



NOTICE OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

**TUESDAY 17 MARCH 2015, 10.00am
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Agenda of Business

Apologies

Declarations of Interest

Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

1. Minute of the Audit & Governance Committee meeting on 20 January 2015 for approval **(Pages 1 - 10)**
2. Development Risk Register **(Pages 11 - 22)**
Report by the Chief Executive
3. Communities & Partnerships Risk Register **(Pages 23 - 34)**
Report by the Chief Executive
4. Council Resources Risk Register **(Pages 35 - 46)**
Report by the Chief Executive
5. Scotland's Public Finances – Accounts Commission Report **(Pages 47 - 78)**
Report by the Deputy Chief Executive – Resources & People Services
6. Community Planning: Turning Ambition into Action (Audit Scotland, November 2014) **(Pages 79 - 130)**
Report by the Deputy Chief Executive – Partnerships & Community Services
7. Annual Work Plan 2014/15 **(Pages 131 - 132)**
8. Internal Audit Report – Self Directed Support **(Pages 133 - 140)**
Report by the Deputy Chief Executive - Resources & People Services
9. Internal Audit Report – Tyne Esk LEADER Programme **(Pages 141 - 148)**
Report by the Deputy Chief Executive - Resources & People Services

10. Internal Audit Report – Partnership Funding (**Pages 149 - 154**)
Report by the Depute Chief Executive - Resources & People Services
11. Internal Audit Report – Knox Academy (**Pages 155 - 160**)
Report by the Depute Chief Executive - Resources & People Services
12. Internal Audit Report – Members’ Gifts and Hospitality (**Pages 161 - 166**)
Report by the Depute Chief Executive - Resources & People Services
13. Internal Audit Report – Non Domestic Rates (**Pages 167 - 172**)
Report by the Depute Chief Executive - Resources & People Services
14. Internal Audit – Follow-up Reports (**Pages 173 - 176**)
Report by the Depute Chief executive – Resources & People Services
15. Internal Audit Plan 2015/16 (**Pages 177 - 186**)
Report by the Depute Chief Executive – Resources & People Services
16. Internal Audit Progress Report 2014/15 (**Pages 187 - 192**)
Report by the Depute Chief Executive – Resources & People Services
17. Investigation – Purchase of the site of the former bowling club at Limeylands Road, Ormiston (**Pages 193 - 199**)
Report by the Depute Chief Executive – Resources & People Services

NOTE: Access to Information

It is anticipated that the Committee will resolve to exclude the public from Item 17 in terms of paragraph 6 Schedule 7A of the Local Government (Scotland) Act 1973 (information relating to the financial or business affairs of any particular person (other than the authority)). The papers for this item are withheld accordingly.

**Angela Leitch
Chief Executive
John Muir House
Haddington
10 March 2015**



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

**TUESDAY 20 JANUARY 2015
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Committee Members Present:

Councillor S Currie (Nominated Chair)
Councillor S Brown
Councillor J Caldwell
Councillor A Forrest
Councillor J Goodfellow
Councillor F McAllister

Other Councillors Present:

Councillor J McNeil (Items 1 – 8)

Council Officials Present:

Mrs A Leitch, Chief Executive
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 R Montgomery, Head of Infrastructure
Mr T Shearer, Head of Communities & Partnerships
Mr D Small, Director of Health & Social Care Partnership (HSCP)
Ms M Garden, Internal Audit Manager
Ms E Morrison, Service Manager – Customer Services
Mr I Dagleish, Service Manager – Transport
Mr A Cruickshank, Service Manager – IT Infrastructure
Mr G Stephen, Service Manager – IT Business Services
Ms C Lumsden, Transformation & Integration Manager, East Lothian HSCP
Mr S Allan, Senior Auditor
Mr A Strickland, Policy Officer
Mr S Kennedy, Emergency Planning & Risk Officer
Ms J McCabe, Senior Solicitor

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Mr A Shaw, KPMG LLP
Ms S Burden, KPMG LLP

Apologies:

Councillor K McLeod (Convener)
Councillor J Williamson (Deputy Convener)

Declarations of Interest:

None

Due to the absence of both the Convener and Deputy Convener, the Members were required to appoint a chair for this meeting. Councillor Currie was approved as Chair.

1. MINUTE OF THE AUDIT & GOVERNANCE COMMITTEE MEETING ON 18 NOVEMBER 2014 FOR APPROVAL

The minute of the Audit & Governance Committee meeting on 18 November 2014 was presented for approval and the following matters arising were noted:

Adult Wellbeing Risk Register

The Director of the Health & Social Care Partnership, David Small, advised Members that the home care sector had experienced problems in the last week but action was being taken to ease the situation. A more detailed investigation would shortly take place and he agreed to report back to the Committee in due course.

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

The Head of Council Resources, Jim Lamond, informed Members that the Keeper of the Records of Scotland had accepted the Council's records management plan. He welcomed this as a significant step although further improvement work remained to be done.

Decision

The Committee approved the minute of the meeting on 18 November 2014.

2. ELC AUDIT STRATEGY AND PLAN (KPMG)

KPMG submitted a report to the Committee outlining the audit strategy review and plan for 2014/15.

Director of KPMG LLP, Andrew Shaw, outlined the main focus of the audit drawing Members' attention to the areas of significant risk identified within the report. Sarah Burden, Manager KPMG LLP, summarised the governance and scrutiny arrangements and the timeline for the final audit report.

Responding to a question from the Chair, Mr Shaw agreed that efficiency savings were an important part of the finances and the Council's progress towards its targets would continue to be monitored within the wider audit plan. He also acknowledged the importance of understanding the impact of and any reasons for any underspend against budgets.

The Chief Executive, Angela Leitch, agreed that it was important that Services recognise where they might make efficiency savings in their budgets and strive to achieve them. She stated that, while the overall aim was always to deliver service

objectives and come in on budget, underspends in some areas were not always unwelcome and could rectify themselves in the longer term.

The Chair accepted that efficiency savings were necessary but, in his view, the money saved should then be reinvested in frontline services. He agreed that underspends could be a good thing but said it was important to understand why they happen and their impact on future budgets.

Decision

The Committee noted the report.

3. INFRASTRUCTURE RISK REGISTER

A report was submitted by the Chief Executive presenting to the Committee the Infrastructure Risk Register for discussion, comment and noting.

The Emergency Planning and Risk Officer, Scott Kennedy, presented the report drawing Members' attention to the standard matrix used to evaluate risk and to the Register which outlined 6 'High', 27 'Medium' and 13 'Low' risks for Infrastructure.

In response to questions from the Chair on the burial strategy and the decriminalisation of parking, the Head of Infrastructure, Ray Montgomery, confirmed that pressures remain in some areas of the county regarding availability of burial plots and a number of possible solutions were currently being considered. He indicated that a report would be brought to Cabinet in the near future. Mr Montgomery also advised that an external consultation was currently underway on the decriminalisation of parking and the Council would shortly begin preparing a business case for the Scottish Government.

Councillor Goodfellow queried references to the former Carberry Landfill site. Mr Montgomery confirmed that the site was subject to SEPA waste management licence conditions. The level of gases and lichen on the site were continually monitored and the Council would take any action necessary to keep these within approved SEPA limits.

Responding to questions from Councillor McAllister, Mr Montgomery advised that following a change in legislation the police were no longer responsible for providing parking wardens and this decision was unlikely to be revisited. It was now up to individual local authorities to manage matters within their own areas. On the issue of street lighting, Mr Montgomery acknowledged that the new LED lighting was much less diffuse than the old street lights but that it met the statutory requirements for lighting of carriageways and footpaths.

Decision

The Committee agreed to note the Infrastructure Risk Register and, in doing so, 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 Infrastructure 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 Infrastructure and are likely to be a feature of the risk register over a number of years; and
- while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Infrastructure Local Risk Working Group (LRWG). The Head of Infrastructure has lead responsibility.

4. RISK MANAGEMENT STRATEGY

A report was submitted by the Chief Executive advising the Committee of the revised and updated Risk Management Strategy.

Mr Kennedy presented the report advising Members that the Strategy provided a comprehensive framework for assessing and managing risk and had last been reviewed and approved by the Audit & Governance Committee in November 2012. The Risk Management Group had recently undertaken a further review and had made some minor amendments to take account of existing practice.

The Chair said that it was important that all elected Members understood their role in the process and how risk assessments are undertaken. Mr Kennedy indicated that plans were underway to hold a workshop for Members on Risk Registers, the work of Risk Management Group and wider risk assessment and analysis.

Councillor McNeil asked that this workshop be available to all elected Members rather than only those on the Audit & Governance Committee.

Mrs Leitch welcomed this suggestion and reiterated the importance of the risk assessment process in feeding into Business Continuity, Plans and Service Plans throughout the Council.

Decision

The Committee agreed to approve the Risk Management Strategy January 2015 and to note that this is a live document which will be reviewed by the Corporate Risk Management Group.

5. HEALTH & SOCIAL CARE INTEGRATION: EAST LOTHIAN INTEGRATION SCHEME – CONSULTATION DRAFT

A report was submitted by the Director of the Health & Social Care Partnership inviting the Committee to review and consider the consultation draft Integration Scheme required to establish the East Lothian Integration Joint Board (IJB).

The Senior Solicitor, Joanne McCabe, presented the report advising Members that the consultation draft of the Integration Scheme was approved for consultation by NHS Lothian and the Council in December 2014. The consultation would close on 17 February 2015. She summarised the contents of the Integration Scheme including the issues of governance, operational arrangements and financial risk sharing.

Councillor Goodfellow asked for clarification on claims handling and indemnity arrangements and the level of risk involved for the Council. Ms McCabe confirmed that discussions were currently ongoing with the Scottish Government regarding

financial risk sharing and it was likely that the IJB would adopt the common law position.

The Chair raised the issues of shared scrutiny and finance arrangements, perceived efficiency savings and whether the potential benefits of such savings would be reflected in future budgets. Mr Small confirmed that scrutiny arrangements would be shared between the Committee and the IJB but these would be kept under review and would likely evolve over time. Both NHS Lothian and the Council would retain budget-setting responsibilities for the present and arrangements for resource transfers and the impact or benefits or any efficiency savings would be agreed between both parties, with input on 'set aside' budgets from the Scottish Government.

Mrs Leitch acknowledged the important role of the Audit & Governance Committee in monitoring delivery of the Council's Single Outcome Agreement and in the IJB's delivery of health and community planning objectives. She expected self assessment tools to help tie in the two sides and over time the process would become more about outcomes rather than individual responsibilities.

Decision

The Committee agreed:

- (i) that the summary of their discussion should be submitted as their contribution to the consultation process; and
- (ii) to consider any implications of the proposed Integration Scheme for the role of the Audit & Governance Committee.

6. RESHAPING CARE FOR OLDER PEOPLE (AUDIT SCOTLAND, FEBRUARY 2014)

A report was submitted by the Joint Director, Health and Social Care to the Committee providing a summary of the Audit Scotland report "*Reshaping Care for Older People*" and the actions being taken by the Council and partners in response to the report's recommendations.

The Transformation & Integration Manager, Carol Lumsden, presented the report showing progress against the Scottish Government and CoSLA's complex 10 year change program primarily aimed at keeping people in their homes and reducing the amount spent on institutional care. She noted that, overall, progress had been slow and that results varied between local authority areas. She highlighted some of the results for East Lothian as well as the actions taking place to address these and other issues.

In response to questions from the Chair, Mr Small indicated that funding was only one aspect of this multifaceted issue and the focus needed to be on improving the range and availability of services both for people living in their own homes and for those leaving institutional care. He said that only by improving the level of care on the ground could they aim to move away from reliance on acute hospital beds and towards a prevention-based service.

Responding to comments from Councillor McAllister, Ms Lumsden acknowledged that an aging population, with the addition of levels of deprivation within certain areas of the county, would have a significant impact on future services. It was therefore

essential that they shape and plan their services to deal with this and, in particular, to develop preventative care over the longer term.

The Chair noted that a report on delayed discharges was due to be presented at the next meeting of the Policy & Performance Review Committee. He commented that the public in East Lothian would be looking for a rapid improvement in this area.

Decision

The Committee agreed to note the Audit Scotland report and the actions that East Lothian Council and partners are taking in response to this.

7. ANNUAL WORK PLAN 2014/15

The Annual Work Plan was presented to the Committee for noting.

In response to a question from Councillor Goodfellow, Mr Lamond confirmed that the Audit Scotland report '*Overview of Scottish Local Government*' would, as in previous years, cover issues including financial pressures and good governance.

Decision

The Committee agreed to note the contents of the Annual Work Plan 2014/15.

8. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

A report was submitted by the Depute Chief Executive (Resources and People Services) to the Committee providing an overview of the requirements of the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Manager, Mala Garden, presented the report highlighting the summary of the key points of the PSIAS and the results of the self assessment carried out by Internal Audit. She also drew Members' attention to the action plan drawn up to address areas of non-conformance with PSIAS.

Decision

The Committee agreed to note the contents of the report.

9. DRAFT INTERNAL AUDIT CHARTER

A report was submitted by the Depute Chief Executive (Resources and People Services) inviting the Committee to note the Council's Draft Internal Audit Charter.

Ms Garden presented the report advising Members that the draft Audit Charter had been drawn up in line with the requirements of the PSIAS. The Charter was a formal document that defined the Internal Audit activity's purpose, authority and responsibility. She confirmed that Internal Audit required the authority of full Council to access all records, assets, personnel and premises and that a further report would be presented to this Committee once the authority had been agreed.

Decision

The Committee agreed to note the Draft Internal Audit Charter.

10. INTERNAL AUDIT REPORT – FLEET MANAGEMENT

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

Ms Garden presented the report which had been undertaken as part of the 2014/15 audit plan. She summarised the main findings and action plan confirming that all of the recommendations had been agreed by Management.

The Chair expressed concern about the two occasions noted when Council vehicles which were no longer fit for purpose had been sold to an employee and a contractor rather than being sent to auction. He asked for assurances that this practice would be stopped and that procedures would be put in place to ensure that it could not happen in future.

Ms Garden said that the audit had shown that there were no clear procedures in place for disposing of vehicles which were no longer fit for purpose, and had recommended that this be addressed. She said that Internal Audit's preference would be that all such vehicles were sold at auction or to a scrap merchant.

Mr Montgomery explained that the standard practice was to send old vehicles to auction but that on a couple of occasions where vehicles were no longer roadworthy they had been offered to staff and the price paid was comparable to what might have been achieved at auction or from a scrap merchant. However, he acknowledged that clear procedures needed to be in place and he had agreed a way forward with Ms Garden. He also confirmed that the practice of selling vehicles to staff had stopped.

The Chair asked whether it would be possible to prevent members of staff from bidding on ex-Council vehicles at auction. However, Councillors Goodfellow and Caldwell cautioned against this approach as it would be unfair to preclude employees from bidding at an open auction.

The Chair acknowledged these comments and suggested that new procedures be drawn up and brought back to the Committee as part of a follow-up report. Members could then consider whether their concerns had been adequately addressed.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

11. INTERNAL AUDIT REPORT – PERFORMANCE INDICATORS 2013/14

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Performance Indicators 2013/14.

Ms Garden presented the report to Members indicating that Internal Audit had reviewed the systems in place for the preparation and reporting of performance information, with particular focus on the Local Government Benchmarking Framework (LGBF) indicators. She outlined the main findings highlighting the areas where expected controls were met and those with scope for improvement.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

12. INTERNAL AUDIT REPORT – CASH HANDLING AND BANKING

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Cash Handling and Banking.

Ms Garden presented the report outlining the main findings and stated that the objective of the audit was to ensure that adequate internal controls were in place covering Cash Handling and Banking at the Council's local area offices. She outlined briefly the areas where expected controls were met and those with scope for improvement, as well as drawing Members' attention to the action plan agreed with Management.

The Head of Communities and Partnerships, Tom Shearer, confirmed that the recommendations for action had been agreed and that the changes which had been put in place would not only assist staff but also provide an improved service for customers.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

13. INTERNAL AUDIT REPORT – IT DISASTER RECOVERY & BUSINESS CONTINUITY

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on IT Disaster Recovery and Business Continuity.

Ms Garden presented the report advising Members that the main objective of the audit was to ensure that the Council has appropriate arrangements in place. She summarised the main findings and confirmed that the recommendations in the action plan had been agreed by Management.

Councillor Goodfellow queried the wording and grade of risk applied to two of the recommendations. Ms Garden said she was satisfied that restoration work was taking place and the recommendation related only to the timetabling of that work.

The Service Manager – IT Infrastructure, Alan Cruickshank, explained the arrangements in place for back up and verification of each part of the system. Mr Lamond advised Members that he had absolute confidence in the officers, the

processes in place and the proposed improvements that would ensure business continuity.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

14. INTERNAL AUDIT FOLLOW-UP REPORTS

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recent follow-up work undertaken by Internal Audit.

Ms Garden presented the report, prepared as part of the audit plan for 2014/15, which identified recommendations outstanding in two of the three areas which had been the subject of previously issued audit reports. She advised Members that in both cases revised dates of completion had been agreed with Management.

Decision

The Committee agreed to note the findings of Internal Audit's follow-up work on Gifts and Hospitality Policy, Payments to Scottish Water and Trading Operations.

15. 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 which had been prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan.

The Chair thanked Ms Garden and her staff for their hard work which was greatly appreciated by all members of the Committee.

Decision

The Committee agreed to note the contents of Internal Audit's Progress report 2014/15.

Signed

Councillor Stuart Currie
Nominated Chair of the Audit and Governance Committee

REPORT TO: Audit and Governance Committee

MEETING DATE: 17 March 2015

BY: Chief Executive

SUBJECT: Development Risk Register

2

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Development Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Development 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 Development Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Development 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 Development 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 Development and are likely to be a feature of the risk register over a number of years

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Development LRWG. 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 Development Risk Register includes no Very High risks, 15 High risks, 34 Medium risks and 10 Low.

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 Development 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 – Development 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	5 March 2015

Development Risk Register

Date reviewed: 5th 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				
D 1	<p>Increase in fuel poverty due to a variety of factors:</p> <ul style="list-style-type: none"> - Increase in fuel prices - Impact of welfare reform - Changing householder economic/financial situation <p>This will make it difficult to meet the Scottish Government's target to eradicate fuel poverty by 2016 and is likely to place additional pressure on existing services.</p>	<p>Home Energy Efficiency Programme for Scotland: Area Based Scheme (HEEPS:ABS) in place, delivering:</p> <ul style="list-style-type: none"> • External wall insulation project • Hard to treat cavity wall insulation project • Prestonpans health check project <p>Energy advice and fuel debt support in place.</p> <p>Increasing energy efficiency standards in council housing stock. Deliver the Scottish Housing Quality Standard (SHQS) by 2015 end meet EESH by 2020.</p>	5	3	15	<p>Improve knowledge of the levels, extent and nature of fuel poverty and target resources to the worst affected areas.</p> <p>HEEPS: ABS allocation awarded for 2015-16. Programme will deliver £907,782 worth of insulation measures to the worst affected areas to include</p> <ul style="list-style-type: none"> • Energy efficiency and fuel poverty advice measures to improve health outcomes • Insulation measures to traditional properties in off gas areas <p>Complete programme for removal and replacement of solid fuel systems for ELC properties.</p>	5	2	10	<p>Service Manager – EDSI</p> <p>Service Manager – Engineering Services and Building Standards</p>	Ongoing review.	6, 10	Risk refreshed by Service Manager November 2014 with Residual risk score increased from 12 to 15 due to lack of effective additional inputs to implement.
D 2	<p>Supply of affordable housing is outstripped by need and demand. Impacting on rising numbers on the Councils Housing Register and increased risk of arising Homeless applications.</p> <p>Insufficient land in control of affordable housing providers due to limited amount of Council owned land and difficulty in competing on the open market to purchase land due to high land prices. Much of land in East Lothian tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land.</p> <p>Government Resource Planning Assumptions (RPAs) have now been announced for the 2015/16 – 2017/18 programme. This is a reduced programme which will present challenges in the delivery of social rented housing. Registered Social Landlords (RSLs) continue to operate in a complex financial environment. The Council has also reduced funding for its own new build affordable housing programme.</p>	<p>The Council continues to pursue opportunities to acquire land/bring forward private projects for affordable housing.</p> <p>Research commissioned into intermediate housing tenures</p> <p>The Council is in discussion with RSLs and other organisations about delivering non-social rent affordable housing models without grant.</p>	5	3	15	<p>Purchase of two small sites by the HRA from General Services Account.</p> <p>Increased 2015/16 – 2017/18 budget for Affordable Housing within ELC Housing Capital plan.</p> <p>Review underway of S75 co-ordination. Aim to secure greater project management control and delivery of Strategic Sites.</p> <p>Work with SESplan authorities and Government to examine planning policies to positively influence the delivery of appropriate affordable housing through private housing development.</p> <p>Complete research into intermediate tenures in East Lothian.</p> <p>Identify alternative delivery models and engage with partners to deliver.</p>	4	3	12	Service Manager - EDSI	March 2015	9	Risk refreshed by Service Manager 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				
D 3	Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants and increased risk of house fires with potential risk of prosecution. Chimneys are generally in poor condition and ELC are unable to control fuels being burnt in solid fuel appliances	Programme of Solid Fuel Servicing exists but risk has increased as Contractor has currently gone into receivership. Heating replacements to energy efficient, low carbon alternative fuels are available and being installed with available RHPP /RHI funding but implementation is difficult.	3	5	15	Complete programme for removal and replacement of solid fuel systems. Source alternative servicing contractor meantime.	2	5	10	Service Managers – Engineering Services and Building Standards Community Housing	Contract Appointment March 2015.	7,9	Refreshed Feb'15 - risk score increased from 12 to 15 and residual score from 0 to 10 - heightened risk.
D 4	Failure to comply with Public Buildings Statutory Electrical Testing may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential injury/loss of life of public building users. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.	Performance will be monitored through the Condition SPIs, Asset Performance monitoring and regular Electrical Test results. Funding required from limited Property Renewals budget to address identified remedial works in public buildings. Full PAT testing programme currently in place for all public buildings.	3	5	15	Accelerate programme for testing. Tender accepted for testing all public buildings and testing and remedial works underway. Contractors' reports reviewed on ongoing basis to assist in identification of significant risks in order to reprioritise works programme and spend.	2	5	10	Service Manager – Engineering Services and Building Standards	Service Review Underway anticipated completion April 2015 Review Annually thereafter	7	Risk Refreshed February 2015
D 5	Reliance on private sector to deliver land for housing in difficult economy results in sites that are slow to come forward. Private sector own/have legally binding contracts in place for the significant land allocations in East Lothian (4800 units to be delivered across 6 sites, 1200 affordable). Current economic conditions including difficulty in private businesses accessing credit and difficulty in potential house purchasers accessing mortgages mean that private developers do not want to develop sites or if they do, they wish to do this slowly. If private developers do not want to develop sites, no affordable housing will be delivered and the area will not benefit from this economic activity. The infrastructure required to bring forward sites is also causing private developers concern as funding available to them is not sufficient to deliver these requirements.	The Council continues to work with all developers in East Lothian to meet and discuss site specific issues in relation to delivery with a view to developing arrangements to unlock housing development. The Council is in discussion with Scottish Government to identify ways of overcoming barriers to delivery of housing land.	5	3	15	Review the Council's Affordable Housing Policy. Work with others to help enable development e.g. Scottish Government Accelerated Housebuilder Loan Fund. In partnership with other local authorities in the region, the Council is committed to working up a business case for 'City Deal'	4	2	8	Acting Head of Development	October 2015 March/April 2015	10	Risk refreshed by Service Manager February 2015 with Residual score reduced from 10 to 8.
D 6	Financial constraints placed on the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected BSD's new performance framework. This could impact on service levels and result in an audit by the BSD that could lead to the	Monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training. Involvement with the Local Authority Building Standards Scotland (LABSS) and the BSD to influence delivery of the new performance framework of 9 performance outcomes and a risk based inspection regime for Reasonable Inquiry to deliver compliance with the building regulations. Preparation of the Building	3	4	12	Measure impact of BSD's new performance framework, workload, employee costs for appraisal of warrants, acceptance of completion certificates and enforcement duties for varying project size and complexity to compare against fee income. Thereafter, carry out a Service Review to take into account all factors and so determine	2	4	8	Service Manager – Engineering Services and Building Standards	Service Review Underway anticipated completion April 2015 Review Annually thereafter	7	Risk Refreshed November 2014 and residual risk score reduced from 12 to 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				
	Council losing the verification role.	Standards Team and review of its resources to align with the requirements and implementation of the new performance framework.				optimum staffing levels.							
D 7	Higher enforcement workload in terms of dangerous buildings for Officers due to various reasons (including increasing instances of severe weather and owners unable to maintain their properties) resulting in increased risk to members of the public.	Climatic and financial factors are outwith East Lothian Council's control. No contractual obligation for staff to provide an out of hours dangerous buildings service which therefore relies on the goodwill of the BS Manager and two Principal BS Surveyors to provide cover outwith office hours.	3	4	12	Service Review underway to consider : <ul style="list-style-type: none"> the appointment of an enforcement surveyor; The provision of an arrangement to cover for dangerous buildings callouts out-with office hours. 	2	4	8	Service Manager – Engineering Services and Building Standards	Service Review Underway anticipated completion April 2015	7	Risk Refreshed February 2015 with current score reduced from 15 to 12 and residual score from 10 to 8.
D 8	Failure to obtain adequate funding for Property Repairs and Renewals could have the possible consequence of a failure of building elements with the risk of closure or enforcement by Statutory or Regulatory authorities and could result in injury/serious injury.	Annual update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.	3	4	12	Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in good condition.	2	4	8	Service Manager – Engineering Services and Building Standards	3 / 5 Year Programme to start April 2015	7	Current Risk scores reduced from 16 to 12 February 2015.
D 9	Asset data for operational properties is not current resulting in insufficient information to prioritise planned investment in buildings and potential risk to occupants, contractors and members of the public at risk from failure of building elements or systems.	Limited annual desktop updates undertaken to determine the extent of work carried out to buildings but lack of up-to-date Condition Surveys means that we are not recording gradual deterioration of assets.	3	4	12	Prioritise resources, to undertake comprehensive 5 yearly reviews.	2	4	8	Service Manager – Engineering Services and Building Standards	The Condition Surveys of Operational properties will be procured and rolled out in 2015.	7	Risk Refreshed February 2015.
D 10	Unsuccessful recruitment to the post of Schools Estate Planning Officer places additional pressure on the Service Manager and the Schools Estates Team, to maintain the functions of the service meantime. The pressures and constraints arising from this could lead to delays in responding to planning applications for housing developments and consequent risk of appeal by applicants.	S75 Policy and process in development. Team roles and responsibilities identified.	3	4	12	Regular monitoring of planning applications and responses. Programme resource to respond to strategic site infrastructure requirements as part of the planning process. Review focus of Schools Estate Planning Officer post and seek to recruit again.	2	4	8	Service Manager - Strategic Asset & Capital Plan Mgmt	Autumn 2015	9, 10	Risk refreshed February 2015 by Service Manager.
D 11	Risk to uncertainty with forward planning for the expansion of the school estate, where school capacities may be breached earlier than anticipated.	School roll projections are reviewed against school capacities. School expansion programme prepared and costed to inform Capital Plan.	3	4	12	Scheduled meetings with Education where the baseline demographic information and the impact of development on school rolls and capacities are reviewed. Review underway of S75 co-ordination.	2	4	8	Service Manager - Strategic Asset & Capital Plan Mgmt	April 2015	9.10	New risk added February 2015 by Service Manager.
D 12	Failure to comply with Control of Asbestos at Work Regulations could lead to a risk of prosecution and potential exposure to building users, contractors or members of the public. Inclusion of Housing surveys has significantly increased workload to an	Policies and procedures in place and administered by Asbestos Manager in accordance with statutory requirements. Workload currently being prioritised to maintain planned programme.	3	4	12	Systems and management arrangements being revised through Service review to separate Housing and Non-Housing Asbestos Management.	2	3	6	Service Managers – Engineering Services and Building Standards	Service Review Underway anticipated completion April 2015	7	Risk Refreshed February 2015 by Head of Development and Residual score reduced

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			L	I	L x I		L	I	L x I				
	unmanageable level.								Community Housing Property Maintenance				from 8 to 6.
D 13	<p>A major outbreak of food poisoning or a public health incident could result in serious illness or fatalities to the public. If such an incident is not adequately responded to this could:</p> <ul style="list-style-type: none"> allow the outbreak or incident to remain unidentified or continue for longer than necessary impact on public and business confidence within East Lothian. cause a reputational risk for the Council if the incident response was unsatisfactory attract significant media interest (local & national). result in a public enquiry/formal investigation into the incident which would impact on the deployment of Council resources to carry out day to day work. cause a significant increase in workload as any enquiry/investigation could run for several years. cause third party insurance claims to be made against the Council. <p>Environmental Health is currently delivered via a pilot partnership with Midlothian Council. The formal review of the partnership (Feb 2015) has concluded that it cannot continue in its current form and that a permanent mechanism to deliver the services within ELC must be identified and implemented.</p>	<p>Environmental Health is currently delivered via an EH&TS pilot partnership with Midlothian Council. In agreeing to unwind the partnership, a transition period has been agreed to 31st May to allow ELC to develop and implement appropriate management and delivery arrangements. This ensures the continuation of:</p> <ul style="list-style-type: none"> Appointment of sufficient authorised officers to regulate food businesses through a food safety inspection programme including enforcement action where controls are known to have broken down or have been breached including sampling Service delivery is conducted by a trained and competent food safety team. There is a rigorous monitoring of water supplies. The business plan and inspection process are reviewed annually. Established major/ incident response arrangements with NHS Lothian. The Council has a major incident plan which may be activated. 	2	5	10	Carefully manage the arrangements to unwind the partnership including transition arrangements.	2	5	10	Acting Head of Development	Board decision to be taken by 31.03.15	1, 5, 7	Reviewed & updated Jan 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				
D 14	<p>Failing to respond satisfactorily to a major incident, death or serious personal injury in local businesses and organisations under the Council's Health & Safety enforcement regime could result in reputational risk to the Council.</p> <p>There could be</p> <ul style="list-style-type: none"> Allow the occurrence to remain unidentified or continue for longer than necessary giving further risk to life and limb if a situation remains unresolved impact on public and business confidence within East Lothian. cause a reputational risk for the Council if the incident response was unsatisfactory attract significant media interest (local & national). result in a public enquiry/formal investigation into the incident which would impact on the deployment of Council resources to carry out day to day work. cause third party insurance claims to be made against the Council <p>Environmental Health is currently delivered via a pilot partnership with Midlothian Council. The formal review of the partnership (Feb 2015) has concluded that it cannot continue in its current form and that a permanent mechanism to deliver the services within ELC must be identified and implemented.</p>	<p>Environmental Health is currently delivered via an EH&TS pilot partnership with Midlothian Council. In agreeing to unwind the partnership, a transition period has been agreed to 31st May to allow ELC to develop and implement appropriate management and delivery arrangements. This ensures the continuation of:</p> <ul style="list-style-type: none"> Appointment of sufficient authorised inspectors to investigate incidents and regulate duty holders through health & safety and trading standards inspection programmes. Associated enforcement action is taken where it is identified that controls have broken down or have been breached. Enforcement is conducted by a trained and competent food safety and trading standards teams with ongoing CPD requirements. The business plan and inspection process are reviewed annually. Specialist knowledge and expertise may be sought from partners including HSE if appropriate. 	2	5	10	<p>Carefully manage the arrangements to unwind the partnership including transition arrangements.</p> <p>Develop and implement a management establishment and staffing structure to ensure ELC delivery arrangements are in place to satisfy the requirements of the service.</p>	2	5	10	Acting Head of Development	Board decision to be taken by 31.03.15	1, 5,7	Risk updated January 2015 by Environmental Health Partnership Manager, both current and residual scores increased from 8 to 10.
D 15	<p>Failure to comply with statutory Water & Air Hygiene monitoring and testing may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential injury or loss of life to building users through Legionella.</p> <p>Failure to make sufficient finance available to carry out testing and implement recommendations may result in the above.</p>	<p>Performance will be monitored through risk assessment and regular inspection and testing. Funding required from the limited Property Renewals budget to address identified remedial works in public buildings.</p>	2	5	10	<p>Extend programme for risk assessment, maintenance and testing to cover all buildings on a risk basis now that APUC Framework is in place.</p> <p>Existing contractors risk assessments and reporting being reviewed on ongoing basis.</p>	2	4	8	Service Manager – Engineering Services and Building Standards	<p>Service Review Underway anticipated completion April 2015</p> <p>Review Annually thereafter</p>	7	Risk Refreshed February 2015 with current score reduced from 15 to 10 and residual score from 10 to 8.
Original date produced (V1)		6 th May 2014									Risk Score	Overall Rating	
File Name		Development Risk Register									20-25	Very High	
Original Author(s)		Scott Kennedy, Risk Officer									10-19	High	
Current Revision Author(s)		Scott Kennedy, Risk Officer									5-9	Medium	

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				
												1-4	Low
Version	Date	Author(s)	Notes on Revisions										
1	06/05/2014	S Kennedy	Former Housing and Environment Risk Register altered to become the Development Risk Register with risks transferred in and out following realignment.						Original Version				
2	28/10/2014	S Kennedy	Testing & Regulation Risks updated										
3	November and December 2014	S Kennedy	Economic Development & Strategic Investment Risk Updated along with Planning Risks and Engineering Services & Building Standards Risks										
4	January-February 2015	S Kennedy	Trading Standards and Environmental Health Partnership risks refreshed along with Strategic Asset & Capital Plan Management risks. Further refresh of Engineering Services & Building Standards and Economic Development & Strategic Investment Risk Risks. Final review undertaken by Head of Development 24-2-15.										

