performance.</p>		Propose retender during 2015
3.8.1	Management should ensure that the roles of both Community Housing and Property Projects are clearly defined for managing the delivery of bathroom adaptations.	Medium	Service Manager – Community Housing	<p>Noted and agreed. Work ongoing to streamline process maps (NIMBUS).</p> <p>Respective responsibilities will also be formally captured in the Housing Asset Management Strategy.</p>		<p>December 2014</p> <p>April 2015</p>

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Financial Arrangements at
Crookston Care Home

13

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Financial Arrangements operating at Crookston Care Home.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the Financial Arrangements operating at the new Crookston Care Home was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	6 November 2014

EAST LOTHIAN COUNCIL – INTERNAL AUDIT FINANCIAL ARRANGEMENTS – CROOKSTON CARE HOME

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15, a review was undertaken of the financial arrangements in place at the new Crookston Care Home in Tranent. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place to ensure that regular reconciliations are undertaken of Petty Cash, Residents' Savings and the Welfare Fund.
- Residents' personal savings sheets are maintained to record income and expenditure relating to each resident.
- Adequate documentation is in place to support all expenditure recorded on the residents' savings sheets.
- A clear audit trail exists to support all petty cash expenditure incurred.
- The Welfare Fund is audited on an annual basis by an independent person.

1.3 Areas with Scope for Improvement

- The banking arrangements for the new care home require review - the consolidation of bank accounts, the closing of inactive accounts and the updating of bank signatories are currently outstanding. *Risk – errors may occur and remain undetected.*
- Where purchases are made on behalf of residents with no capacity to manage their own finances, there was a failure to ensure that residents' savings sheets had been countersigned by a second member of staff for all amounts withdrawn. *Risk – errors and irregularities may occur and remain undetected.*
- The existing arrangements in place to ensure that VAT is properly accounted for require review – in some cases VAT had been incorrectly claimed and in other cases no receipts were held to support vatable purchases. *Risk – non compliance with VAT regulations.*

1.4 Summary

Our review of the financial arrangements operating at Crookston Care Home has identified a number of areas with scope for improvement. Detailed findings and opportunities for improvement are contained in our main Audit Report.

**Mala Garden
Internal Audit Manager**

November 2014

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
FINANCIAL ARRANGEMENTS – CROOKSTON CARE HOME**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.3	Appropriate checks should be carried out prior to all reconciliations being signed by a person independent of the preparer.	Medium	Unit Manager	Agreed		November 2014
3.1.4	Management should ensure that VAT is properly accounted for – all vatable expenditure should be supported by proper VAT receipts or invoices.	Medium	Unit Manager	Agreed		November 2014
3.2.2	Management should ensure that the Welfare funds for both homes are consolidated. Management should ensure that a replacement bank deposit book is obtained for the Welfare account.	Medium	Unit Manager	Agreed		December 2014
3.3.2	Appropriate arrangements should be put in place to ensure that all personal savings are returned to residents leaving the Care Home.	Medium	Unit Manager	Agreed		November 2014

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	<p>Management should ensure that where purchases are made on behalf of residents with no capacity to manage their own finances, the resident's savings sheet is countersigned by a second member of staff.</p> <p>Management should ensure that receipts issued for all monies received on behalf of residents are cross-referenced to both the residents' personal savings sheets and the residents' savings balance sheet.</p>	Medium	Unit Manager	Agreed		In Place
3.4.1	Management should review the banking arrangements to ensure the consolidation of bank accounts, the closing of inactive accounts and the updating of bank signatories.	Medium	Unit Manager	Agreed		December 2014
3.5.1	Management should review the security arrangements at the Care Home to ensure that all funds are held securely.	Medium	Unit Manager	Agreed		December 2014

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive – Resources & People Services

14

SUBJECT: Internal Audit Progress Report 2014/15

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's progress against the annual audit plan for 2014/15.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Internal Audit Progress Report 2014/15.

3 BACKGROUND

- 3.1 This report is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan.
- 3.2 The progress made to date is outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	6 November 2014

INTERNAL AUDIT PROGRESS REPORT 2014/15

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Fostering and Kinship Care Allowances	We will review the arrangements in place for the payment of fostering and kinship care allowances and fees.	August 2014	Completed
Bathroom Adaptations	We will examine the adequacy and effectiveness of the Council's Framework Agreement for bathroom adaptations.	August 2014	Completed
National Fraud Initiative	Internal Audit participates in the National Fraud Initiative, which is coordinated for Scottish Local Authorities by Audit Scotland. This initiative seeks to identify potential frauds and overpayments by matching data held within the Council to that held by other bodies.	August 2014	Completed
Public Records (Scotland) Act 2011	We will examine the adequacy of the existing arrangements in place within the Council for meeting the requirements of the Public Records (Scotland) Act 2011 – the audit will focus on how the Council uses, stores, makes secure, shares and destroys information.	October 2014	Completed
Residential Homes for Older People	A review of the financial arrangements operating at the Council's residential homes for older people will be undertaken.	October 2014	Completed
Fleet Management	We will review the adequacy and effectiveness of the Council's fleet management.	October 2014	

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Review of Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.	October 2014	
IT Disaster Recovery	We will review the IT disaster recovery arrangements for the Council's main data centres (John Muir House and Penston House).	October 2014	Completed
Tyne Esk LEADER Programme	We will examine the adequacy and effectiveness of the internal controls in place for the Tyne Esk LEADER Programme.	December 2014	
Standards and Policies	<p>Internal Audit will report to the Audit and Governance Committee on the following:</p> <ul style="list-style-type: none"> • The outcome of Internal Audit's assessment against Public Sector Internal Audit Standards (PSIAS) • The updated Internal Audit Charter • The Council's updated Whistleblowing Policy • The policies and procedures in place within the Council for the prevention and detection of fraud and corruption. 	December 2014	
Cash Handling and Banking	We will examine the cash handling and banking arrangements in operation throughout the Council.	December 2014	
Self Directed Support	We will report on the progress being made by the Council in implementing Self Directed Support.	December 2014	

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Partnership Funding	We will examine the arrangements in place for partnership funding provided by the Council.	December 2014	
Schools Audit	We will examine the internal controls operating within one secondary school and one primary school in East Lothian.	December 2014	
Gifts and Hospitality – Members	We will review the arrangements in place for the recording and acceptance of offers of gifts and hospitality by Members.	February 2015	
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	February 2015	
Mandatory and Discretionary Financial Assistance	We will review the adequacy and effectiveness of the arrangements in place for the processing of mandatory and discretionary housing grants.	February 2015	
Frameworki – Payments on Schedule	We will examine the adequacy and effectiveness of the internal controls in place for payments made to suppliers via Frameworki.	February 2015	
Fees and Charges	For a range of Council services we will review the arrangements in place for the setting up, reviewing and updating of fees and charges.	February 2015	

AUDITABLE AREAS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by management have been properly managed.	February 2015	
Non-Domestic Rates	We will examine the internal controls surrounding the administration of Non-Domestic Rates.	April 2015	
Payroll Overtime	A review of the internal controls in place for the authorisation, processing and monitoring of Payroll Overtime will be carried out.	April 2015	
Borrowings	We will examine the systems and controls in place in respect of borrowings – the audit will focus on the draw down and repayment of loans and the associated authorisation and monitoring procedures in place.	April 2015	
Pensions	We will review the systems and controls in place in respect of pensions – the audit will focus on the accuracy and completeness of pension data sent to the Lothian Pension Fund.	April 2015	