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: 17 March 2015

BY: Chief Executive

SUBJECT: Communities and Partnerships Risk Register

3

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities and Partnerships Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Communities and Partnerships 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 Communities and Partnerships Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Communities and Partnerships 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 Communities and Partnerships 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 Communities and Partnerships and are likely to be a feature of the risk register over a number of years

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Communities and Partnerships LRWG. 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 Communities and Partnerships Risk Register includes no Very High risks, 11 High risks, 34 Medium risks and 17 Low.

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 Communities and Partnerships 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 – Communities and Partnerships 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	5 March 2015

Communities and Partnerships Risk Register Date reviewed: 05 March 2015

Risk ID No.	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				
C&P 1	<p>Abolition of priority need in 2012 placed an obligation on the council to accept re-housing responsibility for an additional c. 300 homeless cases per year. These are mostly single people seeking 1 bed roomed size accommodation.</p> <p>The legislation also placed an obligation for the provision and funding of temporary accommodation until that responsibility is delivered.</p> <p>This has placed considerable pressure on the Community Housing Service and has increased Homeless demand, particularly for smaller sized properties. Shortage of temporary homeless accommodation could result in an inability to accommodate those in need.</p>	<p>Housing Options preventative approach to provision of advice.</p> <p>Increasing use of private rented sector via Rent Guarantee Scheme to prevent/ deal with homelessness. B+B accommodation used for single people at capacity.</p> <p>Additional properties for temporary accommodation commissioned through Private Sector Leasing contract with Orchard and Shipman.</p> <p>Continued monitoring of Registered Social Landlord nomination process (new build and routine turnover). Private Sector Leasing to help increase supply of temporary accommodation.</p> <p>New Allocation Policy (2014) reduced offers for Homeless applicants to 1 to encourage throughput in temp accommodation.</p> <p>Housing Access team established to co-ordinate delivery of ELC's Housing Options advice service, including statutory homelessness duties.</p> <p>Housing Options advice service rolled out via area housing teams.</p> <p>Private Sector lets promoted via Localpad portal through Housing Options approach.</p>	4	4	16	<p>Continue new build activity to increase housing stock.</p> <p>Open Market Acquisitions to increase supply, targeting smaller sized properties in the western part of the county, where demand highest.</p> <p>Explore potential to further increase supply of Private Sector Landlord accommodation during 2015-16.</p> <p>Briefings for local members to highlight pressures lack of affordable housing supply and aid understanding of challenges for Community Housing Service, to help manage customers' expectations.</p>	3	4	12	Service Manager – Community Housing	<p>Ongoing year on year.</p> <p>April 2015</p> <p>March 2016</p> <p>March 2016</p>	9, 10	Risk refreshed February 2015 to combine risks together and reduce overall risk score from 20 to 16.
C&P 2	<p>Insufficient resources and resources not aligned to business current and future objectives could result in:</p> <ul style="list-style-type: none"> Inability to sustain service in the short, medium, long term – long term staff absences Inability to develop service and staff i.e. skills/knowledge Inability to meet stakeholder and customer demand Legislative changes without matches resources i.e. Tell us Once/Welfare Reform Ineffective Knowledge management Significant period of change with workforce not flexible enough to meet the timeframe of expectations <p>All of the above would result in the Council being unable to meet customer expectations resulting in reputational damage and poor publicity.</p>	<p>Business planning and highlighting of resource requirements.</p> <p>Partnership working with Midlothian realising a level of income potential. Explore further business opportunities to maximise use of resources and achieve income potential.</p> <p>Current processes reviewed in line with added value outcomes. Sickness absence monitoring and absence management/counselling. Locum posts in Local Area offices. Closure monitoring on RIVO in relation to staff experiences/stress and take appropriate action through HGIOC.</p> <p>Analyse performance data routinely and thoroughly and use for planning. Improved Induction Process. Staff training on CSPQ. Incidents report on RIVO and risk assessment completed. Professional Registration Qualification offered to all staff.</p>	5	3	15	<p>Payment Review to be carried out by Council Tax team with input from Customer Services</p> <p>Possible additional resources to support Welfare Reform and Digital Inclusion</p> <p>Review of casual library staff contracts</p> <p>Service reviews and recommendations thereof to be implemented</p>	4	3	12	Service Manager – Customer Services	March 2016	1,2,3,4,5,6,7,10	<p>Risk Control measures refreshed to include library services– Risk rating increased due to significant period of change which will result in increased likelihood of resource issues – May 2014</p> <p>Risk reviewed by CSMT – February 2015</p>

Risk ID No.	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				
		Clear PI's identified across team Knowledge software deployed within key areas and software evaluated. Software fit for purpose and staff trained to extract, interpret and apply knowledge. Current income streams reviewed and increased in line with inflation. Consider alternative funding opportunities to meet resource pressures such as Tell Us Once and Welfare Reform. Face2Face service review progressed making better use of community based resources. Programme of Service Reviews ongoing.											
C&P 3	The continued absence of a definitive electronic database for the recording of all antisocial behaviour cases reported directly to the local authority. This prevents the council from providing comprehensive reports with regard to the action taken within the context of antisocial behaviour cases. This would present a problem if the council was asked to supply detailed figures to external parties such as the Housing Regulator. This may have a negative impact on the council's reputation and lead to a detailed audit of the Safer Communities Team's work.	The trialling of the Community Action Solution, a sub-system of the Orchard Housing database.	5	3	15	The Community Action Solution is currently being trialled and full implementation is due to be completed by June 2015.	2	2	4	Safer Communities Team Leader	June 2015	8	Reviewed December 2014 by SCTL.
C&P 4	Failure to comply with the statutory requirements of the Control of Dogs (Scotland) Act could result in serious injury/death to a member of the public from attack by an out of control dog/s and reputational risk to the Council or prosecution of the Council for failure to comply with the Act.	Employees trained in the enforcement of the Act and have appropriate training in the handling of dangerous dogs. Police Scotland have input into any complaints. Dog handling Risk Assessment in place. Assistant Dog Warden appointed.	3	4	12	Staff quota to be maintained Joint Protocol on the Control of Dogs with the Police approved and signed. Ability to fully monitor the effectiveness of a DCN.	3	3	9	Safer Communities Team Leader	August 2015	8	Risk reviewed September 2014 with current risk score reduced from 15 to 12 (residual 12 to 9) due to the appointment of an assistant Dog Warden.
C&P 5	The high number of specialist roles/skills within a small team means that for example service reviews, budget restrictions, long-term absence, cessation of contract etc. would compromise service delivery. There is a risk that staff absence could result in loss of capacity, skills and experience to undertake key roles and require to deliver key tasks.	Individuals encouraged to work jointly, where appropriate. Project team approach to some areas of work. Staff encouraged to have detailed work plans. External support brought in if required. Staff have ability to work from home.	4	3	12	Continue to Identify critical 'specialist' work and contingency measures; such as cross-training, shadowing, alternative 'backup' provision, support arrangements etc. Service Review to be undertaken.	3	3	9	Service manager CP&I	June 2015	N/A	New risk created Service manager CP&I February 2015

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			L	I	L x I		L	I	L x I				
C&P 6	<p>Welfare Reform impacts.</p> <p>Under-occupancy charge (known as 'Bedroom tax') has resulted in some increased rent arrears.</p> <p>The DWP Welfare Reform agenda has had a negative impact on the use of the private sector for single people between 25 and 35.</p> <p>The impact of the introduction of the "bed-room" tax and the council's action to mitigate this by increased transfer activity into small house sizes also reduces housing availability for those homeless cases benefitting from the legislative change.</p>	<p>Discretionary Housing Payments (DHPs) being made to mitigate against losses due to 'Bedroom Tax'.</p> <p>DHP payments via Scottish Govt offering some mitigation.</p> <p>Flat-sharing being explored to provide an alternative option to young single people.</p>	4	3	12	<p>Longer term impact of future status of Under-occupancy charge uncertain; Smith Commission outcomes to be confirmed.</p> <p>Fife Council's flat-sharing model being considered on a pilot basis in East Lothian.</p>	3	3	9	<p>Depute Chief Executive – Partnerships & Community Services</p> <p>Service Manager - Community Housing</p>	March 2016	9, 10	Risk refreshed by Service Manager – Community Housing February 2015.
C&P 7	<p>Failure to comply with Control of Asbestos at Work Regulations could lead to a risk of prosecution and potential exposure to building users, contractors or members of the public.</p>	<p>Policies and procedures in place and administered by Asbestos Manager in accordance with statutory requirements. Workload currently being prioritised to maintain planned programme.</p>	3	4	12	<p>Systems being revised through Service review to split Housing and Non- Housing Asbestos Management areas.</p> <p>Responsibility for operational management of asbestos work, related to the HRA capital improvement programmed work, to move to Property Maintenance Service, following service review</p> <p>ELC's approach to Asbestos management will be included in the new Housing Asset Management Strategy.</p>	2	4	8	<p>Service Managers – Engineering Services and Building Standards</p> <p>Community Housing</p> <p>Property Maintenance</p>	Service Review Underway anticipated completion April 2015	7	Risk Refreshed February 2015.
C&P 8	<p>Our houses are required to meet the Scottish Housing Quality Standard by April 2015. Delivery of the Standard is a significant contribution to the achievement of several of the National Outcomes the Scottish Government aims to achieve.</p> <p>The Scottish Housing Regulator (SHR) is monitoring progress towards achieving the target by end March 2015 and failure to clearly demonstrate good progress may involve intervention by the SHR on the management of stock quality.</p> <p>Failure to deliver on the SHQS would also lead to loss of reputation to the Council as a service provider and the largest landlord in East Lothian.</p>	<p>Annual monitoring and reporting to SHR (via the Social Housing Charter) and Audit Scotland.</p> <p>Annual Housing Capital Investment Programme review. The Capital Programme funds planned programmes of work has been targeted at meeting the requirements of the SHQS.</p> <p>Keystone software system now in place ensuring robust information held on the condition of Council housing stock. Meetings take place fortnightly with Service Manager - Property Maintenance and monthly with Head of Service.</p> <p>New Housing Asset Management Team established to oversee delivery of modernisation, adaptation and new build programmes.</p> <p>Monthly monitoring and reporting as part of Balanced Scorecard.</p>	3	4	12	<p>Keystone will inform future planning of annual programme of modernisation work.</p> <p>Housing Asset Management Strategy to be developed during 2015.</p> <p>In event of not meeting target, resources would be deployed to meet target in early 2015/16.</p>	2	4	8	<p>Service Manager - Community Housing</p>	<p>March 2015</p> <p>October 2015</p> <p>July 2015</p>	9	Risk refreshed by Service Manager February 2015.

Risk ID No.	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				
		Continued investment in targeted capital programme works. Keeping SHR advised on progress towards meeting the SHQS once Keystone implemented. Regular updates provided to SHR.											
C&P 9	A failure in Community Response processes could result in: <ul style="list-style-type: none"> • Serious injury to customers • Fatality of customers • Loss in confidence by stakeholders/partners/customer • Financial loss due to liability claims • HSE involvement • The Council could become unable to respond to customer requests at the first point of contact. • Reputational damage to the council and poor publicity. 	Staff recruited for key qualifications, skills & attributes. Continual training and staff development. Monitor performance and service provision e.g. call monitoring. Staff training aligned to good practice, industry standards and agreed service delivery levels. Solo Operating risk assessment and working procedure in place. Regular communication with staff and Trade Unions. Maintain highly skilled staff base through continual review and assessment e.g. PRD's. Encourage inclusive communication with staff. Lessons learned report from incidents arising. Ongoing development with closer working between colleagues and stakeholders. Develop existing solo operating procedures further to align to Business Continuity Plan to ensure Service Delivery with only one member of staff on duty.	3	4	12	Review of OOH services underway and to be completed by March 2015. Redesign of Customer Response Team shifts to then take place.	2	4	8	Service Manager – Customer Services Contact Centre Manager	April 2015	6	Risk Control measures refreshed by Head of Service February 2015 with current risk score increased from 10 to 12 and residual score increased from 4 to 8.
C&P 10	Failure to implement adequate H&S controls and to comply with H&S legislation could result in poor performance, diminution of service and could also result in injury to employees or the public leading to possible insurance claims and reputational damage to the Council. While if H&S governance is not consistent across all services in terms of: <ul style="list-style-type: none"> • The policies/practices in place • Performance monitoring • Statutory compliance This leaves the Council more open to accidents, incidents and litigation and makes any audits around these challenging.	Safety policy and training in place and accessible to all employees. Management arrangements & procedures and specialist staff also in place. The ELC H&S Safety Management System is in operation and H&S controls are monitored through cross departmental auditing, inspections and RIVO data analysis to identify control and risk issues. Reporting quarterly to JH&S Committee ensures scrutiny by management and trades unions. Health & Safety Policy, Guidance and Approved Guidelines in place.	3	4	12	Review performance and feedback, refresh and update guidance and training as required. Take performance mgmt and / or disciplinary proceedings forward where individual non-compliance occurs. Revised H&S Policy, Management Arrangements and procedures being developed. Performance monitoring framework being developed in-line with new management arrangements. KPI's identified for CMT to monitor H&S Performance against, including monitoring statutory compliance.	2	3	6	Service Manager – CP&I Corporate Health & Safety Advisor (Partnership)	March 2016		Two risks reviewed and combined to form this one risk by Service Manager CP&I February 2015

Risk ID No.	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				
C&P 11	Loss or damage due to fire, explosion, storm, flood, malicious damage, theft, loss of utility supply could result in <ul style="list-style-type: none"> Inability to access office accommodation, equipment, data; Damage to equipment including our irreplaceable heritage assets e.g. museum objects, paintings and/or all other assets held within these premises; Inability to retrieve data; Serious injury to staff/members of public. 	Business continuity planning in place, including alternative premises identified. Regular testing of Business continuity planning, including Tunstall divert for Contact Centre. Equipment, maintenance contracts kept up to date and in good working order Regular fire drills carried out, H&S workplace inspections and Risk Assessments Staff trained in aspects relating to good working practices and Business Continuity and training records reviewed annually. Emergency planning procedures in place and regularly tested. Staff training relating to fire drills and security procedures. Service disaster plans for Museums. Alarm systems and CCTV systems in place for some museums and libraries. An inventory is held of all Council paintings, recording values, locations and conservation needs and is in accordance with the Councils Museum's Collections Policy. Accreditation governing the quality of care for collections and museum buildings received from the Museums Association and reviewed annually.				Incorporating the correct fire and security systems in any new builds. Ensuring staff training and procedures up-to-date				Service Manager Community Partnerships Service Manager Customer Services	Ongoing but reviewed constantly	1,2,3,4,5,6,7 10	Risk Control measures refreshed to include library services
Original date produced (Version 1)		06 May 2014											
File Name		Policy and Partnerships Risk Register											
Original Author(s)		Scott Kennedy, Risk Officer											
Current Revision Author(s)		Scott Kennedy, Risk Officer											
Version		Date	Author(s)	Notes on Revisions									
1		May/June 2014	S Kennedy	Former Policy and Partnerships Risk Register altered to become the Communities and Partnerships Risk Register with risks transferred in and out following realignment.									
2		November/December 2014	S Kennedy	Community Partnerships, CP&I (Occupational Development, Health & Safety, Policy & Customer Feedback Risks refreshed)									
3		February 2015	S Kennedy	CP&I (EP, BC &RM) risks updated and all CP&I risks reviewed by Service Manager and Customer Services Risks reviewed by Service Manager. Community Housing Risks updated by Service Manager. Final review undertaken by Head of Service with minor changes made.									
											Risk Score	Overall Rating	
											20-25	Very High	
											10-19	High	
											5-9	Medium	
											1-4	Low	

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: 17 March 2015

BY: Chief Executive

SUBJECT: Council Resources Risk Register

4

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Council Resources Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Council Resources 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 Council Resources Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Council Resources 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 Council Resources 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 Council Resources and are likely to be a feature of the risk register over a number of year.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Council Resources LRWG. 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 Council Resources Risk Register includes 1 Very High risks, 10 High risks, 27 Medium risks and 10 Low.

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 Council Resources 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 – Council Resources 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	5 March 2015

Council Resources Risk Register

Date reviewed: 05 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				
CR 1	<p>Financial pressures:</p> <p>If the council's financial pressures were not to be successfully planned for and managed effectively over the medium to longer term (i.e. the next 3 and possibly up to 7 years), there would be a serious risk of unplanned/ reactive budget realignments with significant adverse impact on availability and quality of both front-line services and required investment in the Council's infrastructure and asset base.</p> <p>Over the medium term it is highly likely that the Council's income will, at best, remain static and may even reduce. At the same time it will have specific cost and demand pressures to deal with. These include:</p> <p>(1) demographic change and social-economic pressures - increasing pupil and elderly numbers;</p> <p>(2) general inflationary pressures and contractual commitments including pay and pensions;</p> <p>(3) specific cost pressures such as the affordability of the increasing number of high-cost individual care packages; and</p> <p>(4) potential financial costs associated with legislative changes such as a number of environmental issues, delivery of increased childcare commitments and Free Personal Care for all P1-P3 school children.</p>	<p>The Council has well developed short to medium term financial planning arrangements. These include:</p> <ul style="list-style-type: none"> • Three year General Services revenue budgets; • Six year General Services capital plan budgets; • Ten year Housing Revenue Account revenue and capital budgets. <p>In addition, it has cost control and financial management arrangements for managing in year budget performance. Both of which provide mitigating controls in terms of the immediate financial risk and pressures the Council is faced with.</p> <p>There continues to remain significant uncertainty in terms of the longer term financial projections for the public sector with the expectation that the current austerity measures will remain in place until at least 2019/20. The current financial strategy covers the medium term planning period of the next 3 financial years however this is likely to be extended to ensure that the Council is placed to meet the future challenges if current forecasts emerge.</p> <p>Partnership working with Midlothian Council and other partners is being developed to increase capacity to provide services within existing resources. The Council has also made significant progress towards implementation of the new Integrated Health and Social Care Partnership with effective shadow arrangements now in place and the statutory Integration Scheme close to being finalised.</p> <p>In addition the Chief Social Work Officer in his statutory duty continues to have a role to play in overall performance improvement and the identification and management of corporate risk in so far as they relate to social work services.</p>	4	5	20	<p>CMT/Managers continue to follow the financial strategy i.e. cost control/ cost minimisation to ensure delivery of agreed savings. This is also being monitored closely through the continued operation of the Chief Executive's Budget Review Group.</p> <p>Through the Corporate Asset Group, the Council implement will implement the approved Asset Management Strategy and related action plan.</p> <p>CMT will continue to monitor the impact of council restructuring and service re-design that flows from Efficient Workforce Management Planning.</p> <p>Further consideration will be given to increasing income where possible.</p> <p>The Workforce Development Plan is a key part of the Council's response to increasing financial pressures. It aims to support transformational change, build and sustain leadership and management capacity, sustain a skilled, flexible and motivated workforce and develop the workforce for the future.</p>	3	4	12	<p>Chief Executive</p> <p>Depute Chief Executive – Resources and People Services</p> <p>Head of Council Resources</p> <p>Council Management Team</p>	<p>Action ongoing and continuous review.</p> <p>Control measures approved by Council, October 2012.</p> <p>Monitoring arrangements will continue to be applied.</p>	N/A	<p>Risk further reviewed by CMT in May 2014 and current score increased from 15 to 20.</p> <p>Risk further reviewed by Head of Council Resources and Service Manager Business Finance Feb 2015</p> <p>This risk is also included in the Corporate Risk Register.</p>

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			L	I	L x I		L	I	L x I				
CR 2	<p>Welfare reform</p> <p>The UK Government is introducing a range of measures to reform the welfare system and reduce the budget for welfare benefits by at least £11 billion annually. It has been estimated (Scottish Local Government Forum Against Poverty, Sept 2010) that the changes could result in the loss of £8m - £9.5m annually from welfare benefits paid to East Lothian residents.</p> <p>The most significant reform introduced to date which has a direct impact on rent arrears is the removal of the spare room subsidy from those claiming housing benefit and under occupying their homes. This reform is also known as the 'bedroom tax'.</p> <p>In September 2014, the UK Government announced that Universal Credit will be rolled out across the whole of the UK to all Job centres and Local Authorities from early next year, commencing with single claimants previously eligible for Jobseekers Allowance.</p> <p>New claims to legacy benefits will be closed from 2016, with migration to Universal Credit to follow thereafter.</p> <p>This announcement represents a considerable acceleration in implementing one of the biggest reforms and will present all social sector landlords with considerable rent collection challenges.</p> <p>Following full implementation of Universal Credit, it is estimated that the Council's Rent Income team would have to collect an additional £425k per fortnight direct from claimants whose rent is currently paid direct to their rent account by housing benefit.</p> <p>Following the Scottish Independence Referendum in September 2014, the Smith Commission on Devolution of Powers to Scotland has been tasked with arriving at a set of proposals to devolve powers, one of which will be Welfare.</p> <p>East Lothian Council must plan for the imminent implementation of Universal Credit for the time being but there remains the possibility that new</p>	<p>The Council has received several update reports and will continue to be updated.</p> <p>The Council has established a Welfare Reform Task Group to plan for the changes to the welfare system. The Task Group has a detailed action plan to ensure that the Council takes the necessary measures to prepare for the changes to the welfare system.</p> <p>The work of the group has been based around communications; data sharing; training; and migration to the new benefits system such as the establishment of the Scottish Welfare Fund.</p> <p>The Task Group and workstreams are meeting regularly and will continue to report back to the Council Management Team and to the Council.</p> <p>The Benefit Service is making full use of additional Discretionary Housing Payment, (DHP) funding to mitigate for the impact of the removal of the spare room subsidy and other forms of housing related hardship wherever possible.</p>	4	4	16	<p>The Welfare Reform Task Group, Welfare Reform Reference Group and Welfare Reform Liaison Group will all continue to implement their action plans to mitigate the impact of welfare reform.</p> <p>The Benefit Service will continue to monitor it's DHP expenditure and will regularly report the extent of any overspend to the Scottish Government prior to claiming full reimbursement in May 2015.</p> <p>Revenues & Benefits Managers will engage in meetings between other colleagues and DWP/Job Centre Plus staff to ensure a managed transition to Universal Credit is achieved.</p> <p>The Revenues and Benefits Service will monitor the progress of the Smith Commission and will engage in any consultation relating to its findings on further devolution of welfare.</p>	4	3	12	Depute Chief Executive – Resources and People Services	Under constant review. May 2015	9	Risk refreshed by K Christie & J Cunningham 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
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			L	I	L x I		L	I	L x I				
	<p>devolved powers may see a change to the current direction of travel.</p> <p>Within the business areas covered by Council Resources, the changes could lead to:</p> <ul style="list-style-type: none"> • Increase in rent arrears from reduced Housing Benefits and possible increase in evictions • increased pressures on rent collection teams • increase in Council Tax arrears and non-payment of Council Tax • increase in Business Rates arrears and non-payment of Business Rates • loss of income the Council currently receives for administering Housing Benefits • an overspend of DHP if/when the Scottish Government fail to fully reimburse the Council for its expenditure relating to mitigation of the spare room subsidy. • Increasing footfall/demand for sign-posting, help and advice from customers who are required to claim Universal Credit and confused about which agency provides assistance with housing costs. 												
CR 3	An unplanned loss of a key employee or employees due to resignation, long term sickness absence etc. may affect the quality and scope of the legal service resulting in a failure to meet statutory objectives and provide an adequate legal service.	Succession planning, sharing the knowledge amongst all employees. An ability to employ temporary employees if required. An ability to outsource to acquire external legal advice.	4	4	16	Succession planning continues to be developed and rolled out.	4	3	12	Head of Council Resources Service Manager – Legal & Procurement	Continuous	N/A	Risk Refreshed November 2014 by Service Manager with Residual Risk score decreased from 16 to 12.
CR 4	An inability to meet an increase in competing demands from various services due to a lack of a sufficient staff resource within Legal & Procurement could lead to a failure to provide an adequate legal service.	An ability to outsource to acquire external legal advice. Ongoing monitoring of team workloads.	4	4	16	Liaison with departmental management teams to discuss future work demands and improve service delivery.	3	3	9	Head of Council Resources Service Manager – Legal & Procurement	First session took place Summer'14 and will be repeated every 6 months.	N/A	Risk Refreshed November 2014 by Service Manager with current score increased from 12 to 16 due to removal of the ability to recruit temporary employees.

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				
CR 5	Council IT systems are compromised by criminal 3rd party (e.g. hacker, terrorism) - causing the loss of a system, virus/trojan infection or loss/disclosure of data. This potentially could have a serious impact on one or more Council services.	<p>Systems are protected from outside world by firewall (the corporate firewall hardware was renewed in October 2014). All external facing systems are vulnerability tested once a year and extra testing takes place on any change to form or function. Security logs are reviewed daily by IT staff.</p> <p>Comprehensive change control and IT security measures also in place to ensure confidentiality, integrity and availability of systems. All IT staff are trained in the change control procedure. Info sec awareness training of employees to ensure they are aware of risks. Continue to take regular software and data backups to allow systems and data to be restored, following any failure. Regular awareness training of employees' council wide.</p> <p>Continue and constantly improve security measures. Keep up to date with new and emerging threats. Ensure all IT employees take part in regular training in the change control procedures. Ensure we purchase secure systems and maintain security throughout the system life cycle.</p> <p>The Council complies with ISO27001 the International standard for Information Security (which sets out a risk based approach to ensure the confidentiality, integrity and availability of Council held information & information systems).</p>	3	5	15	<p>Keep security hardware and software up to date to mitigate risk.</p> <p>Continual vulnerability testing.</p> <p>Continual review of security systems to ensure they are still capable of controlling new and emerging threats.</p>	2	5	10	Head of Council Resources	<p>Updating, testing and upgrading of systems to be carried out.</p> <p>Security systems are patched regularly every 3 months and reviewed to see if hardware fit for purpose.</p> <p>This risk score can fluctuate regularly depending on security posture of external risk from hackers, terrorism and other external sources.</p>		Risk refreshed November 2014. Current Risk Score increased from 10 to 15 and Residual Risk score increased from 5 to 10 due to heightened risk.
CR 6	Council IT systems are compromised by the actions of an internal employee - causing the loss of a system, virus/trojan infection or loss/disclosure of data. This potentially would have a serious impact on the business of the Council.	<p>Internal IT Systems are protected by antivirus, group policy etc. Employees sign the Acceptable Usage Policy and are party to various HR policies and legislation such as the Data Protection Act and Computer misuse act. Info security awareness, HR and Data Protection training etc is provided for employees. Continue to take regular software and data backups to allow systems and data to be restored, following any failure. Continue and constantly improve security measures. Keep up to date with new and emerging threats. Ensure we purchase secure systems and maintain security throughout the system life cycle.</p> <p>The Council complies with ISO27001 the International standard for Information Security (which sets out a risk based approach to ensure the confidentiality, integrity and availability of Council held information & information systems).</p>	3	4	12	<p>Continuous review of policy and user awareness.</p> <p>Continuous review and upgrading of security systems to ensure they are still capable of controlling new and emerging threats.</p> <p>Acceptable use policy to be refreshed and re-signed by all employees Summer 2015.</p>	3	3	9	Head of Council Resources	<p>Upgrading of systems to be carried out at regular intervals as required.</p> <p>Security systems are patched regularly every 3 months and reviewed to see if hardware fit for purpose.</p> <p>Policies reviewed annually.</p>	N/A	Risk refreshed November 2014 and Residual Risk Score increased from 6 to 9.

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				
CR 7	Failure of client services to comply with our procurement processes through lack of knowledge/experience and/or also business failure of key suppliers leads to service failure, poor value for money, fraud, loss of reputation and/or legal action.	Corporate Procurement Strategy and Procedures including pre-qualification of suppliers in place. Purchase Card Procedures Procurement Improvement Panel (PIP) in place. Regular reporting to PIP and CMT. Procurement Skills Training carried out. Controls in place over New Suppliers. Supplier Finder on Intranet. Close working with internal audit and departments (Audited regularly). Annual Procurement Capability Assessment in place and action plan progressed. CMT ensuring improved compliance with existing Procurement Procedures by championing them and taking action when breaches are found.	3	4	12	Improved contract management procedures to be put in place in tandem with continuing to improve procurement practices.	2	4	8	Service Manager – Legal & Procurement	September 2015	N/A	Risk Refreshed November 2014 by Service Manager - Legal and Procurement.
CR 8	Mismanagement of the Council's bank accounts or failure of the Council's bank leads to the Council having no funds available to pay staff or suppliers. Risk is also temporarily heightened due to departure of Service Manager – Corporate Finance.	Contract in place with our bank. Daily cash flow forecasting and monitoring of bank accounts. Treasury Strategy approved by ELC. Treasury Management Advisor in place. Continue to review information flows.	2	5	10	Temporary arrangements have been put in place pending arrival of new Service Manager at end of March 2015. Review Statements of Current Working Methods to ensure information is captured and all appropriate managers are aware of these.	2	4	8	Head of Council Resources	December 2015	N/A	Risk reviewed and refreshed by Service Manager – Business Finance and Head of Council Resources February 2015.
CR 9	Risk of losing PSN accreditation which gives us connection to systems such as Blue Badge, Registrars of Scotland, DWP, Police etc. This would be caused by failure to comply with PSN Code of Connection and could seriously impact upon the business of the Council.	Complying with mandatory controls set by HMG to ensure we are able to meet government PSN Code of Connection.	2	5	10	Constant monitoring of code of connection and how we align with it. Keeping security and other devices up to date - patching etc.	1	5	5	Head of Council Resources	Additional funding required ensuring we comply with code of connection. Reviewed annually in December with submission in March.	N/A	New risk created November 2014.
CR 10	Complete loss of ELC's circuit to the Internet, resulting in no access to external systems which include but not limited to Pecos, SEEMIS (schools management system) external email, home working access etc. This would have a serious impact on the business of the Council.	SLA's in place with supplier who has resilient backbone in place.	2	5	10	Introduce a second link to Internet from network outwith Haddington.	1	4	4	Head of Council Resources	Secondary link dependent on budget becoming available.	N/A	Risk refreshed by S Buczyn December 2014
CR 11	Council wide Catastrophic failure of central IT systems (inc Telephony) which could be caused by a fire/flood event, terrorist attack or a major virus. This would have a serious impact on the business of the Council.	Business Continuity plan in place - backup site for systems identified and core system backup plan created.	2	5	10	Continual development of IT disaster recovery plan based on lessons learned from regular testing of existing plan. Ensure IT Staff know their role in event of a disaster.	1	4	4	Head of Council Resources	October 2015	N/A	Risk refreshed by S Buczyn December 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					
	Original date produced (Version 1)	19th December 2011										Risk Score	Overall Rating	
	File Name	CH&PM Risk Register										20-25	Very High	
	Original Author(s)	Scott Kennedy, Risk Officer										10-19	High	
	Current Revision Author(s)	Scott Kennedy, Risk Officer										5-9	Medium	
	Version	Date	Author(s)	Notes on Revisions									1-4	Low
	1	19/12/2011	S Kennedy	Original Version										
	2	31/05/2012	S Kennedy	IT Risks updated by S Buczyn and Register revised following Senior Management Restructure										
	3	19/11/2012	S Kennedy	Updated following update of Risk Strategy										
	4	Jan-June 2013	S Kennedy	Updated following review of Legal Services Risks.										
	5	Feb – May 2013	S Kennedy	H&S transferred to Policy & Partnerships, IT and HR risks updated and Welfare Reform risk added.										
	6	June-July 2013	S Kennedy	Revenues & Benefits and Finance Risks updated.										
	7	September 2013	S Kennedy	Slight alterations to risks by Head of Council Resources										
	8	October 2013	S Kennedy	Welfare Reform Risk updated by Task Group and Internal Audit Risk updated (no changes to risk rating).										
	9	December 2014/January 2015	S Kennedy	Legal and Procurement, Licensing, Administration & Democratic Services, I.T, HR/Payroll, Finance and Revenues & Benefits risks refreshed.										
	10	February 2015	S Kennedy	Finance Risks reviewed and refreshed.										

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: 17 March 2015
BY: Depute Chief Executive - Resources & People Services
SUBJECT: Scotland's Public Finances – Accounts Commission Report

5

1 PURPOSE

1.1 To provide Audit and Governance Committee with a summary of the Accounts Commission report, '*Scotland's Public Finances – A follow up audit: Progress in meeting the challenges*' and the Council's actions in relation to the report's key messages.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee notes the Accounts Commission report and the approach which is being taken to address future financial challenges.

3 BACKGROUND

3.1 Scotland's Public Finances – Progress in meeting the challenges was published by the Accounts Commission in June 2014. The report was a follow up audit from the previously published 2011 report '*Scotland's public finances: Addressing the challenges*', which set out challenges which the public sector were facing and the scale of budget reductions expected to meet those challenges in the five years to 2014/15. The follow up audit report is set out in two parts:

- Part 1 – sets out the current financial position
- Part 2 - sets out how public bodies are meeting the challenges of reduced public spending, taking into consideration long-term financial planning and the key role of Councillors in ensuring bodies are well positioned to deliver quality services for less money.

3.2 The key findings from the report are set out below, with the full report attached as an appendix to this report:

- Scotland's public sector continues to face significant financial challenges, with the overall Scottish budget expected to reduce further.
- In setting budgets, public bodies need to focus more on their priorities making clear connections between the planned spending and the delivery of outcomes.
- There remains limited evidence of longer-term financial planning, and more work is needed to develop and review long-term financial strategies that reflect priorities, risks and liabilities and the implications for affordability.
- Councillors and non-executive directors have a crucial role in the financial scrutiny of spending plans and the outcomes which are achieved, and as such there is a need to ensure that they have the appropriate skills to carry out their scrutiny roles. Public bodies need to improve the quality of information provided to non-executive directors and councillors to support them in their scrutiny role.

Part 1 – Financial Position

3.3 This section of the report sets out the current financial position in the wider context of the overall Scottish Government budget. The report highlights that public sector spending in Scotland has reduced by 9% in real terms since 2009/10, and highlights the real possibility of future budget reductions in the overall Scottish DEL budget by £3.2 billion to £25.6 billion in 2018/19.

3.4 The report highlights that public bodies have so far managed to work within reduced budgets, with staffing reductions one of the main ways in which the required level of efficiencies have been delivered. The report does however highlight that significant challenges remain including; rising demand, the need for new and continued investment in our public sector estate, all of which must be met from within a backdrop of reduced public expenditure.

Part 2 – Getting the most from budgets

3.5 This section of the report sets out how public bodies are meeting the financial challenges with the need to ensure that budgeting approaches are designed to focus on priorities and the delivery of outcomes they want to achieve.

Budgeting

3.6 Particular reference is made for public bodies to adopt a priority-based approach to budgeting which focuses on allocating monies to the services or areas that contribute most towards the delivery of agreed outcomes.

3.7 The report also highlights that benchmarking and options appraisal are key components of financial management, providing the opportunity to highlight opportunities or setting out any risks associated with budget decisions, including service performance, impact on service users and effect on longer-term outcomes.

Longer-term Financial Planning

- 3.8 The report highlights the need for public bodies to develop long-term financial planning strategies for public bodies covering a 5 to 10 year period. The findings from the report highlight that most Local Authorities adopt a longer term financial planning framework, however the planning horizon for other public bodies including the NHS and other Central Government bodies varies, with most focusing on a three or five year plans.

Information to allow Scrutiny of Spending Plans

- 3.9 The report highlights the need to ensure appropriate scrutiny arrangements are in place within public bodies, and highlights that in general appropriate financial scrutiny arrangements are in place within most areas of local government.
- 3.10 The report highlights the need to ensure that information is available to support the wider scrutiny role and in particular to monitor the outcomes associated with spending decisions. This includes ensuring that finance departments have the appropriate leadership, capacity and resilience to provide the necessary information to allow the scrutiny of budgets, and highlights in particular the crucial role of the statutory Chief Financial Officer in providing financial advice which remains central to effective governance.
- 3.11 The need for public bodies to make greater use of benchmarking data in order to understand costs and performance and identify areas for improvement is an area which has been highlighted within the report, with specific reference to the benchmarking framework within local government which has now been established between SOLACE, COSLA and the Improvement Service.
- 3.12 Overall the report highlights that there remains scope to improve the financial information which is provided for scrutiny, ensuring that Councillors and non-executive directors to have the necessary skills and training in order to carry out the wider scrutiny of budget performance.

East Lothian Approach to Budget Planning

- 3.13 The budget for 2015/16 was approved by Council on 10 February 2015. Within this, a 3 year General Service's revenue and capital budget was approved covering the period from 2015-2018, alongside a 5 year Housing Revenue Account revenue and capital budget for the period 2015/16-2019/20.
- 3.14 Longer term capital financial plans for both General Services and the Housing Revenue Account are developed taking into consideration the capital expenditure limits set out within the financial strategy and the constraints around borrowing within the Housing Revenue Account capital programme.
- 3.15 The budgets are set within the context of a wider Financial Strategy which sets out the main opportunities, risks and constraints which face the Council over a 3 year planning period, aimed at maintaining the highest

level of public services within the challenging financial operating conditions. These budgets are set within the overall context of the 5 Year Council Plan which was reviewed and updated in October 2014 and also the Single Outcome Agreement jointly approved by a range of public sector partners in 2013.

- 3.16 In recent years the financial strategy has placed considerable emphasis upon the core themes of cost constraint and cost avoidance to seek where possible as a means of containing costs by becoming more efficient, whilst minimising any adverse impact on services provided. Nevertheless, given the extent of the medium term financial challenge which the Council is facing, more significant changes in how services are managed and delivered will be required in order to maintain, and where possible improve, services in accordance with the Council Plan and Single Outcome Agreement. Understanding the impact of financial decisions on all those within the community will help to ensure that decisions around future provision of services meets the needs of the community effectively.
- 3.17 Specifically in relation to scrutiny of financial plans, the Council already has in place governance structures which considers financial plans and in year progress against the approved budgets. The information provided to support this process is continually reviewed and updated to ensure that appropriate scrutiny can be undertaken. In recent years this process has been enhanced to support more frequent public reporting that incorporates both risk and efficiency ratings.
- 3.18 As part of the wider budget planning process, the Council undertakes a statutory HRA tenant consultation and has in recent years undertaken a broader public consultation on the proposed General Service budget. Given the challenges currently facing the Council, we are looking to develop the consultation which is currently carried out with the public, in order to inform the development of the 2016/17 budget process.
- 3.19 In recent years elected members have been provided with briefings on specific financial areas such as Treasury Management, and it is hoped to explore further options around wider briefings / training which will be helpful to Councillors in undertaking their wider scrutiny role.
- 3.20 The Council has been actively participating in the wider Local Government Benchmarking framework which has now been established. To date, involvement has included submission of returns and participation within specific studies within respective 'family groups' e.g. Council Tax. Making greater use of the benchmarking data to identify areas for improvement is an area which will continue to be considered in more detail.
- 3.21 To date, the financial planning process and wider financial strategy has allowed the Council to continue to deliver services within reduced resources, taking cognisance of both rising cost and increased demand pressures. The Council recognises that challenges remain in place for the foreseeable future and as such this will require a more radical change to the way in which services are delivered, including wider partnership

arrangements outcomes and commitments, and this will need to be considered within the wider context of future financial planning.

4 POLICY IMPLICATIONS

4.1 None.

5 EQUALITIES IMPACT ASSESSMENT

5.1 This Report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – as described above

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 Accounts Commission – Scotland's public finances – A follow up Audit – June 2014

AUTHOR'S NAME	Jim Lamond
DESIGNATION	Head of Council Resources
CONTACT INFO	jlamond@eastlothian.gov.uk
DATE	10/3/2015

Scotland's public finances

A follow-up audit: Progress in meeting the challenges



 ACCOUNTS COMMISSION

 AUDITOR GENERAL

Prepared by Audit Scotland
June 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
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about/ac 

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The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

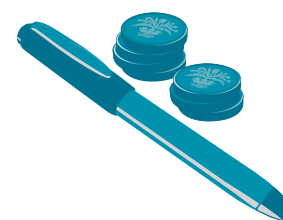
The Auditor General is independent and reports to the Scottish Parliament on the performance of:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Police Authority, Scottish Fire and Rescue Service.

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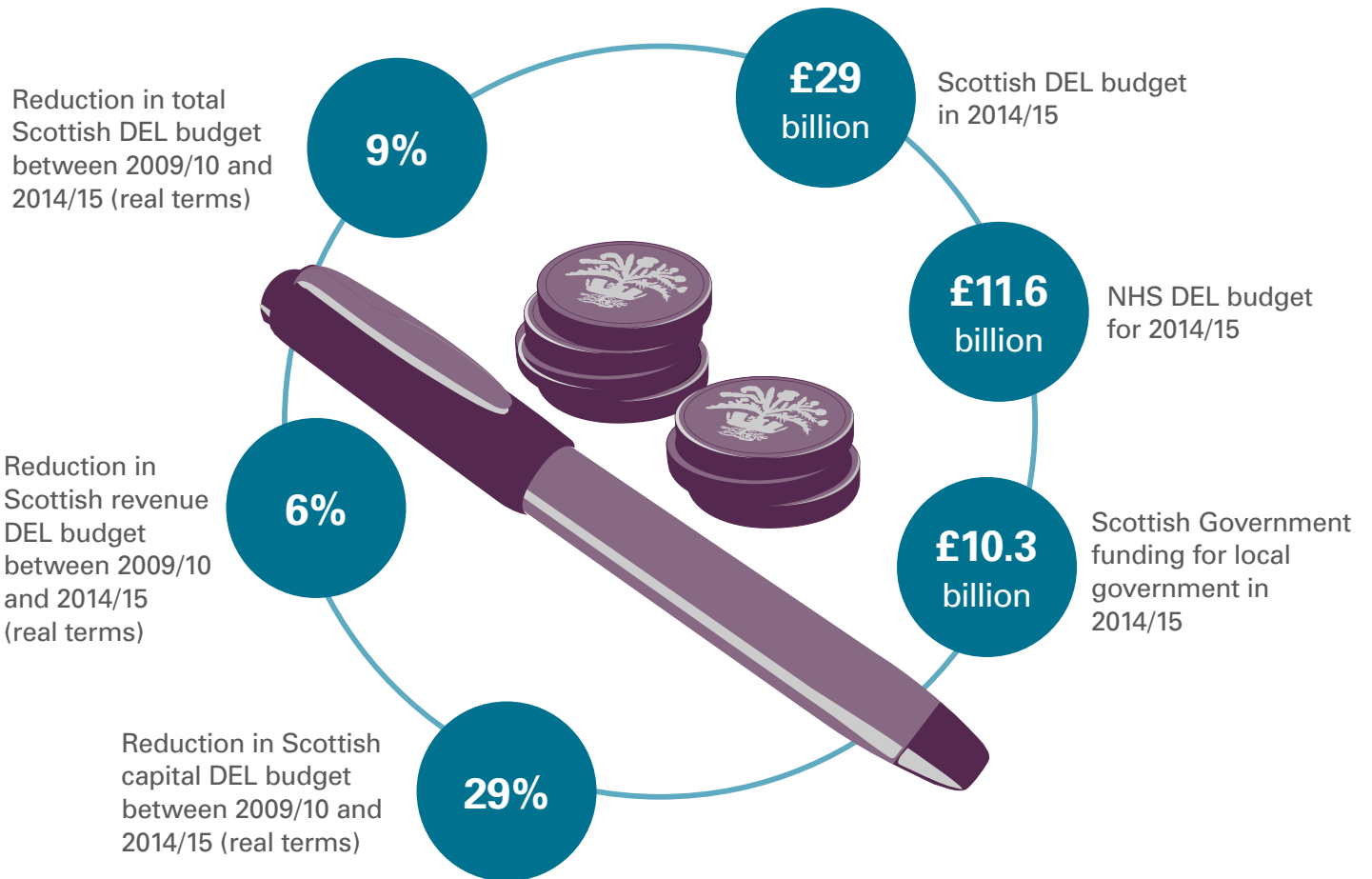


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Summary



Key facts




Introduction


1. Since 2009/10, public sector budgets have fallen each year with the Scottish budget decreasing by nine per cent in real terms to 2014/15.¹ Public bodies have coped well, so far, with budget reductions and have maintained services during this challenging period. Looking ahead, finances remain tight and most public bodies anticipate further reductions. Just a few examples of the significant ongoing issues facing public sector bodies are:

- increasing numbers of older people, who typically need more services in the form of health and social care
- the need to provide and maintain public assets (eg, schools, hospitals, prisons and roads) that are required to deliver services
- paying for public sector pensions.

These pressures have been evident for some time and will continue for the foreseeable future.

2. We highlighted the challenges facing the public sector in our 2011 report [Scotland's public finances: Addressing the challenges \(PDF\)](#) . This provided an overview of the scale of budget reductions expected in the Scottish public sector in the five years to 2014/15, and how public bodies were beginning to respond. The report highlighted that pay restraint and reducing staff numbers were the most common ways of balancing budgets but that these alone were not sustainable in the longer term.

3. Since then, we have published other reports that have looked in more detail at aspects of public sector spending.²

- The NHS financial performance reports concluded that the NHS managed its overall finances well in the short term but needed to increase its focus on longer-term financial planning. With demand for healthcare rising and the introduction of treatment time targets, there were signs of pressure within the system. Vacancy rates for NHS staff were increasing and boards were spending more on agency staff and on private sector providers.
- The annual overview of local government in Scotland reports found that demand on local services such as housing, advice services and school places continued to increase. In response, councils needed to review how services are currently delivered and to consider options for delivering services in the future. In addition, more work was needed to develop longer-term resource plans to show how to get the most from finances, staff and assets such as land and buildings. The most recent [overview report](#), in March 2014, highlighted the need for councils to make better use of options appraisal, based on sound information, to help make clear why decisions are made.
- [Scotland's public sector workforce \(PDF\)](#)  found that in the four years to March 2013, the Scottish public sector workforce reduced by 26,600 whole-time equivalents (WTE) (seven per cent) to 373,400. This included transferring almost 10,000 WTE staff to arm's-length external organisations (ALEOs) and organisations outside the public sector although some of

these staff will still be providing public services. Given the continuing challenges, public bodies were likely to need to make further workforce changes and think differently about how they delivered services. Examples of the latter included prioritising and redesigning services and increasing joint working and collaboration.

- Reports on Scotland's colleges highlighted that the further education sector was facing significant funding reductions. Colleges faced an 11 per cent reduction in revenue grant allocation from the Scottish Government between 2011/12 and 2014/15. They aimed to reduce staff numbers as the main way of making savings. In doing so, they would need to ensure they retained the skills and experience required to maintain the quality of learning they were providing.

4. These reports show that the challenges facing leaders and managers across the public service vary from sector to sector. Yet there is a great deal of common ground: all must produce balanced budgets and hold people in their organisations to account for how the money is used and what is achieved. Regardless of sectors or structures, councillors and non-executive directors have an important role in making sure the budgets they approve are used to best effect. To do this they need good-quality and timely financial information. They need to take a longer-term view on:

- the options available for services and how these will deliver outcomes
- the standards of services that are affordable
- the sustainability of financial plans.

5. The Scottish public sector has undergone significant changes in recent years. The Scottish Government's public service reforms aim to provide more effective and efficient public services that make best use of public finances. The reforms centre on four key components; prevention, performance, people and partnerships. Since 2007, these reforms have resulted in the number of public bodies reducing from 199 to 113. In addition, there have been significant reforms in the police, fire and further education sectors and more recently in the approach to health and social care services.

6. The Scottish Government sets the national policy context for public services in Scotland. In 2007, it established an outcome-focused performance framework to provide a common purpose and direction for all public service activity. The National Performance Framework (NPF) sets out targets and outcomes for public bodies to work towards to deliver the Government's overall objectives. For example, in the health sector all NHS bodies are required to develop local delivery plans in line with outcomes established in the NPF. Similarly, the Scottish Government and Community Planning Partnerships (CPPs) agreed Single Outcome Agreements based on local priorities and the Scottish Government's national outcomes. The agreements set out how each CPP will work towards local outcomes within the context of the Scottish Government's overall objectives.

7. The voluntary sector continues to have an important role in delivering public services. Spending by charities is at its highest level; in 2012/13, charities in Scotland spent £4.7 billion, over half of which was spent on providing social care

and housing services.³ Despite this, the voluntary sector has raised concerns about financial pressures as 60 per cent of organisations expect their costs will increase during 2014 due to rising demand but many do not expect their income to increase.

8. Alongside the current and future pressures, other factors will affect public finances in Scotland. The Scotland Act 2012 introduces tax-raising powers, through the land and buildings transactions tax and landfill tax from 2015 and the new Scottish rate of income tax from 2016. The Act also provides limited borrowing powers. These new measures provide more flexibility but also introduce greater variability if, for example, the amounts raised through taxes are more or less than expected.


9. Irrespective of the outcome of the 2014 Referendum on Scottish independence, pressures on finances will remain. Those leading and managing public services will face increasingly difficult choices about how to spend the money that is available; making best use of that money is paramount.

Who is this report for?

10. The report is aimed at public bodies including councils, NHS boards and central government bodies such as executive agencies and non-departmental public bodies. The report does not cover the Scottish Parliamentary process for approving the Scottish Government's overall budget although the messages should be considered by all organisations that are responsible for spending public money. The report raises a range of important issues for those involved in scrutinising public finances including councillors, non-executive directors, chief executives and other board members. For simplicity, we refer only to 'non-executive directors and councillors', however, the findings and issues raised apply to all those who have a role in financial scrutiny.

11. Alongside this follow-up report, we have published three sector-specific checklists designed to help public sector organisations to improve. These are aimed at councillors and non-executive directors and are intended to help promote good practice, scrutiny and challenge in setting 2015/16 budgets and beyond.

About this audit report

12. The challenges of increasing demand and cost pressures and the need to focus on long-term financial sustainability were among the key issues raised in our 2011 report [Scotland's public finances: Addressing the challenges \(PDF\)](#) . This report provides a high-level update on the financial position and on how public bodies are meeting the challenges of reduced public spending. It considers the importance of long-term financial planning and the key role of councillors and non-executive directors in ensuring bodies are well positioned to deliver quality services for less money.

13. During 2013, the auditors of 67 public bodies examined and reported on how the bodies are meeting the challenges of budget constraints. This report provides a high-level summary of the main themes arising from the local audit work and identifies what more needs to be done. The [Appendix](#) provides a list of the public bodies where local audit work was carried out.

14. The auditors assessed whether public bodies had sustainable financial plans that reflected a strategic approach to their finances. They also considered the role of councillors and non-executive directors in approving budgets and in holding staff to account for delivering budgets.

15. The report is organised in two parts:

- In **Part 1**, we consider the current financial position and outline indicative future spending levels across each sector in 2015/16.
- In **Part 2**, we report on financial scrutiny and the progress public bodies are making in getting the most from budgets and developing approaches that are sustainable.

16. Our findings are based on evidence from a number of sources, including:

- local audit reports from 67 individual public bodies
- a review of published documents on Scotland's public finances
- analysis of financial information on the Scottish budget
- published good practice on governance and budgeting mechanisms.

17. All budget figures in the report are quoted in real terms at 2013/14 price levels using the latest GDP deflators (March 2014) unless otherwise stated.⁴

Key messages



- 1** Scotland's public sector continues to face significant financial challenges. The Scottish budget has fallen nine per cent, in real terms, from £31.9 billion in 2009/10 to £28.9 billion in 2014/15 and is expected to reduce further. Public bodies have coped well so far but face increasingly difficult choices in reducing spending while maintaining service standards and meeting rising demand.
- 2** In setting budgets, public bodies need to focus more on their priorities, making clearer connections between planned spending and the delivery of outcomes. Rigorous use of options appraisal based on sound information is required for good budget-related decisions and making those decisions clear and understood.
- 3** There is limited evidence of longer-term financial planning. Plans generally focus on the short to medium term up to five years. More work is needed to develop and regularly review long-term financial strategies, that reflect priorities, risks and liabilities and the implications for affordability.
- 4** Non-executive directors and councillors have a crucial role. This involves approving budgets and holding people within their organisations to account for how the money is spent and the outcomes achieved. Public bodies need to improve the quality of information provided to non-executive directors and councillors to support them in their role.

Part 1

The financial position



18. This part of the report sets out the current position of public finances in Scotland. It considers how levels of funding for public bodies have changed in recent years and indicates how much money will be available in the future.

Scottish public spending reduced significantly after 2009/10

19. In 2014/15, the total Scottish budget is £34.6 billion. This provides funding for central government, the NHS and local government. The Scottish Government's annual spending plans are set out in the budget approved by the Scottish Parliament. The Scottish Government has discretion on how the £28.9 billion set aside for day-to-day spending is used. This is known as the Departmental Expenditure Limit (DEL) budget. The remaining £5.7 billion covers demand-led expenditure such as pensions for NHS staff and teachers. This is known as Annually Managed Expenditure (AME). The Scottish Government administers AME but has no discretion over how it is spent.

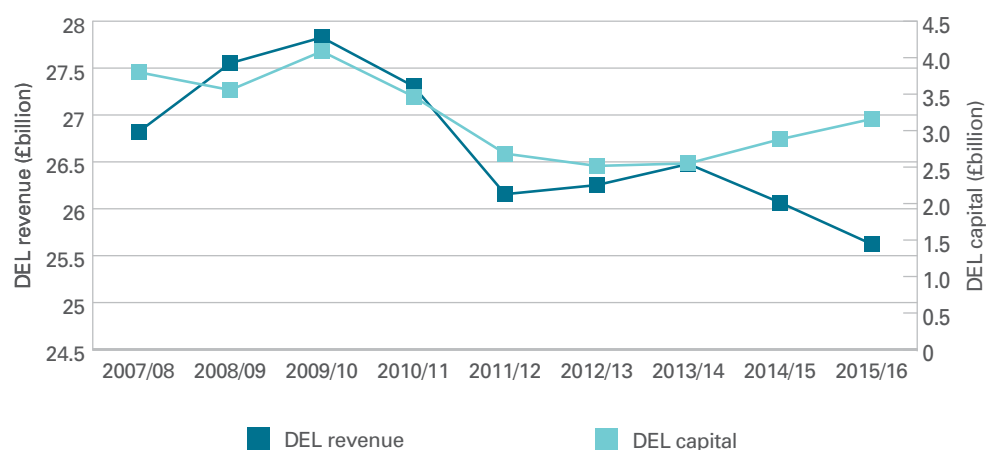
20. Following annual growth in budgets averaging five per cent from 2000/01, the total Scottish DEL budget has fallen nine per cent in real terms since 2009/10. It has fallen from a peak of £31.9 billion in 2009/10 to £28.9 billion in 2014/15. ([Exhibit 1, page 11](#)). The two main components of the DEL budget, revenue and capital, show different trends since 2009/10:

- The revenue DEL budget, for day-to-day expenditure such as staff salaries and supplies, has fallen by £1.8 billion (six per cent) to £26 billion in 2014/15. The revenue DEL budget reduced each year except between 2011/12 and 2013/14 when it increased by one per cent.
- The capital DEL budget, for maintaining and building property such as schools, hospitals and roads, has fallen by £1.2 billion (29 per cent) to £2.9 billion in 2014/15. Although the overall trend shows a decline, the budget has increased by 15 per cent since 2012/13 in line with the Scottish Government's policy to increase capital investment. The Scottish Government also plans to use several revenue-financed methods such as Non-Profit Distribution (NPD) to finance capital projects and increase capital investment activity.⁵ These methods can be used to support investment but their effect is to create longer-term financial commitments and to reduce flexibility in how future revenue budgets can be used. Since 2010, contracts for projects with a value of around £1.7 billion have been agreed using revenue-financed methods with a further £1.7 billion planned for future years.⁶ The Scottish Government has set a limit of five per cent of future total annual DEL budgets to be used on the total annual costs associated with these financing methods.

**the total
Scottish DEL
budget has
fallen nine
per cent in
real terms
since 2009/10**

Exhibit 1

The Scottish Government DEL budget 2007/08 to 2015/16 (real terms at 2013/14 prices)



Source: Scottish Government

Further budget reductions are planned for 2015/16 and beyond

21. Looking ahead, the Scottish Government has outlined spending levels for 2015/16 in its draft budget.⁷ The overall DEL budget will fall slightly, by £0.1 billion (0.4 per cent) to £28.8 billion. Within this, the revenue budget will reduce by £0.4 billion (two per cent) to £25.6 billion, whereas the capital budget will increase by ten per cent from £2.9 billion to £3.2 billion.⁸

Funding for health and local government sectors will reduce in 2015/16

22. The Scottish Government's health DEL budget will reduce by £73 million (one per cent) in 2015/16. Within this:

- funding for territorial NHS boards will increase by £85 million to £8.2 billion, an average increase of one per cent
- funding for NHS special boards (such as NHS 24 and Scottish Ambulance Service) will reduce by an average of one per cent, with total funding reducing from £1.03 billion in 2014/15 to £1.02 billion in 2015/16
- the amount spent by the Scottish Government directly, will decrease by £58 million (three per cent) to £2.1 billion in 2015/16.

23. The Scottish Government provides over 80 per cent of the funding for local government. The rest comes mainly from council tax. The Scottish Government's DEL budget for local government will decrease by £0.2 billion from £7.7 billion to £7.5 billion, a decrease of three per cent. The Scottish Government's total funding to local government, which includes redistributing money raised from non-domestic rates, will decrease by £88 million (one per cent) to £10.2 billion in 2015/16.⁹

Funding for central government bodies will increase in 2015/16


24. Central government funding includes budget allocations for the core Scottish Government, agencies, non-departmental public bodies and bodies directly funded from the Scottish budget such as the Scottish Parliamentary Corporate Body. The overall DEL budget for this group of public bodies will increase by £147 million (two per cent) to £9.7 billion in 2015/16 including increased funding for housing supply (£92 million) and police and firefighters' pensions (£16 million).

Further funding reductions are forecast beyond 2015/16

25. There may be further reductions in budgets beyond 2015/16. In March 2014, the UK government published total spending projections up to 2018/19 although allocations to individual departments, including Scotland's allocation, have yet to be decided.¹⁰ At the same time, the Office for Budget Responsibility suggests that the UK DEL budget could reduce by 4.2 per cent in 2016/17, 5.1 per cent in 2017/18 and 2.2 per cent in 2018/19.¹¹ If the Scottish Government's budget reduces in line with UK projections, the overall Scottish DEL budget could reduce by:

- £1.2 billion to £27.6 billion in 2016/17
- £1.4 billion to £26.2 billion in 2017/18
- £0.6 billion to £25.6 billion in 2018/19.

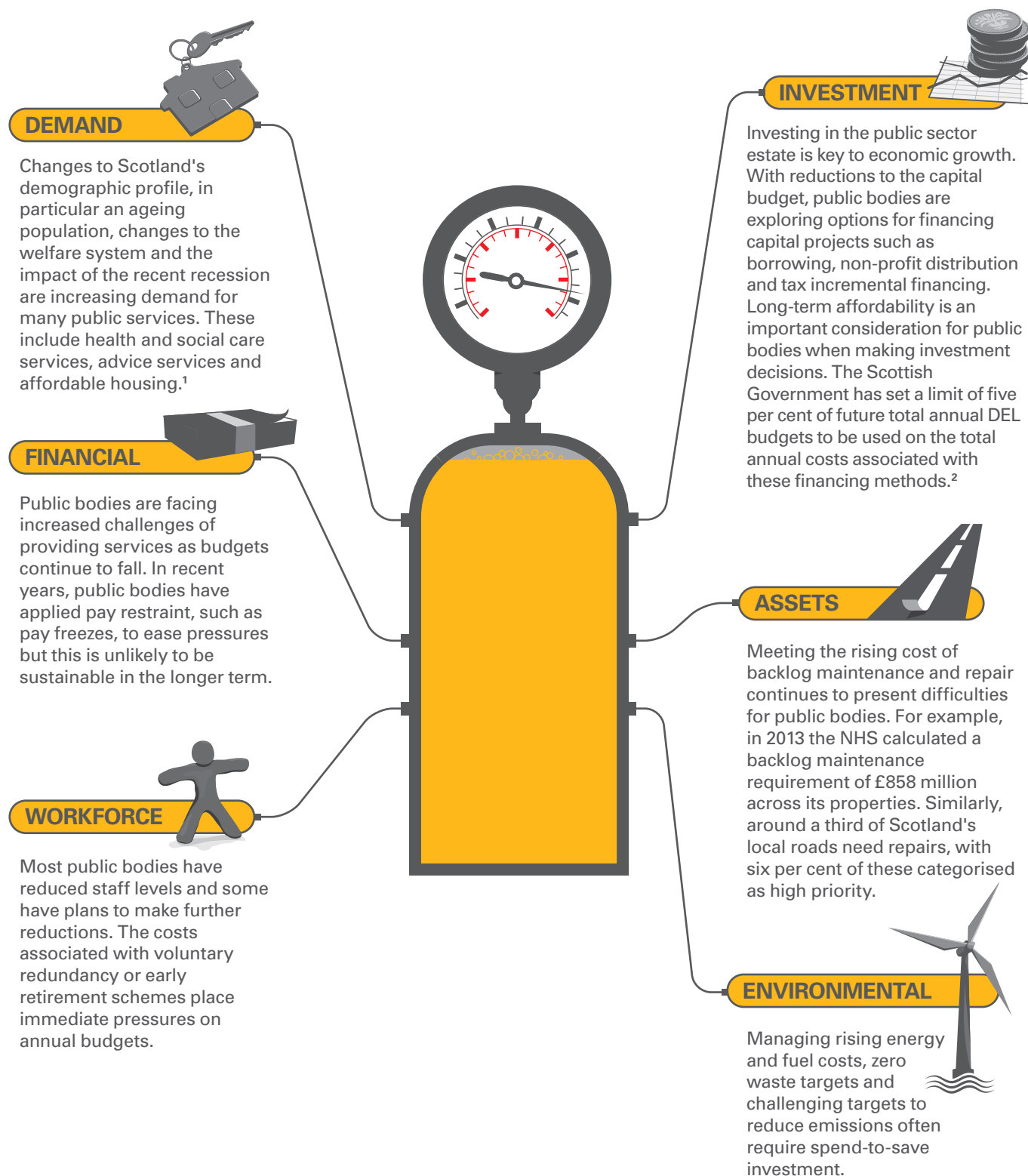
Public bodies have coped well so far, but service demands and pressures are increasing

26. Public bodies have coped well so far with reduced budgets. Reducing staff costs was one of the main methods used to achieve the required savings. In our report [Scotland's public sector workforce \(PDF\)](#)  we estimated that staff costs across councils, the NHS, and central government reduced by a total of £1 billion (eight per cent) to £12.7 billion between 2009/10 and 2011/12. This was achieved mainly by reducing staff numbers by 26,600 to 373,400 (whole-time equivalent) using voluntary early release schemes and transferring almost 10,000 WTE staff to ALEOs and organisations outside the public sector. Where staff transferred, some form of public funding is paid to the provider to deliver public services, a proportion of which will be used to pay staff. Other methods such as pay and recruitment freezes were also used to manage costs.

27. Public bodies continue to face significant challenges from rising demand, increasing energy prices and the need to provide and maintain 'fit-for-purpose' assets such as schools and hospitals ([Exhibit 2, page 13](#)). These pressures remain and present even greater challenges as budgets continue to fall.

Exhibit 2

Ongoing pressures in the public sector



Notes:

1. Scotland's population of people aged 75 and over is expected to increase by 86 per cent by 2037. *Projected Population of Scotland (2012-based)*, General Register Office for Scotland, January 2014.

2. *Infrastructure Investment Plan 2011*, Scottish Government, December 2011.

Source: Audit Scotland

Part 2

Getting the most from budgets



28. This part of the report provides an update on how public bodies are meeting the financial challenges outlined in [Part 1](#). It focuses on budget setting and how longer-term planning can help achieve financial sustainability. It also underlines the crucial role of non-executive directors and councillors in scrutinising their organisations' finances and the information they need to do this effectively.

Public bodies need to focus more on their priorities when setting budgets

29. Despite reducing budgets, the level of public spending in Scotland continues to be significant. Public bodies need to focus on making the most of the money available as well as identifying ways to reduce costs. Effective budgeting is an important component of good financial management and can help bodies understand where best to direct resources to achieve the greatest benefit. It sets out where and how much money will be allocated and provides the basis for monitoring the position throughout the year. As a result, the development and scrutiny of setting annual budgets is an important activity within public bodies, particularly during periods of financial constraint.

30. Public bodies have different approaches to budgeting. Most use an incremental approach where they allocate money based on the previous year's budget and adjust to reflect inflation, savings targets and other known factors. An incremental approach to budgeting works best when available funding is similar to previous years and change is gradual and planned. But it can limit the ability to prioritise spending or reduce costs when less money is available. Some bodies take a zero-based approach, where they decide budgets based on need through continually reassessing the base budget. Zero-based budgeting is a useful approach in specific circumstances as it helps public bodies provide a greater focus on value for money in their budget decisions.

31. In the current financial environment, public bodies need to implement an approach to budgeting that focuses more on their priorities and links planned spending more closely with the outcomes they want to achieve. The outcome-based performance framework (through the National Performance Framework and Single Outcome Agreements) provides a basis for public bodies to adopt a priority-based approach. The approach focuses on priorities and allocating money to the services or areas that contribute most to delivering these outcomes. This depends on a shared understanding of which services contribute most and least to the organisation's priorities. Services or activities that contribute least to outcomes may be reduced or withdrawn. A priority-based approach helps non-executive directors and councillors take decisions in the clear knowledge of the consequences. Local audit work found that only a few bodies have adopted a priority-based approach to budgeting.

**scrutiny
arrangements
are sound
but more
information
is needed
on progress
towards
delivering
outcomes**

32. Achieving outcomes often involves joint working with partners. Where this is the case, for example in Community Planning Partnerships (CPPs), public bodies need to work together to identify where they can direct money to make the greatest difference. This means ensuring that budget setting takes full account of shared priorities and commitments. In September 2013, the national Community Planning Group agreed that it should focus on getting partners to deploy their resources jointly towards partnership objectives.¹² This includes a requirement for relevant partners in CPPs to:

- share budget, investment and resource planning information
- agree how total resources can most effectively be deployed and aligned between partners to achieve outcomes.

33. Options appraisal and benchmarking are key components of financial management including priority-based budget setting. Rigorous options appraisal based on sound information, including information from service users, helps ensure good budget-related decisions and helps make clear why decisions are made. Using benchmarking information in budget setting can highlight potential opportunities associated with different options such as improved procurement practices or more efficient deployment of staff. There is evidence that some public bodies are considering proposals to reduce or stop services, for example some councils are considering removing subsidies for bus services, closing libraries or reducing support for arts development. As part of that process, public bodies need to identify the risks associated with budget options, including the potential implications for how services perform, the impact on service users and the effect on longer-term outcomes.¹³

There is limited evidence of longer-term financial planning

34. Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from the Scottish Government typically cover one to three-year spending review periods, this should not prevent public bodies assessing their spending needs and options over a longer period.

35. It is important that public bodies develop and maintain long-term financial strategies to direct and control their finances. A strategy should outline spending levels over an extended period (five to ten years) and include projected levels of income, how spending will be funded and, where relevant, why reserves are held and how they will be used ([Exhibit 3, page 16](#)). To enable them to implement the strategy, public bodies should also develop detailed financial plans that outline spending commitments over the short (one year) and medium term (two to five years).

36. Most councils produce longer-term financial plans, but the timescales involved vary up to ten years. Where councils have longer-term plans, they generally contain less detailed financial information in later years but councils use indicative spending levels to estimate potential funding gaps. [Case study 1 \(page 17\)](#) provides an example of City of Edinburgh Council's financial planning to 2017/18. The council plans to address a potential budget shortfall of £95 million although it is too early to comment on whether this will be achieved.

Exhibit 3

Important features of a financial strategy

A financial strategy should cover five to ten years.



COSTS

A clear understanding of the business model and the cost of individual activities within it



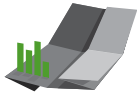
SAVINGS OPTIONS

Evidence-based options for achieving savings



SAVINGS DETAILS

Details of one-off and recurring savings



SCENARIO PLANNING

Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used



ASSETS/LIABILITIES & RESERVES

Details of assets, liabilities and reserves and how these will change over time



CAPITAL INVESTMENT ACTIVITY

Details of investment needs and plans and how these will be paid for



DEMAND

An analysis of levels of service demand and projected income



FUNDING SHORTFALLS

Any income or funding shortfalls and how to deal with these



STRATEGY LINKS

Clear links to the corporate strategy, CPP objectives and other relevant strategies such as workforce and asset management



RISKS & TIMESCALES

The risks and timescales involved in achieving financial sustainability



The strategy should be underpinned by detailed financial plans in the short (one year) and medium (two to five years) term.

Source: Audit Scotland

Case study 1

Financial planning in the City of Edinburgh Council

In 2012/13, the council developed a budget covering years 2013/14 to 2017/18. This was designed to help deal with a potential budget shortfall of £95 million by 2017/18 that their financial plan identified.


Using the plan as a starting point, the council applied a planning framework to identify pressures and the options to achieve savings. It also considered structural and legislative changes, such as the integration of health and social care services and welfare reform. The 2013/14 budget was developed using the principles agreed as part of the framework.

The framework approach focused on identifying proposed savings across three main areas:

- transformation (such as recruiting more foster carers while reducing the use of foster agencies)
- efficiency and council-wide savings (such as improving procurement and increasing the use of e-advertising)
- additional income (reviewing existing charges and fees).

An important element of the process was preparing a service cost model to chart changes in projected service costs over the medium to long term. The outputs of this model were integrated as closely as possible to the financial plan.

Source: The City of Edinburgh Council

37. In the NHS, the timeframe for financial planning is generally three or five years.¹⁴ The report [NHS financial performance 2012/13 \(PDF\)](#)  highlighted that NHS boards' Local Delivery Plans provide financial projections covering expected funding, expenditure levels and savings required, but that detailed financial planning is restricted to the first year. Central government bodies generally do not produce long-term financial strategies. Financial information is reported within the corporate plan but, in many cases, the information is limited or does not extend beyond a three-year period.

38. With limited information on available funding beyond 2015/16, public bodies should undertake scenario planning as part of their long-term financial strategies. This involves making assumptions about different levels of future income, expenditure and activity and outlining options based on each scenario. This helps to identify potential solutions to difficulties arising from variations in levels of future funding. It also provides an opportunity to outline ways to maintain service levels. Without planning like this, there is a risk that public bodies continue taking a short-term approach to cost reduction at the expense of better alternatives over the longer term. Local audit work showed that few public bodies had undertaken scenario planning as part of their long-term financial planning.

Better information is needed to scrutinise spending plans

Scrutiny arrangements are sound but more information is needed on progress towards delivering outcomes

39. Scrutiny plays an essential role in ensuring public bodies' budgets, financial plans and strategies are credible and transparent: that is, based on clearly understood information. It also ensures they work towards achieving their overall aims and objectives. Effective scrutiny should be independent, balanced and hold people to account for their spending plans and use of public money for which they are responsible. It requires relevant, reliable and timely information.

40. Different scrutiny arrangements are in place across public bodies in Scotland. Overall, across local government, the NHS and central government, arrangements to enable scrutiny are generally sound.

- Within councils, relevant committees consider financial plans and budgets regularly (at least four times a year). Many councils have established committees or working groups to scrutinise and develop budget proposals before they are considered at council level.
- In the NHS, board members, including non-executive directors, are involved in preparing Local Delivery Plans, allowing them to challenge and scrutinise financial plans. Financial monitoring is generally reported at each board meeting, along with minutes from financial scrutiny committees. In 2012/13, NHS Fife established a Programme Management Office to challenge savings plans. Other health boards are considering a similar approach ([Case study 2, page 19](#)).
- In central government bodies, non-executive directors and individual committees generally scrutinise finances. Most have financial and performance monitoring reports at every board meeting. Local audit work found that, in general, the budget-setting process involves significant input from senior officials and board members.

41. Irrespective of the structures in place, councillors and non-executive directors have an important role in making sure public bodies plan to achieve the necessary outcomes from spending decisions. This requires the identification and definition of desired outcomes and the ability to monitor progress towards their achievement. Together, public sector leaders should be clear how each spending decision contributes to each outcome; how it will result in improvements; and what changes can be made to ensure it is successful. Scrutiny should include regular monitoring of progress towards outcomes and include feedback on where further improvements can be made.

Case study 2

Scrutiny of savings plans: NHS Fife

NHS Fife set up a Programme Management Office (PMO) in 2012/13 to help identify and deliver savings. The PMO supports the coordination and prioritisation of resources across different projects, helping to manage the links between projects, and identifying any impact on other services or patient care, as well as overseeing the delivery of efficiency savings.

Directorate service managers and their teams identify savings. These are overseen and challenged by directorate and divisional heads, with relevant input from finance staff. The risks associated with delivering individual savings schemes are identified as high, medium or low. This indicates the likelihood of not achieving individual savings so that NHS Fife can assess and manage the impact on the overall savings programme. The PMO uses a tracking database to monitor the progress of projects, with regular reports being provided to management. Using this approach NHS Fife achieved £17.5 million savings in 2012/13.

During 2012/13, the emphasis was on cash-releasing savings schemes. In 2013/14 the PMO considered cash-releasing and non-cash releasing savings and identified £16.3 million cash and non-cash savings.

The PMO approach provides a clear evidence base for identifying savings plans. Some other health boards have expressed an interest in developing a similar approach.

Source: NHS Fife

There is scope to improve financial information provided for scrutiny

42. All levels of the governance structure, from working groups to committees and boards, need reliable, accurate and timely information to scrutinise effectively. Public bodies need to improve the level and consistency of information provided for scrutiny. For example, auditors reported cases where:

- actions, responsibilities, measurable outcomes or timescales were unclear
- reporting of financial information was limited in frequency and content
- scrutiny of plans and savings took place in private with no reporting of decisions.

43. Budget scrutiny largely focuses on how budgets compare with the previous year. The actual spending outturn and savings achieved in the previous year receive limited attention. In addition, more work is needed to identify and consider different options available including new ways of delivering services that make better use of the money that is available.

44. The opportunity to provide good scrutiny and challenge of financial plans and savings will be reduced if information is not provided, incorrect, out of date or incomplete ([Exhibit 4](#)). Senior managers and staff in public bodies are responsible for making sure enough information is available for public sector leaders to scrutinise effectively and approve spending decisions. They also need to ensure an appropriate balance is made between information used for internal purposes and information made publicly available as part of the scrutiny process. Likewise, it is the responsibility of non-executive directors and councillors to make sure they have the information they need.

45. The public sector workforce reduced by 26,600 WTE (seven per cent) to 373,400 between 2009 and 2013.¹⁵ In view of these significant staff reductions, public sector leaders should also consider the leadership, capacity and resilience of finance departments and their ability to supply information to scrutinise budgets. The chief financial officer has a crucial role in providing advice on all aspects of finance and is central to effective governance. For example, in local government, in assessing the capacity of finance departments, councillors should satisfy themselves that the officer has appropriate access and influence to perform the role.¹⁶

Exhibit 4

Important characteristics of financial information



RELIABLE

Information should be accurate, representative and verifiable. Where assumptions or estimates are used these should be clearly stated



TIMELY

Information should be up to date and provided on a regular basis



COMPLETE

Information should be comprehensive and cover the areas relevant to the needs of key decision-makers



TRANSPARENT

Information should be clear, understandable and easy to obtain



CONSISTENT

Information should be reported on the same basis across different periods to allow for comparisons to be made

Source: Audit Scotland

Most public bodies consulted stakeholders on savings plans

46. Engaging with communities and service users is an important component of priority-based budget setting. It can provide information on demand and help to ensure budgets are allocated where they are needed most. In most cases, auditors reported that public bodies consult people who use or are affected by services on financial and savings plans, and on how these are likely to affect the services delivered. Consultation activity was more common in local government and the NHS than in central government bodies. Most councils and NHS bodies had consulted on major decisions such as relocating services or decisions that had implications for staff. However, some public bodies had taken no action to consult the public.

47. Where public bodies decide to change how services are delivered, they need to ensure these decisions are based on the needs of the people who use that service. A decision to deliver a service in an alternative way can change long-standing arrangements and have far-reaching consequences for service users, systems and staff. By consulting with the public and staff, public bodies can manage expectations about what they can achieve within available budgets.

Public bodies need to use benchmarking data to gain a better understanding of their costs and performance

48. Benchmarking is measuring how an organisation is performing against one or more other organisations. It helps to identify areas for improvement, highlight opportunities and validate successful performance. Auditors reported that contributing to benchmarking exercises is common across the Scottish public sector. Auditors for both central government and NHS bodies reported there were few examples of measurable benefits derived from benchmarking activities. In local government, auditors reported that councils could benchmark more effectively and do more to demonstrate its benefits. SOLACE,¹⁷ COSLA¹⁸ and the Improvement Service have been leading on work to establish a new benchmarking framework in local government. The new framework provides comparative benchmarking across all major service areas, covering costs, performance and customer satisfaction.

49. Improving the use of benchmarking data across the public sector can help identify potential inefficiencies. Throughout the year, public bodies need to monitor their performance against benchmarking data to explore opportunities for improvements, reducing costs and changing the way services are delivered within the boundaries of the money available.

Non-executive directors and councillors need training to support them in budget-setting and scrutinising performance against budgets

50. In the quickly changing context set out in [Part 1](#) of this report, it is more important than ever that non-executive directors and councillors are supported in their role. The introduction of different methods of paying for major capital investment, such as tax incremental financing and NPD, is an example of a complex area where support may be required to ensure public sector leaders are fully aware of the key issues, risks and impact on public finances.

51. Effective budget-setting and budget scrutiny can only take place when these people have the right skills and support to carry out their roles. Our report [An overview of local government in Scotland 2014 \(PDF\)](#)  found that there is demand and more need in councils for training for councillors. All public bodies should assure themselves that they provide appropriate training and support for

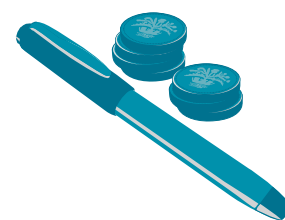
individuals in these roles. Awareness and understanding of how budget setting and scrutiny links with the overall organisation are other important aspects that public bodies can support through training and development for non-executive directors and councillors.

Recommendations

Public bodies should:

- implement an approach to budgeting that focuses more on priorities and links planned spending more closely with the outcomes they want to achieve
 - develop a longer-term approach to financial planning that takes account of priorities, risks and liabilities and provides assurances on long-term affordability
 - support effective scrutiny by ensuring that good-quality information is available and that councillors and non-executive directors have the right skills to carry out their scrutiny roles.
-

Endnotes



- ◀ 1 This is the Departmental Expenditure Limit budget.
- ◀ 2 *NHS financial performance 2011/12*, October 2012; *NHS financial performance 2012/13*, October 2013; *An overview of local government in Scotland*, March 2012, March 2013 and March 2014 *Scotland's public sector workforce*, November 2013; *Scotland's colleges: current finances, future challenges*, October 2012; *Scotland's colleges 2013*, August 2013. All Audit Scotland.
- ◀ 3 *SCVO State of the Sector report*, Scottish Council for Voluntary Organisations, April 2014.
- ◀ 4 The Scottish Government's draft budget for 2014/15 uses GDP deflators from June 2013, therefore there may be minor differences between figures quoted in this report and the draft budget document.
- ◀ 5 Non-Profit Distribution caps returns to the private sector, with surpluses reinvested in the public sector.
- ◀ 6 This is based on major capital projects valued at over £20 million and includes revenue finance methods such as Non-Profit Distribution, Hub and Regulated Asset Base (RAB).
- ◀ 7 *Scottish Budget: Draft Budget 2014/15*, Scottish Government, September 2013.
- ◀ 8 The capital DEL budget for 2015/16 includes £285 million in real terms of borrowing from the National Loans Fund introduced under the provisions of the Scotland Act 2012.
- ◀ 9 Funding from non-domestic rates is classified as Annually Managed Expenditure and is outwith the DEL budget.
- ◀ 10 *UK Budget 2014*, HM Treasury, March 2014.
- ◀ 11 *Economic and Fiscal Outlook*, Office for Budget Responsibility, March 2014.
- ◀ 12 *Agreement on Joint Working on Community Planning and Resourcing*, National Community Planning Group, September 2013.
- ◀ 13 In March 2014, the Accounts Commission published *Options appraisal: are you getting it right?* as part of their *How Councils Work* improvement series. The report is aimed at councillors, senior officials and managers in councils and is intended to stimulate change and improve performance through better options appraisal.
- ◀ 14 NHS financial plans are generally required for a three-year period. A five-year plan is required when there is a major capital project in development, brokerage arrangements are in place, an underlying deficit of over one per cent of baseline revenue funding, or major service redesign. A five-year capital plan is required by all boards.
- ◀ 15 *Scotland's public sector workforce*, Audit Scotland, November 2013.
- ◀ 16 Local authorities must appoint a statutory/proper officer for finance, under section 95 of the Local Government (Scotland) Act 1973.
- ◀ 17 The Society of Local Authority Chief Executives and senior managers.
- ◀ 18 The Convention of Scottish Local Authorities.

Appendix

List of public bodies where local audit work was carried out



Local government sector

- 29 councils
- Strathclyde Partnership for Transport

Health sector

- All 14 territorial health boards
- National Waiting Times Centre Board (Golden Jubilee National Hospital)
- NHS 24
- NHS Education for Scotland
- NHS National Services Scotland
- NHS Health Scotland
- Scottish Ambulance Service
- The State Hospital

Central government sector

- Care Inspectorate
- Creative Scotland
- Crown Office
- Forestry Commission and Forest Enterprise (Scotland)
- Highlands and Islands Enterprise
- Historic Scotland
- Scottish Court Service
- Scottish Enterprise
- Scottish Environment Protection Agency

- Scottish Funding Council
- Scottish Natural Heritage
- Scottish Prison Service
- Scottish Qualifications Authority
- Skills Development Scotland
- Sportscotland
- Transport Scotland

Scotland's public finances

A follow-up audit: Progress in meeting the challenges

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REPORT TO: Audit and Governance Committee

MEETING DATE: 17 March 2015

BY: Depute Chief Executive - Partnerships and Community Services

SUBJECT: Community Planning: Turning Ambition into Action (Audit Scotland Report, November 2014)

6

1 PURPOSE

- 1.1 To review the findings and recommendations of the Audit Scotland report '*Community Planning: Turning ambition into action*' (November 2014).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee review the contents of this report and notes the comments on progress being made by East Lothian Partnership to address the issues raised in the Audit Scotland report.

3 BACKGROUND

- 3.1 The report '*Community Planning: Turning ambition into action*' (November 2014) provides Audit Scotland's national update on community planning since March 2013. This assessment of progress in Community Planning is based on Audit Scotland's audits of five Community Planning Partnerships (CPPs) in 2014 (Glasgow, Falkirk, Moray, West Lothian and Orkney Islands) and follow up work in the three CPPs audited in 2013 (Aberdeen City, North Ayrshire and Scottish Borders).
- 3.2 The report is structured around four key themes:
- Part 1: How CPPs are led and run
 - Part 2: How CPPs are planning for communities
 - Part 3: How CPPs are using resources
 - Part 4: Monitoring performance and helping CPPs to improve.

- 3.3 This report summarises the findings of the Audit Scotland report and lists the recommendations relating to each of the four parts of the report. A note of how the East Lothian Partnership is responding to the recommendations aimed at CPPs is also provided. The Partnership has recently concluded a self-assessment exercise facilitated by the Improvement Service and has approved a new Improvement Plan to address issues arising from the self-evaluation. Many of these reflect the issues raised by Audit Scotland.

Part 1: How CPPs are led and run

- 3.4 The report concludes that there is a strong sense of renewed energy nationally and locally to improving community planning. Community planning continues to become more of a shared enterprise, with more active participation by partners and evidence of more shared ownership of the priorities in Single Outcome Agreements (SOA)s.
- 3.5 Although aspects of community planning are improving, leadership, scrutiny and challenge are still inconsistent. There is little evidence that CPP boards are yet demonstrating the levels of leadership and challenge set out in the Scottish Government/ COSLA Statement of Ambition around Community Planning (March 2012).
- 3.6 CPP boards are not yet fulfilling their role effectively. Strategic leadership, oversight and challenge still tend to be happening at a level, or at levels, below the CPP board. Many boards are overseeing the community planning process but are not showing leadership by setting ambitious improvement targets and holding partners to account for their contribution to delivery of the local SOA.
- 3.7 Councillors and non-executive members are becoming more aware of, and involved in, community planning both at a CPP board level and at a neighbourhood level. But some, who are used to working in a single organisation, are still finding it hard to adapt to working in a partnership setting, as opposed to chairing or serving on a council committee or a board.
- 3.8 In many CPPs, further work is needed at board level to clarify where added value can be achieved through working in partnership and what that means for partner organisations. Those CPPs that have been able to agree clear and jointly agreed priorities for improvement are now able to focus on the necessary next steps of aligning resources to those priorities and establishing effective performance management arrangements.
- 3.9 Partners need to create a more effective leadership, challenge and scrutiny role in CPP boards. But this depends less on formal accountability arrangements and more on trust between partners, a shared commitment to change, and a culture that promotes and accepts challenge among partners.

- 3.10 The leadership and oversight of partnership working will often be complicated leading to a lack of clarity about who is holding who to account for what in the local partnership structures. CPPs need to streamline their local partnership working arrangements and ensure they are aligned with their local improvement priorities.
- 3.11 The practical links between the Scottish Government's public service reform programmes and community planning are not clear. Many CPPs are unsure about what their specific role in these programmes should be and what this means in practice, in particular in the integration of health and social care services.
- 3.12 Activity to integrate health and social care services has been happening largely in parallel to community planning, with many CPP boards simply noting update papers on plans for integration. This may reflect the operational nature of some of the decisions that councils and NHS boards need to make about the model and scope of future health and social care services, not all of which will be directly relevant to all CPP partners.
- 3.13 The Audit Scotland report's national level recommendations are:
- The National Community Planning Group should set out what its refocused approach means for the Statement of Ambition and its performance expectations of CPPs.
 - The Scottish Government and COSLA should clarify their performance expectations for CPPs in the context of the National Community Planning Group's refocused approach to community planning.
 - The Scottish Government should ensure that future guidance on the implementation of public service reform programmes is clear about the specific role that CPPs should play and the contribution they are expected to make in supporting improved outcomes.
- 3.14 The report's recommendations for CPPs are:
- Strengthen the effectiveness of the leadership, challenge and scrutiny role at CPP board level
 - Streamline local partnership working arrangements and ensure they are aligned with local improvement priorities
 - Ensure that local community planning arrangements are clear about who is responsible for:
 - agreeing the priorities of the CPP and SOA
 - allocating resources and coordinating activity
 - implementing activity
 - scrutinising performance and holding partners and others to account for their performance

- Work with the new health and social care integration joint boards to develop services that meet the needs of local people and support SOA priorities
- 3.15 East Lothian Partnership has addressed these areas of concern over the last 18 months:
- The structure of the East Lothian Partnership was reviewed in 2013 and a new strategically focused and streamlined governance and leadership structure based around the three key priorities of the SOA – Sustainable Economy, Resilient People and Safe and Vibrant Communities – was established in September 2013.
 - The new structure involves greater participation from East Lothian Council elected members – 10 councillors are members of one or more Partnership. All elected members are members of an Area Partnership.
 - The role and responsibilities of the Partnerships and of members is detailed in the East Lothian Partnership Handbook for Members (Oct 2014).
 - Following the Care Inspection’s inspection of Children’s Services a new Children’s Strategic Partnership was established reporting to the Resilient People Partnership.
 - The Partnership has scrutinised the SOA and identified a suite of high level Strategic Outcome Indicators that will form the basis of scrutiny of how the SOA is being achieved. In addition the East Lothian Partnership and three supporting Partnerships identified a small number of key priority actions to be achieved in the first year of the SOA (see report to East Lothian Partnership, 13th May 2014).
 - The Partnership is attempting to ensure that Health and Social Care integration does not run parallel to the Community planning process. The Chair and Vice Chair of the Health and Social Care Partnership are members of the Resilient People Partnership. The structure of the East Lothian partnership will allow for the new Health and Social Care Joint Board to report to the Resilient People Partnership on the SOA outcomes for which the Joint Board will have responsibility.
 - The Improvement Plan arising from the recent self-assessment exercise undertaken by the East Lothian Partnership contains several actions which aim to strengthen the leadership, challenge and scrutiny roles of the Partnership.

Part 2: How CPPs are planning for communities

- 3.16 The report concludes that many CPPs are still not clear about what they are expected to achieve and the added value that can be brought through working in partnership. CPPs need to use local data to help set

relevant, targeted priorities for improvement that will address inequalities within specific communities. However, the report acknowledges the difficulties in accessing and using local data because some national sourced information is not available at neighbourhood level and there are still problems in sharing data between some partners.

- 3.17 Although SOAs have improved, many are still not clear about the specific improvements CPPs are aiming to achieve. They lack a focus on how community planning will improve outcomes for specific communities and reduce the gap in outcomes between the most and least deprived groups in Scotland. This reflects a wider ambiguity both nationally and locally about the extent to which the focus of community planning should be on local needs or about delivering national priorities.
- 3.18 CPPs continue to improve the way they consult with local people. But they are not yet routinely working with communities to make sure local people can influence or change the way partners deliver services. The third sector has an important role in working with communities and delivering services. The Improvement Service, Voluntary Action Scotland and the Scottish Government are working with partners to help them better understand the contribution the third sector can make to community planning.
- 3.19 The report's national level recommendations are that the Scottish Government should:
- Implement its outcomes approach more systematically across all policy areas
 - Ensure that its review of national performance measurement arrangements streamlines approaches and creates a stronger prevention and outcome focus.
- 3.20 This part of the report includes two recommendations for CPPs:
- Set clearer improvement priorities focused on how they will add most value as a partnership, when updating their SOA
 - Use local data on the differing needs of their communities to set relevant, targeted priorities for improvement.
- 3.21 The East Lothian Partnership has addressed both issues.
- The SOA 2013-2017 included a Development Plan with 12 key actions required to support the establishment of the East Lothian Partnership and to achieve the SOA. Progress on the Development Plan is reported to each meeting of the Partnership. A new Improvement Plan will be agreed based on the outcomes of the self-assessment recently carried out by the Partnership.
 - East Lothian Partnership and supporting partnerships have identified key priorities for the first year and receive regular reports on progress. These priorities will be reviewed in 2015.

- A detailed and comprehensive data profile of East Lothian and its seven wards was produced to inform the development of the SOA. The East Lothian Profile and Ward Profiles were used as the basis for the strategic assessment that informed the development of SOA priorities and 20 Strategic Outcome Indicators.
- The strategic assessment of the East Lothian Profile led to the Partnership adopting the SOA overarching outcome 'To reduce inequalities across and within our communities.
- The East Lothian Profile and Ward Profiles are being updated and will be used to inform the review of future priorities.
- Six Area Partnerships with a wide range of community representation have been established as the principle forum for local community engagement within the East Lothian Partnership.
- The Ward Profiles are being used to inform the development of Area Plans by the six Area Partnerships.

Part 3: How CPPs are using resources

- 3.22 The report concludes that CPPs are starting to have a better understanding of what resources they have available to deliver their SOA. They have begun to identify how partners use their resources, such as money and staff, in particular priority areas or specific communities. But discussions about targeting these resources at their priorities and shifting them towards preventative activity are still in the early stages.
- 3.23 Audit Scotland acknowledges the difficulties faced by CPPs firstly to identify resources available to support the implementation of the SOA and then to shift resources. National and regional organisations need to do more to identify the resources available locally. Moving resources (e.g. towards preventative activity) will become increasingly challenging as pressures on budgets and staff continue to tighten.
- 3.24 The way public services are delivered must change to help the public sector manage financial and service demand pressures, and to address the significant variations in outcomes experienced by different communities. Community planning partners increasingly recognise that they need to work together in different ways to help public bodies to deal with these complex long-term challenges. This approach is generally being taken forward through relatively small-scale projects. The current pace and scale of activity is contributing to an improved focus on prevention but is unlikely to deliver the radical change in the design and delivery of public services called for by the Christie Commission.
- 3.25 There are no national level recommendations from Part 3 of the report and only one recommendation for CPPs: Start to align and shift partners' resources toward agreed prevention and improvement priorities

- 3.26 As is the case across most, if not all, CPPs this is possibly the area of development on which East Lothian Partnership has made least progress on over the last year. The Partnership agreed to establish a Chief Finance Officers' Group to bring forward proposals on how partners report on their budgets and develop joint resourcing to support the delivery of the SOA. The group has been established but has not yet met.
- 3.27 However, the 'Total Place' resource mapping exercise in the Musselburgh ward has been completed. The pilot identified the total partnership spend in the Musselburgh ward as the basis for an estimate of the spending focussed on services for vulnerable families. The exercise showed the difficulties involved in obtaining detailed breakdown of spending at a ward level or on specific groups.
- 3.28 The report of the Musselburgh Total Place (Vulnerable Families) pilot (East Lothian Partnership, 21st January 2015) makes far reaching recommendations on developing a preventative and early intervention approach to dealing with the most vulnerable families.

Part 4: Monitoring performance and helping CPPs to improve

- 3.29 The report concludes that performance management continues to be a weakness in CPPs. They need to strengthen their performance management arrangements by routinely gathering information that will enable them to monitor and report progress in improving outcomes for local communities. This is challenging due to difficulties in identifying appropriate indicators and available data, and the different performance management arrangements of partners.
- 3.30 Performance monitoring should also include a balance of data about service performance and the experiences of people who use services. CPPs should consider:
- how well local people feel they are being involved in decision-making
 - how they will identify improvements in specific communities that might be masked in data that cover the whole CPP area.
- 3.31 The Scottish Government is starting to use existing performance management and accountability arrangements to monitor the contribution of public bodies to community planning. But it is not yet consistently holding central government bodies or the NHS to account for their performance within CPPs.
- 3.32 There is no coherent national framework for assessing the performance and pace of improvement of CPPs. This means that there is no overall picture of how individual CPPs are performing and what progress is being made towards the effective implementation of the Statement of Ambition.

3.33 Although progress is being made in community planning across Scotland, there is significant variation in the pace of improvement. Some CPPs face having to make significant improvements and it is not clear whether they will be able to make the changes that are required. The Scottish Government has no coordinated national programme for helping CPPs to improve. It is essential that well-targeted, practical support is made available to all CPPs so that progress is consistent across the country.

3.34 The report's national level recommendations are:

- The Scottish Government and COSLA should develop a national framework for assessing and reporting progress in improving community planning and implementing the Statement of Ambition
- The Scottish Government and COSLA should work with the Improvement Service and other national improvement agencies to establish and coordinate a programme of well-targeted practical support that will help CPPs to implement the Statement of Ambition effectively.
- The Scottish Government should hold central government bodies and the NHS to account more consistently for their performance within CPPs.
- The Scottish Government should review the role of location Directors.

3.35 There are no recommendations for CPPs arising from Part 4 of the report

4 POLICY IMPLICATIONS

4.1 The Audit Scotland report provides a useful analysis of the progress being made by Community Planning Partnerships across Scotland. It highlights concerns about lack of progress in several areas including:

- the effectiveness of leadership, challenge and scrutiny at CPP level
- the need for greater clarity from the Scottish Government on how success in implementing the principles that underlie Community Planning will be assessed
- ambiguity both nationally and locally about the extent to which the focus of community planning should be on local needs or about delivering national priorities
- the need for greater focus on how community planning will improve outcomes for specific communities and reduce the gap in outcomes between the most and least deprived groups

- the targeting of resources or shift in resources allocated to SOA priorities and preventative activity.

4.2 Many of the findings and recommendations of the report are relevant to the East Lothian Partnership. The Improvement Plan that has been approved by the Partnership following the recent self-assessment exercise addresses these issues and will assist the Partnership to make further progress in meeting the challenges it faces to achieve its Single Outcome Agreement.

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 ‘Community Planning: Turing Ambition into Action; Audit Scotland, November 2014

7.2 Partnership Improvement Plan 2015/16; East Lothian Partnership, 3rd March 2015

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DATE	3 rd March 2015

Community planning

Turning ambition into action



 ACCOUNTS COMMISSION

 AUDITOR GENERAL

Prepared by Audit Scotland
November 2014


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- carrying out national performance audits to help councils improve their services
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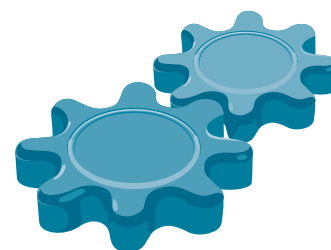
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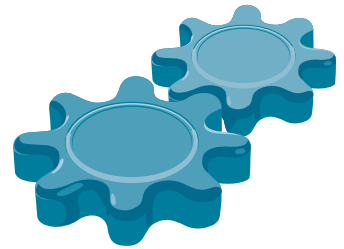
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Summary



Key messages

- 1 Since the publication of the Statement of Ambition, there is a strong sense of renewed energy nationally and locally to improving community planning. Community planning continues to become more of a shared enterprise, with more active participation by partners and evidence of more shared ownership of the priorities in Single Outcome Agreements (SOAs). Although aspects of community planning are improving, leadership, scrutiny and challenge are still inconsistent. There is little evidence that CPP boards are yet demonstrating the levels of leadership and challenge set out in the Statement of Ambition.
- 2 The Scottish Government and the National Community Planning Group (NCPG) have taken steps to promote the importance of community planning across government and in partner organisations. The National Community Planning Group is now starting to focus its activity on the areas where national leadership is most needed. It recently issued a set of key principles that are intended to set out an ambitious but realistic improvement agenda for community planning that draws on the practical experience of implementing the Statement of Ambition by CPPs. It now needs to set out what this refocused approach to community planning means for the Statement of Ambition, its expectation of CPPs and how success in implementing these principles will be assessed. Alongside that, the Scottish Government needs to demonstrate a more systematic approach to implementing its outcomes approach by clarifying the links between longer-term outcomes, its priorities and performance measures across all policy areas.
- 3 Many CPPs are still not clear about what they are expected to achieve and the added value that can be brought through working in partnership. Although SOAs have improved, many still do not set out the specific improvements CPPs are aiming to achieve. They also lack a focus on how community planning will improve outcomes for specific communities and reduce the gap in outcomes between the most and least deprived groups in Scotland. This reflects a wider ambiguity both nationally and locally about the extent to which the focus of community planning should be on local needs or about delivering national priorities. CPPs need to use local data to help set relevant, targeted priorities for improvement that will address inequalities within specific communities.
- 4 CPPs are starting to better understand what resources they have available to deliver their SOA. They have begun to identify how partners use their resources, such as money and staff, in particular

there have been significant national developments in community planning

priority areas or specific communities. But discussions about targeting these resources at their priorities and shifting them towards preventative activity are still in the early stages. CPPs do not yet know what a strategic approach to prevention will look like, and in many areas the evidence base for this is underdeveloped. The current pace and scale of activity is contributing to an improved focus on prevention but is unlikely to deliver the radical change in the design and delivery of public services called for by the Christie Commission.

- 5** At present, there is no coherent national framework for assessing the performance and pace of improvement of CPPs. This means that there is no overall picture of how individual CPPs are performing and what progress is being made towards the effective implementation of the Statement of Ambition. The Scottish Government is now starting to use existing performance management and accountability arrangements to monitor the contribution of public bodies to community planning. But it is not yet consistently holding central government bodies or the NHS to account for their performance within CPPs.
- 6** The Statement of Ambition places community planning at the core of public service reform, but many CPPs are not clear about what their specific role in these programmes should be. While some CPPs have a good overview of public service reform in their area, CPP oversight of and engagement with some important aspects of reform, such as the integration of health and social care services and national reform programmes such as the Early Years Collaborative, remains underdeveloped. Scottish Government guidance is not clear enough about the specific role that CPPs should play in the implementation of public service reforms.

Recommendations

The National Community Planning Group should:

- set out what its refocused approach to community planning means for the Statement of Ambition and its performance expectations of CPPs.

The Scottish Government and COSLA should:

- clarify their performance expectations for CPPs in the context of the National Community Planning Group's refocused approach to community planning
- develop a national framework for assessing and reporting progress in improving community planning and implementing the Statement of Ambition
- work with the Improvement Service and other national improvement agencies to establish and coordinate a programme of well-targeted, practical support that will help CPPs to implement the Statement of Ambition effectively.

The Scottish Government should:

- ensure that future guidance on the implementation of public service reform programmes is clear about the specific role that CPPs should play and the contribution they are expected to make in supporting improved outcomes
- implement its outcomes approach more systematically across all policy areas
- ensure that its review of national performance measurement arrangements streamlines approaches and creates a stronger prevention and outcome focus
- hold central government bodies and the NHS to account more consistently for their performance within CPPs
- review the role of location directors.

CPPs should:

- strengthen the effectiveness of the leadership, challenge and scrutiny role at CPP board level
 - streamline local partnership working arrangements and ensure they are aligned with local improvement priorities
 - ensure that local community planning arrangements are clear about who is responsible for:
 - agreeing the priorities of the CPP and SOA
 - allocating resources and coordinating activity
 - implementing activity
 - scrutinising performance and holding partners and others to account for their performance
 - work with the new health and social care integration joint boards to develop services that meet the needs of local people and support SOA priorities
 - set clearer improvement priorities focused on how they will add most value as a partnership, when updating their SOA
 - use local data on the differing needs of their communities to set relevant, targeted priorities for improvement
 - start to align and shift partners' resources toward agreed prevention and improvement priorities.
-

Background

1. Community planning is the process by which councils and other public bodies work together, with local communities, businesses and voluntary groups, to plan and deliver better services and improve the lives of people who live in Scotland. The Local Government in Scotland Act 2003 provides the statutory basis for community planning. Community planning is led by Community Planning Partnerships (CPPs). There are 32 CPPs, covering each council area, which include representatives from the following:


- The council: It has a statutory duty to 'initiate, facilitate and maintain' community planning. It is therefore responsible for taking the steps necessary to ensure community planning takes place.
- Statutory partners: NHS boards, Scottish Enterprise, Highlands and Islands Enterprise, Police Scotland, Scottish Fire and Rescue Service and Regional Transport Partnerships.
- Other partners: These include other public bodies, further and higher education institutions, voluntary groups, community groups and business organisations.

2. Scotland's public sector, like those across the UK and beyond, is facing pressure on budgets because of a combination of increased demand for services and reduced funding.¹ At the same time, there continues to be a wide gap in outcomes between and within communities. For example, healthy life expectancy, crime levels, and the chance of being in work are better in wealthier communities than the more deprived ones. Significant changes are needed in how public services are provided to meet these challenges.

3. In March 2012, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) published a shared statement on their expectations for community planning (the Statement of Ambition).² It drew on the findings of the Christie Commission and highlighted that significant improvements to community planning were needed to respond to the challenges of reducing public finances while demand for services increased, and to address the widespread inequalities of outcomes seen across communities in Scotland.³ The Statement of Ambition places CPPs at the centre of public service reform and emphasises the important role they have to play in delivering better outcomes for communities by:

- planning and providing services better to meet the differing needs of local people and to reduce inequalities within populations and between areas
- changing the way services are provided so that they are more focused on preventing problems rather than dealing with them when they happen (eg, reducing reoffending)
- getting local communities more involved in planning and providing local services
- providing the foundation for local oversight of implementation of the Scottish Government's wider public service reform initiatives, such as health and social care integration.


Recent developments in community planning

4. Since our report [Improving community planning in Scotland \(PDF\)](#)  in March 2013, there have been significant national developments in community planning, all of which we explore further in this report:⁴

- In summer 2013, all 32 CPPs developed new Single Outcome Agreements (SOAs) based on guidance reflecting the Statement of Ambition.⁵ SOAs are agreements between the Scottish Government and CPPs that set out how CPPs will work towards improving outcomes for local people. Each draft SOA went through a quality assurance process by senior leaders from various organisations. They agreed strengths and areas for development with CPPs, before the SOAs were agreed with ministers and council leaders.
- In September 2013, the Scottish Government and COSLA issued an agreement setting out their expectation that partner organisations would work together through CPPs to target resources towards the priorities in their SOA.⁶
- In December 2013, the Scottish Government announced changes to community justice services. This included transferring responsibility from eight Community Justice Authorities to the 32 CPPs for planning and overseeing these services.
- In June 2014, the Scottish Government introduced the Community Empowerment (Scotland) Bill to the Scottish Parliament, which includes proposals for:
 - establishing in legislation a set of national outcomes for Scotland
 - providing greater rights for communities to participate in planning and managing public services
 - placing CPPs on a statutory basis, by putting a legal duty on a range of public sector bodies to work together in partnership to plan to improve outcomes for their areas.
- In July 2014, the chair of the National Community Planning Group wrote to the chairs of all CPPs, emphasising that CPPs should focus their collective activity on where they can make the most difference for their communities, with particular attention on reducing inequalities.

5. The Statement of Ambition expects community planning to be at the core of wide-ranging public service reform. On 1 April 2013, a new national police service and a single fire and rescue service for Scotland began operating. A programme of reform of colleges that includes mergers and the restructuring of the sector into 13 regions is ongoing. The Scottish Parliament passed the Public Bodies (Joint Working) (Scotland) Act in February 2014, requiring all councils and NHS boards to integrate health and social care services.

About this report

6. This report provides a national update on community planning in Scotland since March 2013. It assesses progress locally and nationally and identifies opportunities for further improvement. We have sought to capture the direction of travel for community planning in the context of the ambitious long-term agenda for improvement set out in the Statement of Ambition. Although there are common themes emerging from our work, we recognise that each CPP has its particular history and faces its own specific local challenges. CPPs need to address these local challenges alongside the significant shared strategic challenges, such as reducing resources and dealing with increasing demand for public services, that face the whole of the public sector. A [Summary](#) is provided on progress against the recommendations in [Improving community planning in Scotland \(PDF\)](#) .

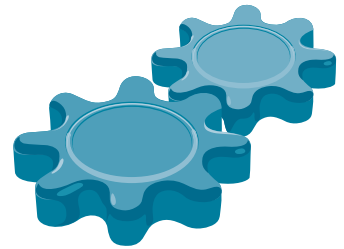
7. We have based our assessment of local progress on our audits of five CPPs in 2014 (Glasgow, Falkirk, Moray, West Lothian and the Orkney Islands), and follow-up work in three CPPs we audited in 2012/13 (Aberdeen City, North Ayrshire and Scottish Borders). We have used examples from these audits to highlight local progress and areas for improvement. Our audit methodology is in the [Appendix](#).

8. The report is structured around four key themes:

- [Part 1](#): How CPPs are led and run
- [Part 2](#): How CPPs are planning for communities
- [Part 3](#): How CPPs are using resources
- [Part 4](#): Monitoring performance and helping CPPs improve.

Part 1

How CPPs are led and run



Key messages

- 1 Since the publication of the Statement of Ambition, there is a strong sense of renewed energy nationally and locally to improving community planning. Community planning continues to become more of a shared enterprise, with more active participation by partners and evidence of more shared ownership of the priorities in SOAs. Although aspects of community planning are improving, leadership, scrutiny and challenge are still inconsistent. There is little evidence that CPP boards are yet demonstrating the levels of leadership and challenge set out in the Statement of Ambition.
- 2 The Scottish Government and the National Community Planning Group have taken steps to promote the importance of community planning across government and in partner organisations. The National Community Planning Group is now starting to focus its activity on the areas where national leadership is most needed. It recently issued a set of key principles that are intended to set out an ambitious but realistic improvement agenda for community planning that draws on the practical experience of implementing the Statement of Ambition by CPPs. It now needs to set out what this refocused approach to community planning means for the Statement of Ambition, its expectation of CPPs and how success in implementing these principles will be assessed.
- 3 The practical links between the Scottish Government's public service reform programmes and community planning are not clear. Many CPPs are unsure about what their specific role in these programmes should be and what this means in practice, in particular in the integration of health and social care services.

there are a range of views, both nationally and locally, about the role and purpose of community planning

Partners are demonstrating more collective ownership of community planning and participation has improved

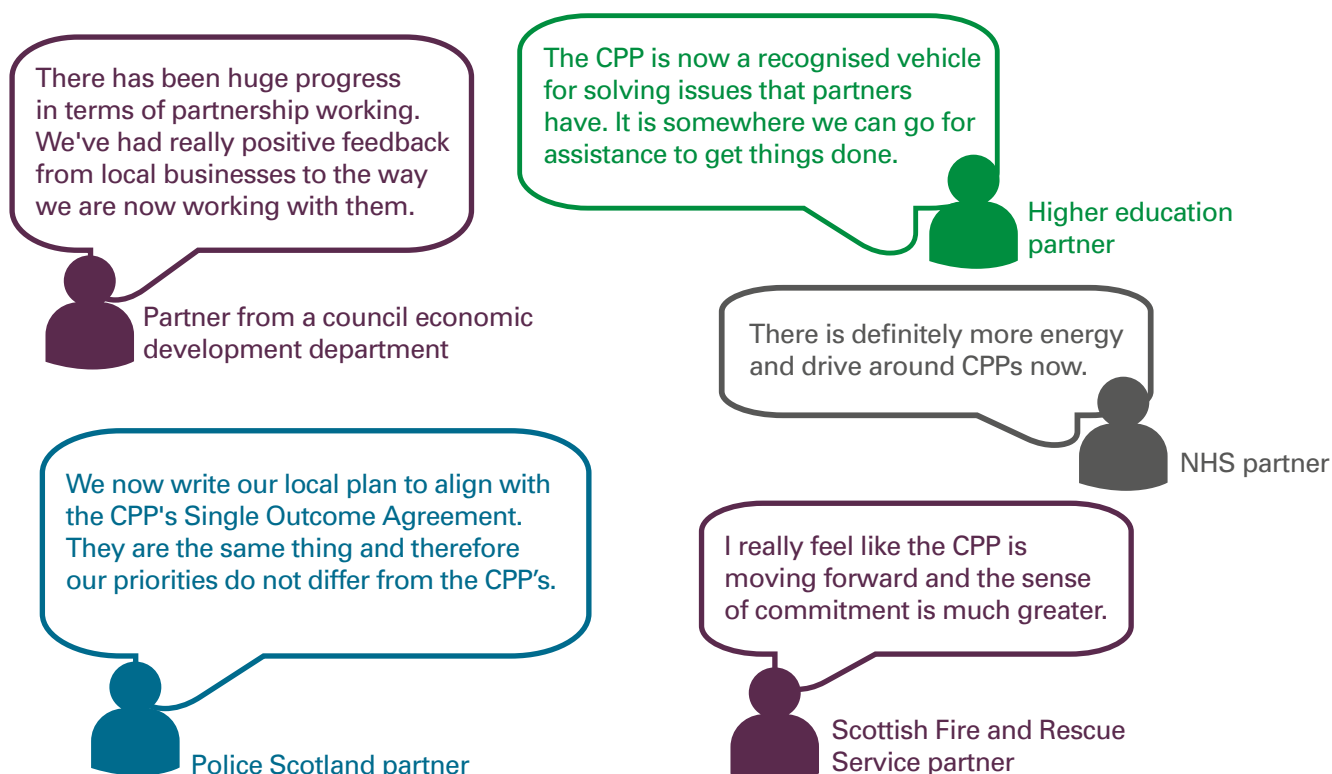
9. Community planning was introduced as a statutory duty on some public bodies in Scotland in 2003 ([paragraph 1, page 7](#)).⁷ In the decade since its introduction, community planning has helped to develop a better understanding between partners of each other's business, created a greater climate of trust and strengthened the networks required for effective joint working.

10. Before the introduction of the Statement of Ambition in 2012, community planning had tended to be seen as a council-led exercise in which partners participated but did not lead.⁸ In 2013, we reported that partners were starting to see community planning as a shared enterprise rather than something that councils led. We are now seeing partners increasingly demonstrating collective ownership of the priorities in the SOA ([Exhibit 1](#)). Partners are starting to make the CPP's priorities part of their own organisation's work. For example:

- the corporate plan for Borders College for 2013–16 highlights how the college is contributing to specific outcomes in the SOA
- in North Ayrshire, the Scottish Fire and Rescue Service has set up its local management structures to mirror the six neighbourhoods that the CPP is focusing its activity on ([Case study 3, page 23](#))
- Scottish Enterprise has allocated a location director role to 19 of its most senior staff, who lead on Scottish Enterprise's contribution to the 27 CPPs it is represented on.

Exhibit 1

What do partners say?



Source: Audit Scotland

11. Non-council partners are demonstrating a greater leadership role in CPPs. For example, in Scottish Borders CPP the Chief Executive of Eildon Housing Association chairs the Future Services Reform thematic group, and chief officers from various partner organisations are leading on different aspects of the CPP's

improvement programme. Increased participation and leadership by partners provides a good foundation for the proposals in the Scottish Government's Community Empowerment (Scotland) Bill to:⁹

- remove the existing statutory duty on councils to 'initiate, facilitate and maintain' community planning
- place new statutory duties on more partners to help the CPP fulfil its functions and improve outcomes for communities.

12. In most areas, councils have a unique role as the only organisation whose services cover the council area (in six areas, the council and NHS board have the same boundaries – Dumfries and Galloway, Fife, Orkney, Scottish Borders, Shetland and Western Isles). Councils also have a distinctive role in community planning, given the democratic nature of local authorities. This means that councils have a particular role in understanding the interests and needs of their local community. It is important that, under the proposed new arrangements, an appropriate balance is struck by councils between demonstrating a community leadership role and allowing other partners to contribute equally to the community planning process.

13. The number of dedicated staff available to manage and support the operation of CPPs varies. There are some examples of jointly funded posts, for example between the council and NHS board, but overall council staff do most of the day-to-day management of CPPs. For most CPPs the level of support they receive reflects an historic approach to supporting community planning. If the statutory duty on councils to facilitate community planning is removed, partners will need to ensure that they consider collectively how the process will be resourced and supported in future to deliver the expectations set out in the Statement of Ambition.

14. All partners have an important contribution to make towards improving outcomes for local people. The specific contribution of national and regional bodies at a local level will depend on the extent to which local CPP priorities reflect the individual body's role and responsibilities. CPPs now need to gain a better understanding of the specific contributions that individual partners can make to improving agreed outcomes. This will include partners using their resources, including money, skills and equipment, to meet shared and agreed community planning priorities ([Part 3](#)).

Leadership at a national level is improving but many CPPs are not clear about what they are expected to achieve

15. The Statement of Ambition sets ambitious and challenging improvements for community planning to make ([paragraph 3, page 7](#)). This has contributed to a sense of renewed energy in CPPs and more active participation by partners in the community planning process. The Scottish Government, COSLA and the National Community Planning Group (NCPG) have an important role in providing leadership around the expectations of the Statement of Ambition.

16. The Scottish Government has taken steps to highlight the importance of community planning in some areas of government and in some partner organisations. For example, it emphasised the role of community planning in the Community Empowerment (Scotland) Bill and in guidance to NHS boards to

include specific reference to community planning in their Local Delivery Plans.¹⁰ It is also working to better embed community planning in the work of national and regional bodies, such as the police service, fire and rescue service, colleges and non-departmental public bodies (eg, Scottish Enterprise).

17. The NCPG was established in 2012 to provide the strategic leadership needed to push the community planning process forward, in line with the Statement of Ambition. Members are senior leaders from across the public sector, ministers, elected members and the third sector. Since its first meeting in August 2012, the group has met eight times. The group has helped to raise awareness of community planning, and highlight the importance the Scottish Government places on it, at a senior level across the public sector. But it has not met the expectations of CPPs and individual partner organisations, who want clear and consistent messages about what successful community planning looks like in practice.

18. In October 2013, the NCPG agreed four priority areas for its programme of work, where it feels it can most usefully provide leadership. These are:

- joint resourcing
- governance and accountability
- community engagement
- prevention.

19. The NCPG also re-established a Senior Officer Group to provide it with advice and support. In doing this, the NCPG recognised that it needed to do more to use members' practical experience of delivering community planning on the ground to inform CPP policy-making and guidance, and to ensure more effective sharing of emerging good practice with CPPs. Membership of the Senior Officer Group includes representatives from COSLA, Improvement Service, NHS boards, Scottish Government, Society of Local Authority Chief Executives (SOLACE) and Voluntary Action Scotland. The group aims to provide more focus and momentum to the NCPG.

20. Although the Statement of Ambition provided a renewed focus on community planning, it is being interpreted in different ways. There are a range of views, both nationally and locally, about the role and purpose of community planning and what it can be expected to achieve. A significant area of ambiguity is the extent to which community planning should meet specific local concerns and the weight that CPPs should give to national priorities. There are also differences of opinion about the extent to which community planning should focus on prevention and inequalities or whether it should have a broader role in improving and reforming mainstream public services. This has important implications for the level and range of resources that CPPs see as falling under their influence. This in turn influences the likely scope and potential impact of community planning in the local area.

21. In June 2014, the NCPG considered a paper by the Senior Officer Group on the important role of CPPs in improving prevention, joint resourcing, community engagement and reducing inequalities. Following that meeting, the chair of the NCPG wrote to the chairs of all CPPs highlighting how CPPs can maximise their

impact by focusing on these four areas. The letter emphasised that CPPs should focus their collective activity on where they make the biggest difference to local people. This was intended to set out an ambitious but realistic improvement agenda for community planning that draws on the experience within CPPs in implementing the Statement of Ambition. The NCPG now needs to set out what it expects CPPs to do to deliver this refocused approach to community planning. This refocused approach also needs to be supported and endorsed by the Scottish Government and COSLA as the joint signatories of the Statement of Ambition with key leadership roles in community planning.

22. Effectively implementing the proposed refocused approach to community planning will require a significant programme of change and improvement at both national (NCPG, Scottish Government and COSLA) and local level (individual CPPs). The nature and scale of the change required is such that it will only be delivered by strong and sustained leadership over time.

Governance and accountability in CPPs remains weak and there is limited evidence of challenge at a board level

23. Although aspects of community planning are improving, leadership, scrutiny and challenge remain inconsistent. The Statement of Ambition is clear that 'CPPs must be genuine boards with all the authority, behaviours and roles that implies for them and constituent partners'. Although this language was intended to improve the level of challenge within CPPs, it has created confusion among partners. It implies that partners should be formally accountable to the CPP board, but there is no statutory basis for this. Partners' formal lines of accountability are not to the CPP board, but to their own organisation's board, Scottish ministers, the Scottish Police Authority (in the case of Police Scotland), the Scottish Fire and Rescue Service Board, or to the communities that elected them (in the case of local authorities).

24. CPP boards are not yet fulfilling their role effectively. Strategic leadership, oversight and challenge still tend to be happening at a level, or at levels, below the CPP board. Many boards are overseeing the community planning process but are not showing leadership by setting ambitious improvement targets and holding partners to account for their contribution to delivery of the local SOA. In many CPPs, further work is needed at board level to clarify where added value can be achieved through working in partnership and what that means for partner organisations. Those CPPs that have been able to agree clear and jointly agreed priorities for improvement are now able to focus on the necessary next steps of aligning resources to those priorities and establishing effective performance management arrangements.

25. Partners need to create a more effective leadership, challenge and scrutiny role in CPP boards. But this depends less on formal accountability arrangements and more on trust between partners, a shared commitment to change, and a culture that promotes and accepts challenge among partners. Support is required for CPPs to develop the skills and culture that are needed to create effective challenge within CPP boards given the difficult balance this requires between building and maintaining good ongoing relations and the ability to hold colleagues, and in some cases peers, to account.

26. Coordinating and managing partnership working is complex for CPPs, given the range of leadership boards, local thematic groups, national reform activity and

other forums that are in place in most areas. This can mean that the leadership and oversight of partnership working will often be complicated leading to a lack of clarity about who is holding who to account for what in the local partnership structures. CPPs need to streamline their local partnership working arrangements and ensure they are aligned with their local improvement priorities.

27. An important element of implementing effective governance and accountability arrangements for community planning is ensuring that there is sufficient clarity and distinction between roles and responsibilities. It should be clear who is setting the direction and agreeing the priorities for the CPP, how and when resources are allocated, who is implementing the changes set out in the SOA and where holding to account takes place.

28. Many CPPs are still in the process of agreeing or refining what performance measures will underpin their SOA and clarifying what specific contributions partners will make to implementing the SOA. These are some of the fundamental building blocks of effective governance and are necessary prerequisites for effective scrutiny and challenge.

Councillors and non-executive members are becoming more involved in community planning

29. In 2013, we found that councillors and non-executive members did not clearly understand their role in the community planning process, and this was a barrier to providing effective leadership and challenge.¹¹ Since then, some CPPs have taken action to help clarify this role and get them more involved. For example:

- Falkirk CPP is developing a partnership agreement to clarify the CPP's purpose and the roles and responsibilities of the thematic groups, members of the board (including councillors and non-executive members) and council officers who support the CPP's work. The agreement aims to strengthen both the CPP's overall governance arrangements and partners' individual and collective responsibility for achieving outcomes.¹²
- Glasgow CPP reviewed its structures and established 21 area partnerships that match the council's multi-member wards. This restructuring should allow councillors to become more involved with community planning and play an important local leadership role.¹³

30. Councillors and non-executive members are becoming more aware of, and involved in, community planning both at a CPP board level and at a neighbourhood level. But some, who are used to working in a single organisation, are still finding it hard to adapt to working in a partnership setting, as opposed to chairing or serving on a council committee or a board.

The links between community planning and national public service reform programmes are not clear

31. The Statement of Ambition makes it clear that community planning and SOAs should provide the foundation for effective partnership working within which wider public service reforms will happen. These reforms represent major changes to the way public services are arranged and provided. They include establishing single police and fire services, integrating adult health and social care services, restructuring the college sector, and welfare reform. Some CPPs have reflected these reforms in changes to their structures. For example, Scottish Borders CPP

has established a Public Services Reform thematic group. But the extent to which CPPs recognise their role in public service reform and seek to integrate it into their work varies.

32. The Scottish Government's public service reforms include large national programmes, such as the Change Fund and the Early Years Collaborative. While some CPPs have a good overview of public service reform in their area overall, CPP oversight of and engagement with some of these important aspects of reform remains underdeveloped. Scottish Government guidance is not clear enough about the specific role that CPPs should play in the implementation of public service reforms. Going forward, as the Scottish Government refines its approach to public service reform, it should consider at the outset what role and contribution community planning should play in any new developments.

33. The Statement of Ambition notes that community planning and SOAs 'must be core to the implementation of proposals for integration of health and adult social care services and in the operation of the proposed Health and Social Care Partnerships'. But national policies relating to this programme include little reference to the role of community planning.¹⁴ Many CPPs are unsure about their role in health and social care integration and how the practical aspects should operate. For example, the legislation on health and social care integration requires the new health and social care partnerships to identify at least two localities, or neighbourhoods, and to include representatives from them in a strategic planning group. Recent work led by the Joint Improvement Team found that partners:¹⁵

- are not clear about the relationship between CPPs and the locality planning aspect of health and social care integration
- are concerned about the lack of connectedness between CPPs and proposed health and social care partnerships
- are not clear about the respective roles, relationships, delegated authority and reporting accountability for CPPs, health and social care partnerships and localities
- want clarity on how guidance on SOAs, the Community Empowerment (Scotland) Bill, the revised role of CPPs and NHS Local Delivery Plans all relate to each other.

34. We found that activity to integrate health and social care services has been happening largely in parallel to community planning, with many CPP boards simply noting update papers on plans for integration. This may reflect the operational nature of some of the decisions that councils and NHS boards need to make about the model and scope of future health and social care services, not all of which will be directly relevant to all CPP partners. But, given the significant impact these decisions will have on other partners, such as the housing and voluntary sectors, it is important that CPPs give them greater consideration. CPPs need to work with the new health and social care integrated joint boards to develop services that meet the needs of local people and support their SOA priorities. In some CPP areas, such as Moray, health and social care integration planning already formally feeds into the CPP through a thematic group dedicated to this task.

35. The creation of single police and fire and rescue services for Scotland changed the oversight and scrutiny arrangements in ways that offered flexibility for the role of CPPs and related partnership activity such as community safety. A range of different oversight models have been adopted across Scotland. There is no evidence at this stage of these changes impacting negatively on the participation of police and fire and rescue services in local community planning activity.

Recommendations

The National Community Planning Group should:

- set out what its refocused approach to community planning means for the Statement of Ambition and its performance expectations of CPPs.

The Scottish Government and COSLA should:

- clarify their performance expectations for CPPs in the context of the National Community Planning Group's refocused approach to community planning.

The Scottish Government should:

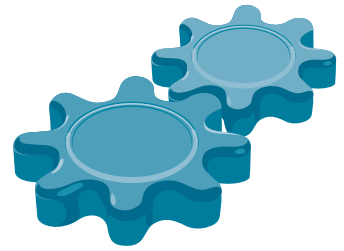
- ensure that future guidance on the implementation of public service reform programmes is clear about the specific role that CPPs should play and the contribution they are expected to make in supporting improved outcomes.

CPPs should:

- strengthen the effectiveness of the leadership, challenge and scrutiny role at CPP board level
 - streamline local partnership working arrangements and ensure they are aligned with local improvement priorities
 - ensure that local community planning arrangements are clear about who is responsible for:
 - agreeing the priorities of the CPP and SOA
 - allocating resources and coordinating activity
 - implementing activity
 - scrutinising performance and holding partners and others to account for their performance
 - work with the new health and social care integration joint boards to develop services that meet the needs of local people and support SOA priorities.
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Part 2

How CPPs are planning for communities



Key messages

- 1** Many CPPs are still not clear about what they are expected to achieve and the added value that can be brought through working in partnership. CPPs need to use local data to help set relevant, targeted priorities for improvement that will address inequalities within specific communities.
- 2** Although SOAs have improved, many are still not clear about the specific improvements CPPs are aiming to achieve. They lack a focus on how community planning will improve outcomes for specific communities and reduce the gap in outcomes between the most and least deprived groups in Scotland. This reflects a wider ambiguity both nationally and locally about the extent to which the focus of community planning should be on local needs or about delivering national priorities. The Scottish Government needs to demonstrate a more systematic approach to implementing its outcomes approach, by clarifying the links between its national priorities and performance measures and the achievement of longer-term local outcomes.
- 3** CPPs continue to improve the way they consult with local people. But they are not yet routinely working with communities to make sure local people can influence or change the way partners deliver services. The third sector has an important role in working with communities and delivering services. The Improvement Service, Voluntary Action Scotland and the Scottish Government are working with partners to help them better understand the contribution the third sector can make to community planning.

building blocks to support improvement in community planning are in place, but there is still more to do

New SOAs place more emphasis on local priorities, but many lack a clear focus on what improvements CPPs aim to achieve

36. Community planning has an important role in the Scottish Government's outcomes-based approach to delivering its objectives. The Scottish Government's National Performance Framework underpins this approach. The framework sets out the Scottish Government's purpose, its strategic objectives, the national outcomes it wants to achieve, and national indicators that track progress towards the achievement of the national outcomes. The SOA guidance states that the direction provided by the National Performance Framework is central to community planning and that SOAs should demonstrate how local outcomes relate to one or more of the national outcomes.¹⁶ The Statement of Ambition

also notes that local circumstances and priorities must be considered within the context of the National Performance Framework.

37. We previously reported that CPPs were not clear enough about the priorities for improvement in their area.¹⁷ We found that SOAs tended to be summaries of existing planned actions, covering all national outcomes, without clearly focusing on things that matter most for the local area.

38. COSLA and the Scottish Government jointly issued revised guidance on SOAs at the end of 2012.¹⁸ This was based on the expectations of community planning in the Statement of Ambition. It highlighted the need for SOAs to:

- demonstrate a clear and evidence-based understanding of local needs and opportunities, including the inequalities facing different areas and population groups
- set out clear and agreed priorities for improving local outcomes
- demonstrate a commitment to working with local communities to help achieve outcomes
- promote early intervention and preventative approaches in reducing inequalities, including a specific plan for how to prevent them.

39. The guidance also stated that SOAs should focus on the following six national priorities:

- economic recovery and growth
- employment
- early years
- safe and stronger communities and reducing offending
- health inequalities and physical activity
- outcomes for older people.

40. All CPPs drafted a new SOA based on the guidance from COSLA and the Scottish Government in early 2013. These SOAs went through a quality assurance process by senior leaders from various public bodies and other organisations such as the Improvement Service. The quality assurance teams agreed strengths and areas for development with CPPs, before the SOAs were agreed with ministers and council leaders in September 2013. The quality assurance process found that:

- all 32 SOAs were better developed than previous versions
- many CPPs had a strong, evidence-based understanding of place and communities
- in most cases, partners had collaborated effectively to set priorities

- all SOAs demonstrated a strategic commitment to the preventative agenda and many had identified existing preventative action
- nearly all CPPs were taking action on the six national priorities in a way that reflected local needs.

41. Although the SOAs published in 2013 place more emphasis on local priorities, tackling inequalities and prevention, many do not provide a true plan for the areas and communities that they serve. Many SOAs do not clearly focus on the specific improvements that community planning is trying to achieve. Few are clear about how community planning will improve outcomes for specific communities and reduce the gap in outcomes between the most and least deprived groups. But some SOAs, such as Glasgow CPP's, have identified a small number of specific priorities for their area with associated outcomes ([Case study 1](#)).

Case study 1

Identifying priorities in Glasgow CPP

The SOA for Glasgow CPP for 2008–11 had over 20 priorities. The new SOA, agreed in August 2013, identifies three thematic priorities over the next ten years: alcohol, youth employment and vulnerable people.

The CPP used available data in selecting these three priorities and has identified outcomes for each of them. It selected these priorities as they affect the work of all partners to varying extents and are interlinked. For example, misuse of alcohol could affect an individual's ability to maintain employment and good health.

In agreeing these three priorities, the CPP has made an important shift towards a more long-term, preventative approach to public services; one that aims to break the cycle of poverty and poor health. The partners in the CPP, in agreeing this focus, have demonstrated strong collective leadership and determination to tackle important social and cultural issues that affect a wide cross-section of people in Glasgow.

Source: *Glasgow Community Planning Partnership*, Audit Scotland, April 2014

The Scottish Government needs to be more systematic in implementing its outcomes approach

42. There is ambiguity both nationally and locally about the extent to which the focus of community planning should be about local needs and 'place' or about delivering national priorities. This is reflected in the ongoing focus on national input/output measures in many current Scottish Government performance measurement arrangements, rather than a focus on places and outcomes. The Scottish Government has clearly set out what it wants to achieve in the National Performance Framework, but it needs to demonstrate a more systematic approach to implementing its outcomes approach. At present, many performance management frameworks are still heavily focused on inputs and processes and lack a clear prevention focus. The Scottish Government has recognised this and is

working with SOLACE and the Improvement Service to identify opportunities for streamlining its performance framework and creating a stronger prevention and outcome focus. As part of this process, the Scottish Government needs to clarify the role that it expects community planning to play in supporting the delivery of national outcomes. In addition, it also needs to more securely embed its approach to planning for outcomes across the whole of the government so that the contribution of all parts of government to supporting delivery of national priority outcomes is identified and understood.

CPPs need to get better at using data to understand local areas and target their improvement activity

43. Overall, CPPs need to make better use of data to improve their understanding of the differing needs of their communities, and to set relevant priorities and identify actions for improvement. Most CPPs are using data at a CPP level, but the more well-developed SOAs use data at a neighbourhood level. For example, North Ayrshire CPP has produced reports on the six neighbourhoods where it is focusing its activity. These present a comprehensive profile of each area. They draw on data from sources including the Scottish Index of Multiple Deprivation (SIMD), the 2011 UK census and partner organisations. The CPP is focusing on analysing data at a very localised level, in some cases using data-sets as small as 20 households, to help it target its activity more effectively towards areas of need.

44. CPPs can do more to use data to monitor outcomes at a neighbourhood level, and some CPPs are taking action to do this. For example, West Lothian CPP has employed a data analyst to measure outcomes at local level ([Case study 2](#)).

Case study 2

Making better use of data in West Lothian CPP

West Lothian CPP has recognised that using data effectively is important to develop a successful CPP. The council recruited a data analyst for the CPP in February 2014, tasked with developing local profiles for areas in West Lothian. The CPP aims to use the data in these local profiles to gain a better understanding of its communities, so that it can:

- target resources, such as funding and staff, to where they are most needed, for both individuals and communities
- try to predict, and then prevent, specific issues arising in the area
- gather evidence to measure the impact the CPP has on the outcomes in its SOA.

There are plans for the data analyst to use geographic information system (GIS) software to identify communities' needs at a very local level. This will help to bring together data across many indicator areas to build up a comprehensive picture of local communities in the CPP area. As part of this process, the data analyst is working closely with partners across the CPP to gauge where they could provide any additional data and where more detailed data would be helpful in their work.

The CPP hopes to see benefits by using a wealth of information that has never been used to full effect and to share relevant data across the

partnership. Increasing the CPP's ability to analyse data should help it to develop a better understanding of West Lothian and its residents.

Source: *West Lothian Community Planning Partnership*, Audit Scotland, October 2014

45. Some CPPs reported difficulties in making full use of local data because some information was not available at neighbourhood level. Examples included data on road safety, crime and fire incidents. Others reported problems in sharing data with partners for technical and cultural reasons, for example because of data protection problems or partners using different information systems and procedures. There are particular challenges for CPPs that operate in rural areas making use of SIMD data. This is because deprivation is often dispersed across isolated pockets in rural areas making numbers small and difficult to work with. Work is happening at a national level to help CPPs use data more effectively. For example:

- the Improving Evidence and Data Group was established in March 2013, and includes representatives from SOLACE, COSLA, the Scottish Government and the Improvement Service. It is exploring ways to help CPPs use and analyse local data and evidence to improve outcomes for local communities, including engaging with the Scottish Government about where there is a need for more data at a local level
- the Improvement Service is redeveloping and expanding the Viewstat mapping tool, which allows users of the system, which is available to CPPs, to visualise neighbourhood information in map form
- three analysts from National Services Scotland Public Health Intelligence (NSS PHI) have been located in North Lanarkshire and Renfrewshire Councils. This initiative has been mutually beneficial. The analysts have supported CPP initiatives by analysing local data, and NSS PHI has gained a better understanding of CPPs' needs and the value of local information and insight. CPPs have reported that local initiatives have made progress as a direct result of the analysts' involvement.

CPPs are improving how they consult with local people, but work with communities to improve local services tends to be small scale

46. The Statement of Ambition expects CPPs to get local people more involved in improving outcomes within their communities. The Scottish Government's Community Empowerment (Scotland) Bill is intended to strengthen the legal basis for doing this. It is important that local communities are involved in changing and improving the way services are provided, to ensure that they meet their needs. CPPs continue to improve how they consult with local people. But, they are not yet routinely working with communities to ensure they influence the CPP's priorities or help to change the way services are provided.

47. Individual partners are working closely with communities, but they tend to do this as an individual organisation rather than at a partnership level. Some CPPs are developing a shared approach to community consultation to help coordinate this activity. For example, Scottish Borders CPP has agreed a shared set of principles for engaging with local communities and has developed a community engagement framework. Individual partners and the partnership use

this framework to ensure that they all consider the priorities and outcomes in the SOA consistently when they are involving, or consulting with, local communities. Partners in North Ayrshire CPP are focusing their community engagement activity in targeted neighbourhoods ([Case study 3](#)).

Case study 3

North Ayrshire neighbourhood planning approach

North Ayrshire CPP has taken a localised approach to involving communities to help achieve the outcomes in its SOA. It has divided the council area into six neighbourhoods – Arran; Irvine; Kilwinning; Three Towns; Garnock Valley; and North Coast, West Kilbride and Cumbrae – reflecting the different demographics and needs of these areas.

CPP partners have analysed these six areas in detail. They have produced in-depth neighbourhood profiles covering local demography, incomes, employment, education, health and crime. By understanding the unique characteristics of each area, the CPP hopes that it can better meet the needs of individuals and reduce inequalities.

A series of community-based planning workshops were held between the end of 2013 and beginning of 2014 in the six neighbourhoods. Over 200 delegates attended these workshops, where community planning partners shared the information in the area profiles, including the challenges facing the local community. Delegates were asked whether this information reflected their experiences of living in the area and were asked to vote on what they thought were the priorities for the neighbourhood.

Many community planning partners are reflecting the neighbourhood planning approach in their work. For example, Police Scotland used the data in the area profiles to develop the priorities in the local policing plan. The Scottish Fire and Rescue Service has aligned its local resilience managers within North Ayrshire to the six neighbourhood planning areas to support service delivery and partnership working at a local level. Increasingly, activity to consult with the local community, for example on health and social care integration, reflects the neighbourhood planning boundaries.

The CPP plans to develop six neighbourhood plans linked to the SOA, with six corresponding neighbourhood forums. The CPP is using the neighbourhood profiles, along with local action planning, to develop local priorities. As the neighbourhood planning approach develops, the CPP hopes that communities will increasingly be able to influence how services are delivered to meet their own needs and priorities.

Source: Audit Scotland

48. There are some small-scale examples of CPPs involving local people in developing local services, but these activities are at an early stage. For example, Falkirk CPP began a one-year pilot project that aims to involve older people in developing new ways of providing services to help them remain independent for as long as possible. The project is funded by the Older People's Change Fund,

and involves partners including Falkirk Community Trust, Falkirk Council, NHS Forth Valley and local voluntary organisations. The project team plans to evaluate the impact of the pilot and then extend it to other areas of Falkirk.¹⁹

49. As CPPs start to develop their approaches to working with local communities to design and provide improved services, this will have implications for the role of elected members. Local councillors have a democratic community leadership role, in that they are elected to make decisions on behalf of the communities they represent. This has been their main role in community planning to date. In future, they may need to make decisions on local services in partnership with the local people who are involved in designing and delivering them, something which many of them are used to doing in a local authority setting. The Commission on Strengthening Local Democracy notes that increased participation by communities does not necessarily weaken the role of democratically elected representatives.²⁰ But, elected members will need to consider how they carry out their democratic community leadership role in the context of increased community participation.

50. In general, CPPs are not clear about what involving communities and local people in changing the way services are provided and achieving local outcomes means in practice for their role. There is also uncertainty about what role communities could, should, or want to play in providing local services. CPPs, the Scottish Government and COSLA need to create a culture that promotes effective engagement with communities, and provides them with the support needed to participate effectively in contributing to improved public services (eg, guidance, training and financial resources).

The third sector has an important role to play in community planning

51. The third sector, which includes charities, voluntary groups and social enterprises, has an important role to play in working with communities and providing services. Each council area has a Third Sector Interface (TSI) to support and develop the third sector locally. Each TSI currently receives an average of around £250,000 each year from the Scottish Government. The role of TSIs include:

- developing volunteering
- supporting social enterprise
- supporting and developing voluntary and community organisations
- building the third sector relationship with community planning.

52. TSIs are represented on all 32 CPPs, but there can be a lack of understanding among partners about their role. In working with CPPs, TSIs may be involved in coordinating engagement with the third sector, sharing knowledge of local resources (eg, community groups and volunteers) and reporting on their knowledge of, and views from, the third sector locally. However, they are not a substitute for consulting and working with individual voluntary bodies or engaging with local communities.

53. The Improvement Service, Voluntary Action Scotland and the Scottish Government are working to improve the impact of TSIs in community planning in five local areas over 2014/15: Aberdeen, North Ayrshire, North Lanarkshire,

Orkney and Scottish Borders. The programme aims to strengthen the links between TSIs and CPPs and help develop a shared definition of the role of TSIs and the wider third sector in community planning. Following the initial phase, the programme will be rolled out to all remaining CPPs.

CPPs need to improve outcomes for local communities through a culture of continuous improvement

54. Many of the building blocks to support improvement in community planning are in place, but there is still more to do. CPPs need to consolidate the progress they have made to date, and focus on where they need to continue to improve. The actions that CPPs need to take to improve outcomes for local communities in a sustainable way are set out in [Exhibit 2 \(page 26\)](#).

Recommendations

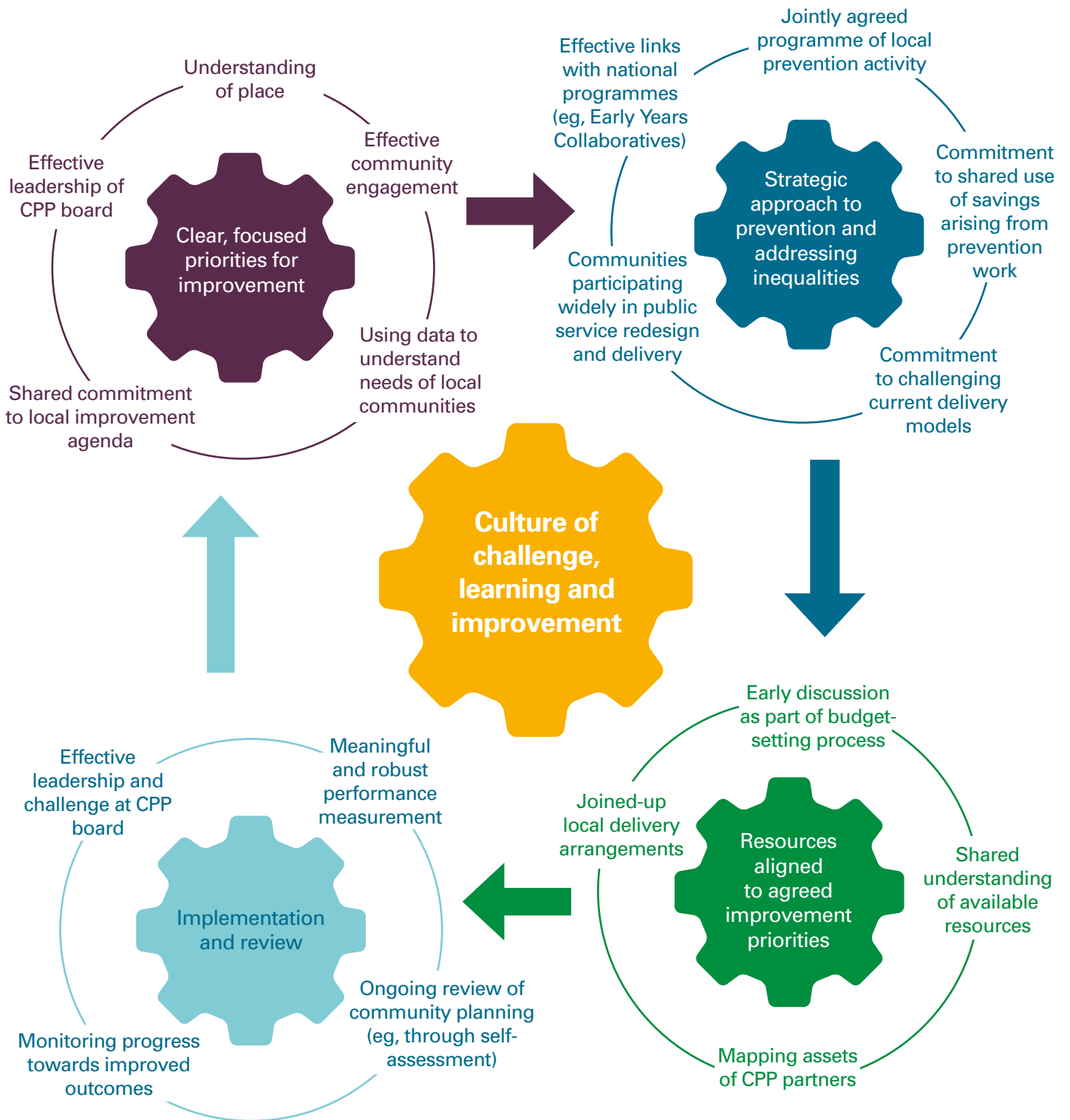
The Scottish Government should:

- implement its outcomes approach more systematically across all policy areas
- ensure that its review of national performance measurement arrangements streamlines approaches and creates a stronger prevention and outcome focus.

CPPs should:

- set clearer improvement priorities focused on how they will add most value as a partnership, when updating their SOA
 - use local data on the differing needs of their communities to set relevant, targeted priorities for improvement.
-

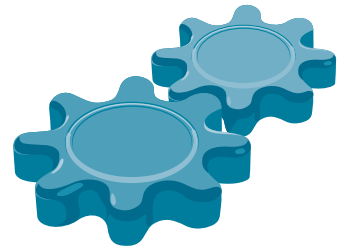
Exhibit 2 Improving outcomes for local communities



Source: Audit Scotland

Part 3

How CPPs are using resources



Key messages

- 1 CPPs are starting to better understand what resources they have available to deliver their SOA. They have begun to identify how partners use their resources, such as money and staff, in particular priority areas or specific communities. But discussions about targeting these resources at their priorities and shifting them towards preventative activity are still in the early stages. Moving resources will become increasingly challenging as pressures on budgets and staff continue to tighten.
- 2 The way public services are delivered must change to help the public sector manage financial and service demand pressures, and to address the significant variations in outcomes experienced by different communities. Community planning partners increasingly recognise that they need to work together in different ways to help public bodies to deal with these complex long-term challenges. This approach is generally being taken forward through relatively small-scale projects. The current pace and scale of activity is contributing to an improved focus on prevention but is unlikely to deliver the radical change in the design and delivery of public services called for by the Christie Commission.

partners
have to make
difficult
choices
about the
allocation of
increasingly
scarce public
resources

CPPs are starting to discuss what resources, such as money and staff, they can contribute to improving local outcomes

55. The Scottish Government and COSLA published their agreement on joint working on community planning and resourcing in September 2013.²¹ This places clear expectations on community planning partners to:

- share resource planning information and budget assumptions with each other at an early stage
- work together through CPPs to deploy resources to achieve the jointly agreed priorities set out in the SOA.

56. Although the agreement encourages partners to consider their financial budgets, it notes that the greatest benefits are likely to be realised by using partners' wider resources, such as staff, buildings and other assets. Ministers wrote to councils, NHS boards and other public bodies setting out their expectation that these bodies will implement the agreement on joint resourcing.

57. CPPs are in the early stages of implementing this approach. Partners are starting to discuss what resources and activities they can contribute to improving local outcomes and where working together differently will improve local services. There are already some small-scale examples of partners sharing resources. For example, jointly-funded roles, such as director of health posts funded by the council and NHS board, and shared properties such as partnership centres in West Lothian. It will be challenging to scale this work up to the level needed to transform how services are provided and make the future savings required from the public sector.

58. In the eight CPPs we looked at, partners are identifying how they currently allocate their budgets and deploy resources. They are approaching this in different ways. Some are looking at the total budget of partners, as suggested in the agreement. But most are focusing on what they are spending in a particular geographic area or on a specific priority. For example, Glasgow CPP partners are focusing on identifying the resources that they are contributing to the CPP's three priority areas. Partners in North Ayrshire CPP have identified how much they spend in the six neighbourhoods that the CPP is focusing its activity in. When we reviewed this work, it was in its early stages and none of the eight CPPs had yet established how they could shift their resources towards their priorities.

59. As well as thinking about pooled and shared budgets, CPPs are starting to identify what people, buildings, equipment and other assets all partners have available to direct towards specific programmes of improvement or geographic areas. For example, in April 2014 West Lothian CPP agreed to develop a CPP Asset Plan for property, information technology resources, and vehicles. This will allow it to identify the assets held by CPP partners across West Lothian and to manage them better to achieve the shared aims of the SOA.

National and regional organisations need to do more to identify the resources available locally

60. Partners that share the same boundary as the CPP are more able to link their budgets and align resources to the SOA's local priorities. It can be difficult for national and regional organisations, with associated national and regional budgets, to estimate how much of their budget they can allocate locally. This includes statutory organisations such as NHS boards, Police Scotland, Scottish Fire and Rescue Service, Highlands and Islands Enterprise, Scottish Enterprise and Regional Transport Partnerships.

61. For example, Skills Development Scotland (SDS) and Scottish Enterprise are national bodies involved in local CPPs. They are working towards national objectives and targets related to employability and economic development respectively:

- SDS is working with CPPs to deliver many of its services at a local level, for example commissioning provision of SDS's Employability Fund with partners at a CPP level.²² But many of the issues relating to employability span regions, rather than fall within CPP boundaries. This means that identifying expenditure at a CPP level is not straightforward. Rather than focus on funding, SDS contributes towards CPP priorities by providing resources in the form of skills, experience and specialist knowledge of the area.

- Scottish Enterprise allocates its budget in response to economic growth opportunities in line with the Scottish Government's economic strategy, rather than on geographic lines. It is working with CPPs to identify areas for local collaboration based on those economic opportunities most likely to deliver the most significant economic outcomes. Through its location director approach ([paragraph 10, page 11](#)) Scottish Enterprise contributes specialist knowledge, skills and networks to individual CPPs.

62. Many CPPs have taken the important first step of developing a shared understanding of what is meant by resources and identifying how much flexibility there is to move them among partners. Given the continuing pressure on public sector budgets, it is important that CPPs now build on the work done to date and identify where there are opportunities for them to share resources more effectively to deliver the priorities in their SOA. For national and regional organisations, this means using local data to get a more detailed understanding of demand for, and supply of, their services and what resources are used to meet this.

Partners have to make difficult choices about allocating resources as budgets tighten

63. CPPs are committed to identifying the resources available to deliver their priorities. But this is not straightforward as CPPs do not have any formal powers to control local budgets. Instead, they must rely on the willingness of individual organisations to support and pay for achieving the partnership's priorities. CPPs face some practical barriers in both identifying available resources and moving them towards agreed priorities, including:

- difficulties in aligning partners' budget-setting processes, for example because of different budget timetables
- difficulties in identifying the resources available for a specific geographic area in organisations that cover different boundaries to the CPP
- the ability and willingness of some partners, in particular national organisations, to commit resources to local priorities
- the fixed nature of much expenditure, for example to deliver specific services in the NHS
- difficulties in developing long-term plans because some partners are required to apply for annual funding.

64. As pressures on budgets and staff tighten, there is a risk that organisations will protect their own resources. While partners' contributions to community planning are becoming a more significant aspect of their accountability arrangements, there are still long-standing forms of accountability for national performance. Many CPP partners are held to account for the performance of mainstream services and their achievement of national targets. This can create challenges when partners have to make difficult choices about the allocation of increasingly scarce public resources.

65. For example, NHS boards are required to meet a number of performance targets that cover health improvement, efficiency, access and treatment (HEAT targets). These aim to ensure that NHS boards focus on making improvements

in areas the Scottish Government has identified as priorities, to help to achieve its overall purpose and objectives. In recent years, the Scottish Government has reduced the number of HEAT targets and has committed to focusing more on outcomes. But the level of performance that boards are expected to achieve has become more challenging at the same time as budgets are tightening. The focus on meeting challenging financial and performance targets each year makes it difficult for NHS boards to focus on long-term outcomes and does not encourage longer-term financial planning.²³

66. Reaching agreement on shifts in resources is likely to be difficult as it may involve reducing some budgets and increasing others. This will be particularly difficult where it involves moving resources away from short-term targets towards longer-term preventative work, which may not return gains directly to the organisations that have invested resources.

67. Strong shared leadership both nationally and locally will be needed to overcome these obstacles. Building strong relationships and trust among partners will be essential in ensuring they use and share their resources as effectively as possible to maximise the impact of the partnership. The Scottish Government also has a role to play in helping national organisations balance national and local priorities and think more flexibly about how they use resources at a local level.

Moving resources towards preventative activity while meeting current demand will be challenging

68. In the context of increasing pressure on budgets and the widening gaps in outcomes for communities, CPPs are starting to focus more on preventative activity. The NCPG defines this as ‘actions which prevent problems and ease future demand on services by intervening early, thereby delivering better outcomes and value for money’. Prevention activity among community planning partners is often prompted by national funding or initiatives such as the Change Fund or the Early Years Collaborative.

69. Partners are increasingly recognising that they need to work together in different ways to deal with complex long-term challenges. They are starting to do this through relatively small-scale projects, which often focus on specific themes or within particular targeted communities. For example:

- in Falkirk, local partners are working together to help improve the employment prospects of young people, by offering them vocational opportunities at Forth Valley College. The two-year Schools College Opportunities to Succeed (SCOTS) programme is targeted at secondary school pupils who would not otherwise have considered attending college after leaving school. In August 2013, 120 pupils from across Falkirk’s eight secondary schools started the programme. In January 2014, over 100 pupils remained on the programme. Over 90 per cent of these pupils have since chosen to continue with their college courses. Feedback from pupils and staff to date has been positive²⁴
- Aberdeen CPP is piloting a preventative model focusing on the activity and resources in place to prevent domestic abuse in one particular area of the city. This links to the CPP’s priority of safer communities, and aims to improve outcomes and reduce long-term costs through prevention.

70. The Scottish Government and COSLA expect SOAs to include a specific plan that sets out what partners are collectively doing and spending on prevention.²⁵ CPPs have started to collate existing preventative activity in plans linked to their SOA. They now need to identify how they can move funding and staff towards more preventative approaches, and start implementing this. Shifting resources in this way will become increasingly challenging as pressures on resources continue to tighten, as initially organisations will need to continue to deliver existing services while investing in prevention initiatives. For example, meeting the Scottish Government’s ambitious vision for health and social care will involve providing more care in the community to prevent people going into hospital, at the same time as meeting demanding targets for hospital care and at a time when budgets are tightening.²⁶ The Scottish Government needs to work with partner organisations to explore the options for managing this.

71. If CPP partners are to play an effective part in supporting public bodies to meet the growing financial and service demand pressures facing them, then finding ways of scaling up current developments and making changes across the whole local public sector system will be needed. Making such changes is something public bodies have not yet had to do at scale. There is a risk that the current approaches being adopted, and the pace at which they are moving, will not be sufficient to significantly ease the demand pressures partners will increasingly face.

72. CPPs need national support to help them understand what a successful shift to prevention would look like, and how all partners can contribute towards this (for example, through the What Works Scotland initiative – [paragraph 94, page 37](#)). The evidence base on good preventative services is underdeveloped, as is the level of understanding across the public sector about how to:

- transfer good practice from one organisation or place to another
- convert innovation from small-scale pilots to large-scale changes in services.

73. The move towards shared resources which are focused increasingly on prevention is not inevitable. It is complex and challenging and it would be unrealistic to expect CPPs not to encounter difficulties and setbacks as they take forward this agenda ([Exhibit 3, page 32](#)). The variable capacity to lead and deliver change in many CPPs means that there are significant risks associated with delivering the preventative agenda.

Recommendations

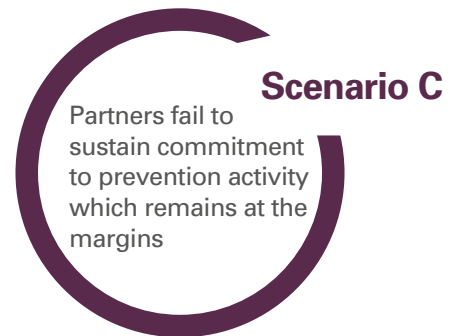
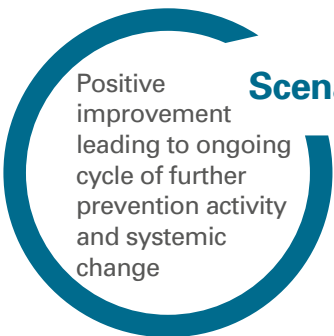
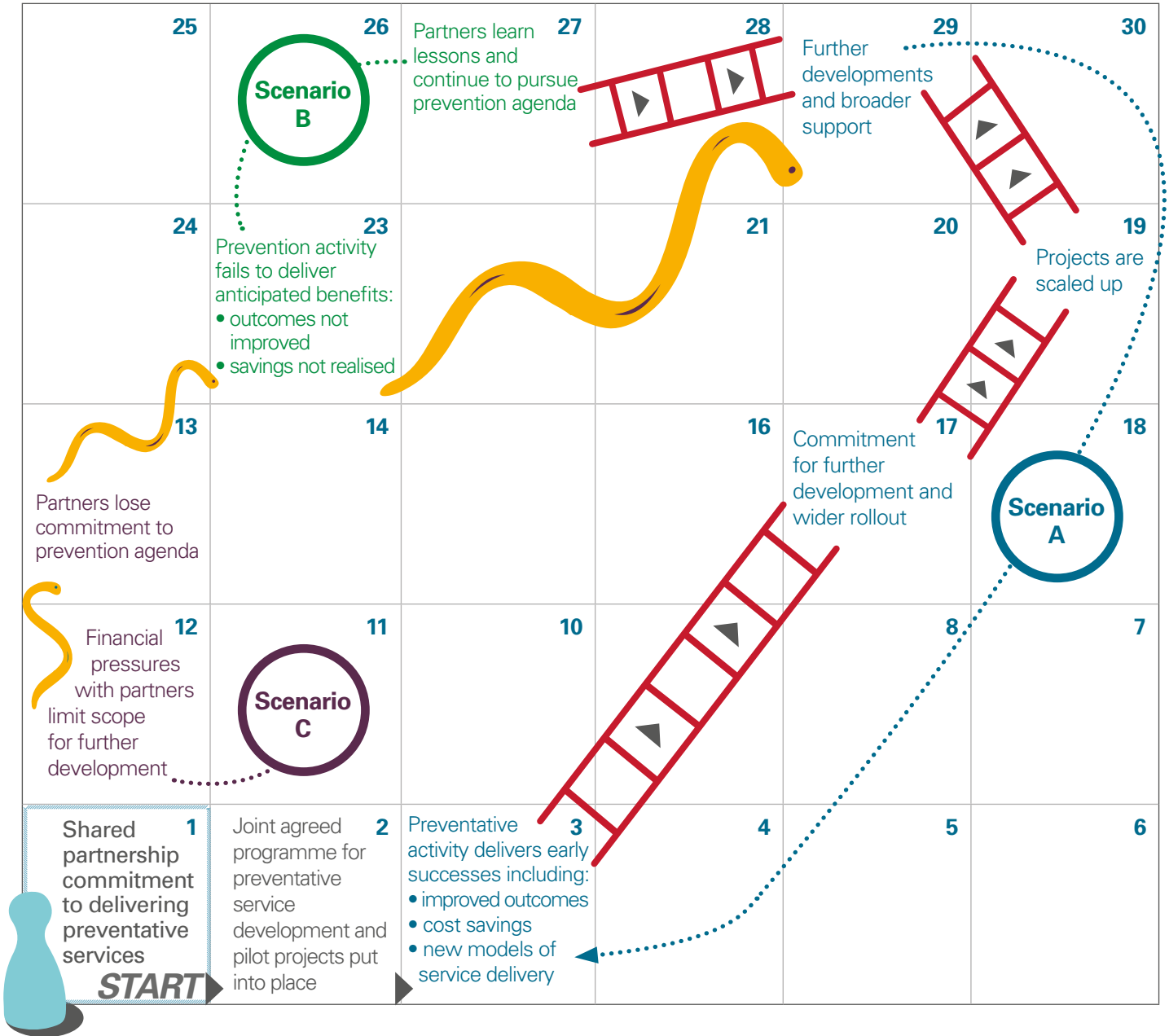
CPPs should:

- start to align and shift partners' resources toward agreed prevention and improvement priorities.
-

Exhibit 3

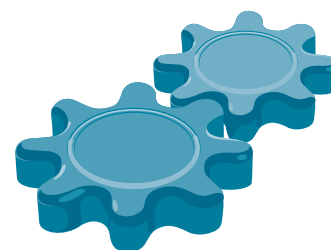
The opportunities and challenges of moving resources to prevention

Achieving a decisive shift towards prevention will require strong and sustained leadership.



Part 4

Monitoring performance and helping CPPs improve



Key messages

- 1** Performance management continues to be a weakness in CPPs. They need to strengthen their performance management arrangements by routinely gathering information that will enable them to monitor and report progress in improving outcomes for local communities. This is challenging due to difficulties in identifying appropriate indicators and available data, and the different performance management arrangements of partners.
- 2** The Scottish Government is now starting to use existing performance management and accountability arrangements to monitor the contribution of public bodies to community planning. But it is not yet consistently holding central government bodies or the NHS to account for their performance within CPPs.
- 3** There is no coherent national framework for assessing the performance and pace of improvement of CPPs. This means that there is no overall picture of how individual CPPs are performing and what progress is being made towards the effective implementation of the Statement of Ambition.
- 4** Although progress is being made in community planning across Scotland, there is significant variation in the pace of improvement. Some CPPs face having to make significant improvements and it is not clear whether they will be able to make the changes that are required. The Scottish Government has no coordinated national programme for helping CPPs to improve. It is essential that well-targeted, practical support is made available to all CPPs so that progress is consistent across the country.

CPPs are improving the way they work, but some are improving more quickly than others

Performance management continues to be a weakness in CPPs

74. The Scottish Government and COSLA make clear in the Statement of Ambition that they expect CPP boards to hold all partners to account for contributing to and achieving local plans for improvement. An important aspect of this is establishing a performance management framework that will allow:

- the CPP board to monitor progress in implementing the SOA over the short, medium and long term

- partners to hold each other to account for their progress in implementing the SOA.

75. Of the eight CPPs we looked at, most were still developing a performance management framework or revising their existing arrangements. Partners are finding it challenging to develop an effective and meaningful performance management framework that reflects the progress of the partnership and the contribution each partner is making. Few CPPs yet have a good blend of performance evidence that allows them to understand:

- the specific added-value of the partnership, as opposed to the work of its constituent bodies
- how its work is contributing to improving local outcomes
- what contribution individual partners are making to the locally agreed improvement goals.

76. Performance monitoring should also include a balance of data about service performance and the experiences of people who use services. CPPs should consider:

- how well local people feel they are being involved in decision-making
- how they will identify improvements in specific communities that might be masked in data that cover the whole CPP area.

77. Following the development of new SOAs in 2013, CPPs have been working to identify appropriate targets and indicators to allow them to monitor progress in implementing their plans. In doing this, CPPs need to clarify what successfully implementing their SOA would look like in terms of outcomes and what data they can use to monitor this. This work is difficult, for example because the complexity of assessing long-term outcomes can be attributed to many factors, not all of which are under the control of the CPP. Partners are drawing on lessons they have learnt about the challenges of setting meaningful long-term outcome measures, and the difficulty in balancing the need for short-term input measures with the goal of outcome-focused performance management arrangements.

78. Partner organisations have different approaches and arrangements for monitoring performance. These are often set up to monitor how they are performing against national targets rather than local priorities. Applying this to a local partnership context can be difficult. Given the significant contribution that services in areas such as housing, healthcare, policing and education make to longer-term outcomes, it is important that CPPs establish stronger links between their own performance management arrangements and those of individual partners.

79. There is also a role for the Scottish Government to consider how the various national performance frameworks (eg, outcomes for older people, early years, employment and economic growth) can be streamlined and made more outcome focused. This may help to create greater alignment between national performance measurement and local community planning.

80. The lack of relevant, clear performance information is affecting the ability of CPP boards to scrutinise performance and hold partners to account for delivering against outcomes. CPPs are working to improve the performance information that their boards consider. It is important that the information helps them to scrutinise performance effectively, and that those responsible for holding the CPP to account understand it. One challenge facing CPPs is finding clear and straightforward ways of assessing partnership working at each level, that is, neighbourhood, theme and whole area, without creating an industry of monitoring and reporting.

National arrangements for assessing how individual CPPs perform and holding them to account need to improve

81. The Statement of Ambition sets out the agreed accountability arrangements for community planning. Local political oversight of community planning is through elected member involvement in CPPs and, nationally, local government will exercise joint oversight and ensure accountability with the Scottish Government through the SOA.

82. The Scottish Government will hold national bodies to account for their contribution to community planning, within the context of their national remit and responsibilities. It is starting to use existing performance management and accountability arrangements to monitor the contribution of public bodies to community planning. But the Scottish Government is not yet consistently holding partners in central government bodies or the NHS to account for their performance in a community planning context.

83. The Scottish Government has assigned a location director to each CPP. Their role is to provide advice, support and challenge to the CPP and individual partners on developing and delivering the SOA and community planning more broadly.²⁷ Location directors are also expected to take messages and challenges from CPPs back to the Scottish Government, and to advise the Scottish Government and NCPG on what progress CPPs are making in delivering the Statement of Ambition. The visibility and evidence of the effectiveness of Scottish Government location directors in establishing effective working relationships and challenging partners on their delivery varies. The Scottish Government should review the role of location directors in the context of increased expectations for community planning and the need to develop a clearer accountability framework for CPPs.

84. Scottish Government sponsor departments are responsible for monitoring the performance of public bodies that the Scottish Government funds. This includes non-departmental public bodies and NHS boards. Each year, sponsor departments issue letters to public bodies notifying them of their budget and the priorities and targets they are expected to meet. Letters to some bodies such as Scottish Enterprise, Highlands and Islands Enterprise and SDS emphasise the Scottish Government's expectation that they will participate in CPPs to help them achieve better outcomes for communities. Although sponsor departments monitor how public bodies perform against national targets and outcomes, it is not clear how they hold them to account for their performance at a local level or their contribution to community planning.

85. The Scottish Government's guidance to NHS boards on developing their Local Delivery Plans requires them to include a section on the board's contribution to community planning.²⁸ Overall, this section of the plans improved between

2013/14 and 2014/15, but they still vary in quality. The Scottish Government considers progress against Local Delivery Plans at annual and mid-year reviews. Currently, these reviews do not look at NHS boards' contribution to community planning in detail. The Scottish Government is considering how best to monitor how NHS boards take part in community planning, including how they are implementing the agreement on joint resourcing.

86. College outcome agreements were introduced in 2012/13, to enable the Scottish Funding Council and colleges to demonstrate the impact of the sector and its contribution to meeting Scottish Government priorities.²⁹ Since 2014/15, colleges have been required to include a section in their outcome agreements to demonstrate that they are both informing the development of, and contributing effectively to, the delivery of the priorities and outcomes in CPPs' SOAs. In monitoring college outcome agreements, the Scottish Funding Council is looking for evidence that colleges are engaging effectively with CPPs in a way that is delivering better outcomes in the college regions.

87. On 1 April 2013, a new national police service and a single fire and rescue service for Scotland began operating. Both the new services have dedicated senior officers responsible for a specific local area and who are accountable for how police and fire services are provided locally. They are responsible for contributing to community planning and ensuring that local police and fire service plans refer to relevant outcomes in the SOA.

88. The Senior Officer Group of the NCPG wrote to CPPs in August 2014, requesting an update on progress against the development priorities agreed as part of the SOA quality assurance progress and any further development work planned ([paragraph 40, page 19](#)). As part of this update, it also asked CPPs to note the extent to which they have reflected on the letter from the NCPG in July 2014 setting out key principles for CPPs to maximise their impact ([paragraph 21, page 13](#)).

89. Although the quality assurance process for SOAs helped to improve oversight of CPPs at a national level, the Scottish Government and COSLA does not have a coherent national framework for assessing, supporting and challenging CPPs. The Scottish Government also needs to align its performance frameworks to understand more clearly how CPPs are performing across Scotland and what contribution individual public bodies are making to this. The lack of a national framework for assessing how individual CPPs perform and how quickly they are improving means that the Scottish Government does not have a coordinated national picture of how CPPs are performing. This creates risks of significant variations in performance that could compromise the effective and timely implementation of the Statement of Ambition.

There is no coordinated national programme to help CPPs improve

90. One of the priority areas of focus for the NCPG when it was established in 2013 was building and maintaining the capacity of CPPs, including knowledge sharing and best practice, and identifying performance issues that have a national dimension. While it has issued several pieces of guidance on topics such as joint resourcing and more recently principles for how CPPs might maximise their impact, it has made little progress in building and maintaining the capacity of CPPs.

91. The lack of a clear national picture of how CPPs are performing makes it difficult to identify the areas where they need the most support, either nationally or locally. The Improvement Service and Scottish Government are providing support to individual CPPs and partners in various areas. Examples of the help being provided include the following:

- The Improvement Service is working in partnership with the Joint Improvement Team to help individual CPPs with self-assessment and planning improvements. Education Scotland, the Care Inspectorate and NHS Education Scotland have agreed to support this work. By the end of 2014, 26 CPPs will have been through this process – 16 of whom worked with the Improvement Service in developing the approach.
- The Improvement Service, SOLACE, the Scottish Local Authorities Economic Development Group and the Scottish Government are helping CPPs assess their economic footprint. This involves mapping the work community planning partners are doing in the areas of employability, employment and procurement activity, with a key focus on the impacts for deprived communities.
- The Improvement Service, the Scottish Government and statutory community planning partners are working together to support CPPs to understand and improve their approach to performance management. They aim to identify a small core set of measures that will support CPPs to benchmark outcome performance against others and to publish the first version of the framework in March 2015. This work has the potential to contribute to a more consistent evidence base of CPP performance.

92. This work needs to be more joined up and focused on the areas where CPPs need the most support. There is no coordinated national programme for helping CPPs to improve, which brings together all of the improvement support resources available across national and local government in a well-targeted way. The Senior Officer Group of the NCPG has asked CPPs to tell it, in its leadership and coordination capacity, about any specific support that would help them in their ongoing development work ([paragraph 88, page 36](#)). The Scottish Government and Improvement Service need to clarify exactly what help CPPs would benefit from, and coordinate how they deliver training and support and share information at a national level.

93. There is also work going on to support health and social care partnerships through the Joint Improvement Team. This work has clear implications for community planning and is likely to cover similar areas to work by the Improvement Service, such as governance, leadership and planning. There is scope to join up support in these areas.

94. The What Works Scotland (WWS) centre was established in June 2014. The Scottish Government and Economic and Social Research Council provided just under £3 million to the Universities of Glasgow and Edinburgh to lead this initiative over the next three years. The WWS centre will work closely with CPPs and other stakeholders to help improve the way local areas use evidence to make decisions about developing and reforming public services. WWS is working with four CPPs as case study areas (Aberdeenshire, Fife, Glasgow and West Dunbartonshire). Through this work, WWS aims to:

- encourage collaborative learning with a range of partners
- better understand what effective policy interventions and effective services look like
- promote the use of evidence in planning and providing services
- help organisations get the skills and knowledge they need to use and interpret evidence.

95. As pressures on budgets and staff tighten, it will become increasingly challenging for partners to change the way public services are provided. CPPs are improving the way they work, but some have more work to do than others and some are improving more quickly than others. In CPPs where the necessary foundations for effective partnership working are not yet in place, the Scottish Government and partners need to take urgent action to ensure that they are challenged and get the help they need to improve their performance. This will be essential to help CPPs improve their performance and work towards the expectations in the Statement of Ambition.

Recommendations

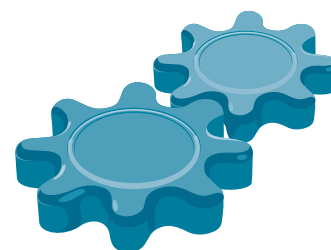
The Scottish Government and COSLA should:

- develop a national framework for assessing and reporting progress in improving community planning and implementing the Statement of Ambition
- work with the Improvement Service and other national improvement agencies to establish and coordinate a programme of well-targeted practical support that will help CPPs to implement the Statement of Ambition effectively.

The Scottish Government should:

- hold central government bodies and the NHS to account more consistently for their performance within CPPs
 - review the role of location directors.
-

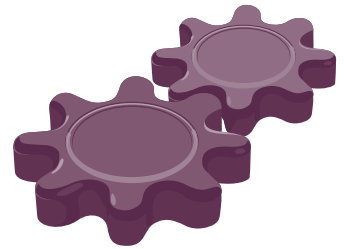
Endnotes



- ◀ 1 [Scotland's public finances: progress in meeting the challenges \[PDF\]](#) Audit Scotland, June 2014.
- ◀ 2 *Review of community planning and single outcome agreements: statement of ambition*, Scottish Government and COSLA, March 2012.
- ◀ 3 *Commission on the future delivery of public services*, June 2011.
- ◀ 4 [Improving community planning in Scotland \[PDF\]](#) Audit Scotland, March 2013.
- ◀ 5 *Single Outcome Agreements: guidance to community planning partnerships*, Scottish Government and COSLA, December 2012.
- ◀ 6 *Agreement on joint working on community planning and resourcing*, Scottish Government and COSLA, September 2013.
- ◀ 7 The Local Government in Scotland Act 2003.
- ◀ 8 [Improving community planning in Scotland \[PDF\]](#) Audit Scotland, March 2013.
- ◀ 9 Community Empowerment (Scotland) Bill, as introduced in the Scottish Parliament on 11 June 2014.
- ◀ 10 *NHS Scotland 2020: Local delivery plan guidance*, Scottish Government, November 2013.
- ◀ 11 [Improving community planning in Scotland \[PDF\]](#) Audit Scotland, March 2013.
- ◀ 12 [Falkirk Community Planning Partnership \[PDF\]](#) Audit Scotland, May 2014.
- ◀ 13 [Glasgow Community Planning Partnership \[PDF\]](#) Audit Scotland, April 2014.
- ◀ 14 *Integration of adult health and social care in Scotland: consultation on proposals*, Scottish Government, May 2012; Public Bodies (Joint Working) (Scotland) Act 2014; *Health and social care integration narrative*, Scottish Government, April 2014.
- ◀ 15 *Health and social care integration: locality planning conversations*, Joint Improvement Team, June 2014. The Joint Improvement Team (JIT) is an improvement partnership between the Scottish Government, NHS Scotland, Convention of Scottish Local Authorities (COSLA) and the third, independent and housing sectors.
- ◀ 16 *Single Outcome Agreements: guidance to community planning partnerships*, Scottish Government and COSLA, December 2012.
- ◀ 17 [Improving community planning in Scotland \[PDF\]](#) Audit Scotland, March 2013.
- ◀ 18 *Single Outcome Agreements: guidance to community planning partnerships*, Scottish Government and COSLA, December 2012.
- ◀ 19 [Falkirk Community Planning Partnership \[PDF\]](#) Audit Scotland, May 2014.
- ◀ 20 *Effective democracy: reconnecting with communities*, The Commission on Strengthening Local Democracy, August 2014.
- ◀ 21 *Agreement on joint working on community planning and resourcing*, Scottish Government and COSLA, September 2013.
- ◀ 22 Skills Development Scotland's Employability Fund aims to support activity to help people develop the skills needed to secure a job or to progress to more advanced forms of training. Skills Development Scotland administers the fund, but services are developed and delivered at a local level.
- ◀ 23 [NHS in Scotland 2013/14 \[PDF\]](#) Audit Scotland, October 2014.
- ◀ 24 [Falkirk Community Planning Partnership \[PDF\]](#) Audit Scotland, May 2014.
- ◀ 25 *Single Outcome Agreements: guidance to community planning partnerships*, Scottish Government and COSLA, December 2012.
- ◀ 26 [NHS in Scotland 2013/14 \[PDF\]](#) Audit Scotland, October 2014.
- ◀ 27 *Single Outcome Agreements: guidance to community planning partnerships*, Scottish Government and COSLA, December 2012.
- ◀ 28 *NHS Scotland 2020: Local delivery plan guidance*, Scottish Government, November 2013.
- ◀ 29 *Delivering college outcome agreements*, Scottish Funding Council, August 2014.

Appendix

Audit methodology



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

- Policy documents and guidance on community planning from the Scottish Government and other national organisations.
- Legislation (draft bills and acts), consultations and responses on community planning and public service reform.
- Minutes and papers of the National Community Planning Group.

We drew on the findings and supporting evidence of our audits of five CPPs that were conducted during 2014:

- Glasgow (published April 2014)
- Falkirk (published May 2014)
- Moray (published July 2014)
- West Lothian (published October 2014)
- Orkney (published November 2014).

We carried out follow-up visits in the three CPPs that were audited in 2012/13: Aberdeen, North Ayrshire and Scottish Borders. This included the following:

- a written update from each CPP on the progress made against their improvement agenda
- observing a strategic group meeting in each CPP, including a group discussion on progress since their audit
- interviews with partners from various local and national organisations.

We interviewed staff and representatives from various public bodies and national organisations including:

- Convention of Scottish Local Authorities (COSLA)
- Improvement Service
- National Community Planning Group

- Scottish Enterprise
- Scottish Government
- Skills Development Scotland
- Society of Local Authority Chief Executives (SOLACE)
- Voluntary Action Scotland.


Community planning

Turning ambition into action

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Audit and Governance Committee Annual Work Plan 2014/15

7

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
17/03/15	Self Directed Support Tyne Esk LEADER Programme Partnership Funding Knox Academy Members' Gifts and Hospitality Non-Domestic Rates Follow-up Reports Internal Audit Plan 2015/16 Internal Audit Progress Report 2014/15 Investigation – Purchase of the site of the former bowling club at Limeylands Road, Ormiston (Private)		Community Planning in Scotland (Nov 2014) Scotland's Public Finances – Follow up report (June 2014)		Development Risk Register Communities & Partnerships Risk Register Council Resources Risk Register

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
19/05/15	Contracts Audit Mandatory and Discretionary Financial Assistance Fees and Charges Frameworki – Payments on Schedule Borrowings Pensions Payroll Overtime Internal Audit Progress Report 2014/15 Controls Assurance Statement 2014/15	Interim Management Report	Overview of Scottish Local Government (Feb 2015) Borrowing and Treasury Management in Local Government (Jan 2015)	2015 Corporate Governance Self-evaluation/ Annual Governance Statement	Corporate Risk Register
23/06/15				Draft Annual Accounts 2014/15	

REPORT TO: Audit and Governance Committee
MEETING DATE: 17 March 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Self-Directed Support

8

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Self-Directed Support.

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 Self-Directed Support 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 in respect of Self-Directed Support 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

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DESIGNATION	Internal Audit Manager
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DATE	5 March 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT SELF-DIRECTED SUPPORT

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15 a review was undertaken of Self-Directed Support. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Progress has been made in implementing Self-Directed Support (SDS) for certain community care client groups within Adult Wellbeing.
- A resource allocation matrix has been developed and is in place – the matrix is an integral part of the assessment process and provides an indicative budget to support a client's assessed needs.
- An SDS Support Plan is in place clearly setting out each individual's assessed needs, the outcomes to be achieved and their actual personal budget.

1.3 Areas with Scope for Improvement

- An overarching Policy for Self-Directed Support has yet to be developed – the draft policies in place for option 1 (Direct Payments) and option 2 (where the client chooses their care, but the Council or another agency organises and pays for it) have yet to be formalised. *Risk – failure to adopt a consistent approach.*
- In some cases, no Letters of Agreement were on file for clients who had selected the direct payments option. *Risk – lack of clarity on the responsibilities and duties of the Council and the individual.*
- There was a lack of effective financial monitoring and review of clients in receipt of direct payments to ensure that funds were being used to achieve the agreed outcomes as set out in their Support Plan. *Risk – overpayments may occur and remain undetected.*
- In some cases, there was a lack of evidence to confirm if a risk enablement form had been completed to assess the supported person's ability to manage direct payments. *Risk – direct payments may be approved for clients who are unable to meet their responsibilities.*
- The arrangements for monitoring and reviewing clients whose personal budget exceeds their indicative budget require review. *Risk – failure to ensure that all exceptional cases are being reviewed.*

1.4 Summary

Our review of Self-Directed Support 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

March 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the draft policies in place for options 1 and 2 are embedded in an overall Policy on Self-Directed Support, which should be formalised.	Medium	Service Manager – Operations	Agreed		September 2015
3.2.2	Management should develop a detailed plan clearly setting out how Self-Directed Support will be rolled out to all relevant community care clients. Management should ensure that progress on the implementation of Self-Directed Support is monitored and reported on a regular basis.	Medium	Service Manager – Operations	Agreed		June 2015
3.3.2	Management should ensure that evidence is held on file to confirm that clients have been provided with details of their indicative budget.	Medium	Service Manager – Operations	Agreed		April 2015
3.4.1	Management should ensure that a consistent approach is taken by all staff to the completion of the Support Plan.	Medium	Service Manager – Operations	Agreed – exceptions will be considered on a case by case basis		April 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.2	<p>Management should ensure that there is clear evidence of all SDS Support Plans being authorised.</p> <p>Management should review all cases where the personal budget exceeds the indicative budget – for long standing service users with generous budgets Management should seek to realign these to the current indicative budgets.</p> <p>Management should ensure that all personal budgets that exceed the indicative budget are authorised by a Senior Manager.</p>	Medium	Service Manager – Operations	Agreed		Ongoing
3.5.1	Management should ensure that a risk enablement form has been completed for all clients who have selected the direct payments option.	High	Service Manager – Operations	Agreed		June 2015
3.6.1	Management should ensure that a signed Letter of Agreement is in place for all clients who have selected the direct payments option.	High	Service Manager – Operations	Agreed		June 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1	Management should ensure that annual financial assessments are carried out for all community care clients.	Medium	Service Manager – Operations	Agreed		March 2016
3.8.1	<p>As a matter of urgency Management should review all direct payments that have been identified as high risk. Where under spends are identified and clients have not fully utilised their personal budgets Management should ensure that excess payments are returned to the Council and/or payments are suspended.</p> <p>Appropriate financial monitoring should be put in place to ensure that all clients return their financial information timeously and that effective monitoring is undertaken.</p> <p>Management should review the procedures in place to ensure that information obtained as part of the SDS review is passed to the officer responsible for monitoring direct payments, to enable appropriate action to be taken.</p>	High	Service Manager – Operations	Agreed		June 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: 17 March 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Tyne Esk LEADER Programme

9

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Tyne Esk LEADER Programme.

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 Tyne Esk LEADER Programme was included in the audit plan for 2014/15.
- 3.2 In October 2014, following concerns about compliance with EU regulations, the Scottish Government requested that Internal Audit review all live LEADER project files.
- 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	5 March 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT TYNE ESK LEADER PROGRAMME

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the audit plan for 2014/15 a review was undertaken of the Tyne Esk LEADER Programme.

1.2 Areas where Expected Controls were Met

- For the projects reviewed, we found that the total grants paid to applicants were consistent with the LEADER grant amounts approved.
- Adequate evidence was on file of State Aid checks being carried out by the Project Officer.
- Checks had been undertaken to ensure that projects had appropriate match funding in place.

1.3 Areas with Scope for Improvement

- In some cases, there was a failure to identify and exclude ineligible project costs both at the application stage and when grant claims were submitted by applicants. *Risk – failure to recover grant payments made from the Scottish Government.*
- There was a lack of a clear audit trail for project modifications – in some cases Change Request Forms had not been approved. *Risk – inappropriate expenditure may be incurred.*
- The existing procedures to establish if projects need LEADER funding require review – grants should only be approved for projects that clearly demonstrate a need for LEADER funding. *Risk – inappropriate grant awards may be made.*
- There was a lack of adequate documentation on file to demonstrate value for money and reasonableness of cost – in some cases there was a failure by the applicant to follow proper procurement procedures. *Risk – favouritism and bias may occur.*
- For some grant claims submitted there was a lack of supporting documentation on file to evidence the expenditure incurred. *Risk – inappropriate grant payments may be made.*
- For grant claims processed, we found that in a number of cases the claims checklist had not been fully completed by the preparer or countersigned by a senior member of staff. *Risk – errors and omissions may occur and remain undetected.*

1.4 Summary

Our review of Tyne Esk LEADER project files 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

March 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that all application forms are properly signed and dated by the applicant prior to being considered by the Local Action Group.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.2.1	Management should ensure that grant funding is only approved for projects within the eligible Tyne Esk LEADER area.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.2.2	For capital/land projects, sufficient evidence should be held on file to confirm that applicants have control of the asset for at least the duration of the five year compliance period.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.2.4	Management should ensure that all relevant documentation is held on file to clearly demonstrate value for money and reasonableness of cost.	Medium	Team Manager – Economic Development	Agreed		March 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.5	Management should ensure that appropriate checks are undertaken to establish if the applicant needs LEADER funding – awards should only be considered for organisations who do not have the ability to carry out the project without LEADER funding.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.3.1	Management should ensure that project scoring sheets completed by Local Action Group members are held on file to confirm that the project has been assessed.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.3.2	Management should ensure that a formal grant letter is on file for all LEADER awards made. The signed acceptance of grant letter returned by the applicant should be date stamped when received by the Council.	Medium	Team Manager – Economic Development	Agreed		March 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	For all project modifications, an approved Change Request Form should be held on file.	High	Team Manager – Economic Development	Agreed		March 2015
3.4.1	For all grant payments made, Management should ensure that appropriate supporting documentation is submitted by applicants to evidence the expenditure incurred.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.4.2	Management should ensure that appropriate guidance and advice is provided to applicants in respect of defrayment – there should be clear evidence that all amounts paid have been defrayed from the applicant's bank account.	High	Team Manager – Economic Development	Agreed		March 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3	Management should ensure that for all claims processed a fully completed claims checklist is held on file – the checklist should be verified and signed by the preparer and countersigned by a senior member of staff.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.4.4	Management should ensure that where the actual project costs are below the total approved project amount, the % of LEADER grant funding awarded is adjusted to reflect this.	Medium	Team Manager – Economic Development	Agreed		March 2015
3.4.5	Management should ensure that appropriate checks are undertaken to identify and exclude ineligible expenditure both at the application stage and when claims are submitted by applicants.	Medium	Team Manager – Economic Development	Agreed		March 2015

Grading of Recommendations

To assist Management in using our reports, our recommendations are categorised 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: 17 March 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Partnership Funding

10

1 PURPOSE

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

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 Partnership Funding was undertaken as part of the audit plan for 2014/15.
- 3.2 The objective of the audit was to review the adequacy and effectiveness of the internal controls in place for Partnership Funding.
- 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	5 March 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PARTNERSHIP FUNDING

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15 a review was undertaken of Partnership Funding. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Detailed guidance on the Council's Partnership Funding Grant Scheme is available to community and voluntary organisations applying for funding.
- Standard documentation has been developed to ensure a consistent approach is adopted to all awards made under the Partnership Funding Grant Scheme.
- Adequate payment arrangements are in place – a payment schedule has been set up for grant amounts paid in instalments.

1.3 Areas with Scope for Improvement

- No corporate policy is in place providing a framework for the partnership funding of external organisations. *Risk – an inconsistent approach may be adopted across the Council.*
- There was a lack of consistency in the approach adopted to the approval and reporting of grant awards – in some cases grant awards were approved by Council, in other cases awards made had been reported through Members' Library, while in a number of cases approval had been given under delegated authority, although these awards had not been reported. *Risk – lack of transparency.*
- In a number of cases grant awards were made to organisations who did not submit an annual application form or have a Service Level Agreement in place. *Risk – inappropriate grant awards may be made.*
- There was a lack of documentation on file to support grant applications submitted – in a number of cases applicants had failed to submit relevant supporting documentation as required by the guidance. *Risk – inappropriate grant awards may be made.*
- There was a lack of evidence to demonstrate how individual applications had been assessed, the basis on which award recommendations had been made or how the level of grant award had been established. *Risk – lack of a clear audit trail.*
- The monitoring of grant funding and the associated reporting of outputs require review. *Risk – failure to ensure that grants are used for their intended purpose.*

1.4 Summary

Our review of Partnership Funding 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

March 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that a corporate policy is in place to provide a framework for the partnership funding of external organisations.	Medium	Service Manager – Community Partnerships	A corporate policy is to be developed		September 2015
3.2.1	Management should ensure that a consistent approach is adopted for the reporting of all grant awards made – all grants approved under delegated authority should be reported through the Members' Library.	Medium	Service Manager – Community Partnerships	Members' Library report to be written following all awards approved under delegated authority		April 2015
3.3.1	For all awards made to organisations under the Partnership Funding Grant Scheme, Management should ensure that a fully completed application form has been submitted to the Council. Management should ensure that all application forms are date stamped when received and allocated a reference number.	Medium	Service Manager – Community Partnerships	Completed application forms will be available for all organisations Applications will have a unique reference number		June 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.2	Management should ensure that all applications are supported by relevant documentation as outlined in the guidance.	Medium	Service Manager – Community Partnerships	All applicants' folders will have a checklist covering what information has been received		March 2015
3.4.1	Management should ensure that there is clear evidence to demonstrate how individual applications have been assessed – the Partnership Funding Scoring form should be used.	Medium	Service Manager – Community Partnerships	Scoring sheets will be applied to all applications		April 2015
3.5.1	Management should ensure the effective monitoring of grant funding provided – End of Project forms received should be reviewed prior to any grant awards being made for subsequent years.	Medium	Service Manager – Community Partnerships	End of project forms to be completed by all applicants		End of January each year

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: 17 March 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Knox Academy

11

1 PURPOSE

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

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 Knox Academy was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the financial arrangements in place at the School 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	5 March 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT KNOX ACADEMY

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15 a review was undertaken of the financial arrangements operating at Knox Academy. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Detailed financial procedures are in place to provide guidance to staff responsible for administering the School's finances.
- Adequate arrangements are in place for the collection and recording of all income received.
- All School Fund income received and expenditure incurred is accurately recorded in the School Fund cash book.
- Regular reconciliations are undertaken of both the Petty Cash Imprest and the School Fund.
- A clear audit trail exists for all expenditure incurred by the School – expenditure is supported by purchase orders and suppliers' invoices.
- For goods ordered through the Pecos system, adequate procedures are in place for the ordering, authorising and receipting of purchases.
- Effective arrangements are in place for the use of purchase cards and the monitoring of cardholder transactions.
- The School DSM commitment spreadsheets for monitoring income and committed expenditure had been updated to accurately reflect the financial position of the School.
- The overall financial position of the School is regularly checked and reconciled to the Council's general ledger.

1.3 Areas with Scope for Improvement

- At present cash prepared for banking is not being checked and countersigned by a second member of staff. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of Knox Academy has identified that the financial arrangements in place are operating satisfactorily in most areas. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

March 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.4	Management should ensure that petty cash reimbursement claims are submitted on a regular basis.	Low	School Business Manager	Agreed		March 2015
3.4.4	Management should review the existing banking procedures in place – a second member of staff should check all cash prepared for banking and countersign the bank giro pay-in slip.	High	School Business Manager	Agreed		March 2015
3.6.7	Management should ensure that a VAT invoice/receipt is obtained to enable VAT to be reclaimed on all vatable purchases.	Medium	School Business Manager	Agreed		March 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: 17 March 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Members’ Gifts and Hospitality

12

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Members’ Gifts and Hospitality.

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 Members’ Gifts and Hospitality was undertaken as part of the audit plan for 2014/15.
- 3.2 The objective of the audit was to ensure that adequate internal controls were in place and 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	5 March 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT MEMBERS’ GIFTS AND HOSPITALITY

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15 a review was undertaken of Members’ Gifts and Hospitality. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A Register of Councillors’ Interests is maintained which includes a section for the recording of gifts and hospitality accepted by Members.
- Adequate arrangements are in place to ensure that the Register of Councillors’ Interests is available for public inspection as required by the Standards Commission Guidance – the principal Register is held in the main Council office and an electronic version is available on the Council’s website.
- The Register of Councillors’ Interests has been accurately updated to reflect the information provided by Councillors.
- Training has been provided to Councillors covering a number of areas including governance, quasi-judicial roles and the Councillors’ Code of Conduct.

1.3 Areas with Scope for Improvement

- At present information about the Ethical Standards in Public Life etc. (Scotland) Act 2000, the Councillors’ Code of Conduct and the roles of the Standards Commission and the Public Standards Commissioner are not available to the public, either through the Council’s website or at main Council offices and public libraries, as required by the Standards Commission Guidance. *Risk – failure to comply with the revised Guidance on the Councillors’ Code of Conduct.*
- In some cases Councillors registering the acceptance of gifts and hospitality had not recorded details of who the gift or hospitality had been received from – the pro-forma Declaration of Receipt of Gifts and/or Hospitality form had not been used. *Risk – lack of transparency.*
- The existing arrangements for reminding Councillors to keep their entries in the Register up to date require review – the Guidance states that reminders should be issued at least every six months. *Risk – failure to comply with the revised Guidance on the Councillors Code of Conduct.*

1.4 Summary

Our review of Members’ Gifts and Hospitality has identified that the arrangements in place are operating satisfactorily. Detailed findings are contained in our main audit report.

Mala Garden
Internal Audit Manager

March 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that information about the Ethical Standards in Public Life etc. (Scotland) Act 2000, the Councillors' Code of Conduct and the roles of the Standards Commission and the Public Standards Commissioner is made available to the public as required by the Guidance issued by the Standards Commission.	Low	Democratic Services Manager	Councillors' Code of Conduct and associated guidance to be displayed more prominently on Council website		May 2015
3.2.3	Management should ensure that reminders are sent to Councillors at least every six months advising them to keep their entries in the Register under review.	Low	Democratic Services Manager	Reminder to be issued to Councillors every six months advising them to keep their Register under review		March 2015
3.4.1	Members declaring the acceptance of gifts and hospitality should be encouraged to complete the pro-forma Declaration of Receipt of Gifts and/or Hospitality form in place.	Low	Democratic Services Manager	Councillors to be advised as regards completing the pro-forma for the Declaration of Receipt of Gifts and/or Hospitality		March 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: 17 March 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Report – Non-Domestic Rates

13

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Non-Domestic Rates.

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 Non-Domestic Rates 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 for Non-Domestic Rates 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	5 March 2015

EAST LOTHIAN COUNCIL – INTERNAL AUDIT NON-DOMESTIC RATES

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Non-Domestic Rates (NDR) was undertaken as part of the Audit Plan for 2014/15. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A unique reference number identifies each Non-Domestic property on the Council's Capita system which corresponds to the Assessor's Valuation Roll.
- Adequate arrangements are in place to ensure that the total number of properties on the Capita system reconciles to the property control totals on the Assessor's interface reports.
- Billing system parameters were correctly set up on the Capita system to reflect the NDR rates for 2014/15.
- Systems are in place to ensure that the total number of bills produced as part of the annual billing run is reconciled to the total number of live properties on the Capita system.
- Annual Non-Domestic Rates bills are raised in a timely manner – the annual bills for 2014/15 were raised on 21 March 2014.
- All NDR income collected through the Income Management System is correctly posted to both the Capita system and the Council's general ledger.

1.3 Areas with Scope for Improvement

- The existing arrangements in place for checking NDR income returns require review. *Risk – errors and irregularities may occur and remain undetected.*
- There was a lack of a clear audit trail to support the information submitted on the NDR income returns for 2014/15 – supporting documentation and financial statements from the Capita system had not been retained. *Risk – errors and irregularities may occur and remain undetected.*
- The arrangements in place for the dispatch of NDR bills require review to ensure that all bills produced have been properly dispatched. *Risk – lack of a clear audit trail.*

1.4 Summary

Our review of Non-Domestic Rates identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**Mala Garden
Internal Audit Manager**

March 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.2	<p>Management should ensure that the number of bills produced by the Capita system is reconciled to the total number of bills dispatched.</p> <p>Management should ensure that the number of review forms produced is reconciled to the total number of properties claiming Small Business Bonus Scheme Relief.</p>	Medium	<p>Debt Management and Business Rates Team Leader</p> <p>Systems Development and Business Support Team Leader</p>	<p>Agreed – procedures will be put in place.</p> <p>Agreed</p>		<p>April 2015</p> <p>April 2015</p>
3.7.1	<p>Management should ensure that a clear audit trail exists for NDR income returns – the supporting documentation and the financial statements from the Capita system should be retained on file.</p>	Medium	<p>Debt Management and Business Rates Team Leader</p>	<p>Agreed – supporting documentation will be retained.</p>		<p>March 2015</p>
3.8.1	<p>A person independent of the preparer should check the NDR income returns prior to submission to Business Finance – the returns should be signed and dated as evidence of the checks being carried out.</p>	Medium	<p>Service Manager – Revenues</p>	<p>Agreed – checks will be carried out by the Service Manager.</p>		<p>April 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.8.1 (cont)	Management should ensure that year-end adjustments for NDR discretionary reliefs are consistent with the information submitted to the Scottish Government.	Medium	Service Manager – Business Finance	Agreed		June 2015
3.9.1	Management should ensure that staff with responsibility for Business Rates are provided with appropriate training.	Medium	Service Manager – Revenues	Agreed – training will be provided where possible.		April 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: 17 March 2015
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Follow-up Reports

14

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recent follow-up work undertaken by Internal Audit.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the findings of Internal Audit's follow-up work on Procurement – Scheme of Delegation and Pencaitland Primary School.

3 BACKGROUND

- 3.1 As part of the audit plan for 2014/15 Internal Audit has followed up the recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Our findings are detailed below.

Procurement – Scheme of Delegation

- 3.2 Internal Audit's report on Procurement – Scheme of Delegation was issued in May 2014. Our follow-up review has identified that one recommendation is currently outstanding. Details of Management's response and the revised date of completion are attached in Appendix A.

Pencaitland Primary School

- 3.3 Internal Audit's report on Pencaitland Primary School was issued in November 2013. Our follow-up review has identified that one recommendation is currently outstanding. Details of Management's response and the revised date of completion are attached in Appendix A.

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	5 March 2015

Appendix A

PROCUREMENT – SCHEME OF DELEGATION

The recommendation currently outstanding is detailed below, together with Management's response.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.1.1	Management should review the existing arrangements in place for updating content on the Council's website and intranet – formal procedures should be developed to provide guidance to staff.	Medium	Service Manager – Corporate Policy	Currently working on a project plan.	Ongoing

PENCAITLAND PRIMARY SCHOOL

The recommendation currently outstanding is detailed below, together with Management's response.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	MANAGEMENT RESPONSE	REVISED DATE OF COMPLETION
3.9.1	Management should ensure that an up to date inventory of assets is maintained in compliance with the Financial Procedures for Schools.	Medium	Head Teacher	Inventory requested from IT and will be checked as soon as this is received.	April 2015

REPORT TO: Audit and Governance Committee
MEETING DATE: 17 March 2015
BY: Depute Chief Executive – Resources and People Services
SUBJECT: Internal Audit Plan 2015/16

15

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2015/16.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the Audit Plan for 2015/16.

3 BACKGROUND

- 3.1 The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013.

- 3.2 In preparing the annual audit plan a range of factors have been taken into account, including:

- the Council Plan 2012-17 and the key actions that the Council will pursue in order to meet its objectives;
- areas highlighted by the Council's External Auditors and Senior Officers;
- corporate and departmental risk registers;
- the Council's core financial systems;
- changes in service delivery;
- the findings from previous years' audit work;
- the need to incorporate flexibility for reactive/investigatory work.

- 3.3 Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:

- Achievement of the Council's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.4 The Internal Audit Manager is required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.
- 3.5 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit, which is comprised of the Internal Audit Manager, three Senior Auditors and one Senior Audit Assistant.
- 3.6 The resources available have been applied to individual audits and a detailed operational plan has been produced for 2015/16 (see Appendix A).
- 3.7 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis. A standard sample size basis is used for financial systems audits and the samples are selected to provide coverage for the full financial year.
- 3.8 For each individual audit, a detailed audit report is prepared for the relevant Depute Chief Executive. Copies of the audit report are provided to the Chief Executive, Head of Service, External Audit and to members of the Audit and Governance Committee.
- 3.9 All audit reports will highlight areas where expected controls have been met and areas where there is scope for improvement. A detailed action plan will be attached to each report listing all recommendations made and recording management responses to the recommendations.
- 3.10 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

Financial and Non-Financial Audits

- 3.11 Internal Audit will review the Council's systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of financial and non-financial audits.

Statutory Audits

- 3.12 Internal Audit undertakes audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions.

Best Value Audit

- 3.13 Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.

Investigations

- 3.14 Time has been allocated to carry out work on the National Fraud Initiative 2014/15 (which is coordinated for Scottish Local Authorities by Audit Scotland) and to undertake fraud and irregularity investigations.

INTERNAL AUDIT PERFORMANCE INDICATORS

- 3.15 Internal Audit will report on the completion of the annual audit plan, the percentage of audit recommendations accepted by Management and the percentage of audit staff with CCAB accounting qualifications.

OTHER FACTORS

- 3.16 The Committee should note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan. Contingency days are built in for 2015/16 in the investigations section, but by its nature reactive work is difficult to predict.
- 3.17 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2015/16.

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	5 March 2015

INTERNAL AUDIT PLAN

2015/16

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AUDIT PLAN 2015/16

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
FINANCIAL AND NON-FINANCIAL AUDITS			
Payroll	We will undertake a risk based review of the Payroll system, examining in particular controls relating to starters and leavers.	High	6
Council Tax	We will review the internal control arrangements in place for Council Tax income – our audit will focus on Council Tax collection.	High	6
Other Income	Our audit will focus on the internal controls in place for sundry income received by the Council.	High	6
Risk Management	We will evaluate the effectiveness of the Council's risk management processes in place including risk appetite, risk identification and the mitigation of risks.	High	6
Universal Credit	We will review the Council's arrangements for dealing with the impact of Universal Credit and Direct Payments.	High	6
Self-Directed Support – Children's Wellbeing	We will continue our review of Self-Directed Support by reviewing the progress being made within Children's Wellbeing.	High	4
Exceptional Needs Funding	We will review the arrangements in place for the allocation of Exceptional Needs Funding to Schools.	Medium	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Out of Authority Placements	We will review the way the Council manages the delivery of services to children with special education needs – the audit will focus on planning, budgeting, commissioning and the monitoring of service delivery.	High	5
Schools Audit	We will examine the internal controls operating within one primary school in East Lothian.	Medium	5
Home to School Transport	We will examine the procurement process for the provision of Home to School transport – our review will focus on the tendering, evaluation and awarding of contracts to operators.	Medium	5
Fuel Management	We will review the adequacy and effectiveness of the controls operating in respect of Fuel Management.	Medium	5
Section 75 Payments	Section 75 payments (developer contributions) bring significant funds to the Council for infrastructure projects. We will examine all aspects of the section 75 process and seek to provide management with assurances that the controls in place are operating effectively.	High	6
Managing Capital Projects	We will review the Council's management of significant capital projects that are underway. The review will also look at the whole approach that the Council takes to property management.	High	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Waste Management	We will review the Council's waste collection arrangements, focusing on whether value for money is being obtained and how efficiency savings are being achieved and will be achieved in the future.	High	6
Housing Repairs – Shared Costs	We will review the arrangements in place for charging mutual repairs and shared costs to private owners.	High	5
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	High	6
Funding – Third Sector Organisations	We will review the partnership arrangements in place with Third Sector Organisations and assess if the Council is getting value for money from grants awarded to Third Sector Organisations.	High	6
Agency Staff	We will examine the arrangements in place for the engaging and use of agency staff – the review will include the monitoring and payment arrangements in place.	Medium	5
Employee Expenses	We will examine the internal controls in place for employee travel and subsistence claims.	Medium	5
Bad Debt Write-offs	We will examine the systems in place for the write-off of Bad Debts and Credit Balances.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Special Projects	Internal Audit will review specific areas that are identified by Senior Officers.	–	6
STATUTORY AUDITS			
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	Medium	6
Tyne Esk LEADER Programme	We will examine the procedures in place for LEADER funding to ensure compliance with the Technical Guidance.	High	4
Fisheries Local Action Group (FLAG)	We will examine the arrangements in place for the payment of grants by East Lothian Fisheries Local Action Group (FLAG).	High	4
BEST VALUE AUDIT			
Review of Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.	Medium	6
INVESTIGATIONS			
National Fraud Initiative	The 2014/15 National Fraud Initiative data matching exercise was undertaken by the Audit Commission in 2014. The results of the matches were provided to the Council in January 2015. We will investigate all recommended matches.	High	10
Fraud and Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	High	10

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Fraud and Corruption	We will review the policies and procedures in place within the Council for the prevention and detection of fraud and corruption.	Medium	4
Whistleblowing Concerns	We will investigate the concerns raised under the Council's Whistleblowing Policy.	High	6
OTHER AUDIT WORK			
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.	Medium	8
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets.	Medium	1
Community Councils and Management Committees	Community Councils – Internal Audit provide advice and support to Community Councils. Management Committees – Internal Audit will audit the annual accounts of Management Committees where applicable.	Medium	4
Advice and Consultancy	Consultation on New Systems – for all new systems implemented, Internal Audit will provide advice on internal control matters. Tender Evaluations – attendance at tender openings and evaluations when requested by departments.	Medium	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Advice and Consultancy (cont)	<p>Returned Cheques – investigating and recording the reasons for returned cheques.</p> <p>Financial Reports – providing departments with financial information about companies and offering advice where applicable.</p> <p>Consultancy – providing advice and consultancy on a range of internal control issues.</p>		
TRAINING			
Training	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time for staff to undertake continuous professional development (CPD) and to acquire skills and knowledge required to undertake specialist audit assignments.	–	6

REPORT TO: Audit and Governance Committee

MEETING DATE: 17 March 2015

BY: Depute Chief Executive – Resources & People Services

16

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	5 March 2015

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	Completed

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	Completed
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	Completed
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	Partly Completed
Cash Handling and Banking	We will examine the cash handling and banking arrangements in operation throughout the Council.	December 2014	Completed
Self Directed Support	We will report on the progress being made by the Council in implementing Self Directed Support.	December 2014	Completed

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	Completed
Schools Audit	We will examine the internal controls operating within one secondary school and one primary school in East Lothian.	December 2014	Partly Completed
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	Completed
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	Completed
Non-Domestic Rates	We will examine the internal controls surrounding the administration of Non-Domestic Rates.	April 2015	Completed
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	