



Council Offices, Almada Street  
Hamilton, ML3 0AA

Tuesday, 06 November 2018

Dear Member

## **Risk and Audit Scrutiny Committee**

The Members listed below are requested to attend a meeting of the above Committee to be held as follows:-

**Date:** Wednesday, 14 November 2018

**Time:** 10:00

**Venue:** Committee Room 2, Council Offices, Almada Street, Hamilton, ML3 0AA

The business to be considered at the meeting is listed overleaf.

<b>Members are reminded to bring their fully charged tablets to the meeting</b>
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Yours sincerely

**Lindsay Freeland**  
**Chief Executive**

### **Members**

Graeme Campbell (Chair), Poppy Corbett, Maureen Devlin, Mary Donnelly, Mark Horsham, Martin Lennon, Julia Marrs, Carol Nugent, Margaret B Walker, Jim Wardhaugh

### **Substitutes**

Janine Calikes, Margaret Cowie, Isobel Dorman, Lynne Nailon, Bert Thomson, Jared Wark

## BUSINESS

### 1 Declaration of Interests

### 2 Minutes of Previous Meeting 3 - 8

Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 18 September 2018 submitted for approval as a correct record. (Copy attached)

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#### Item(s) for Noting

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- |   |         |
|---|---------|
| <b>3 Internal Audit Activity as at 24 October 2018</b>  | 9 - 18  |
| Report dated 24 October 2018 by the Executive Director (Finance and Corporate Resources). (Copy attached)   |         |
| <b>4 2017-2018 Year End Risk Management Report</b>  | 19 - 22 |
| Report dated 2 October 2018 by the Executive Director (Finance and Corporate Resources). (Copy attached)    |         |
| <b>5 2017-2018 Year End Insured Risks Report</b>  | 23 - 34 |
| Report dated 5 October 2018 by the Executive Director (Finance and Corporate Resources). (Copy attached)    |         |
| <b>6 Audit Scotland Report - Challenges and Performance 2018</b>  | 35 - 50 |
| Report dated 5 November 2018 by the Executive Director (Finance and Corporate Resources). (Copy attached)   |         |
| <b>7 Efficiency Statement 2017-2018</b>   | 51 - 56 |
| Report dated 19 September 2018 by the Executive Director (Finance and Corporate Resources). (Copy attached) |         |
| <b>8 Forward Programme for Future Meetings</b>  | 57 - 60 |
| Report dated 25 October 2018 by the Executive Director (Finance and Corporate Resources). (Copy attached)   |         |

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#### Urgent Business

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### 9 Urgent Business

Any other items of business which the Chair decides are urgent.

#### ***For further information, please contact:-***

Clerk Name: Pauline MacRae

Clerk Telephone: 01698 454108

Clerk Email: pauline.macrae@southlanarkshire.gov.uk

## RISK AND AUDIT SCRUTINY COMMITTEE

2

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 18 September 2018

**Chair:**

Councillor Graeme Campbell

**Councillors Present:**

Mary Donnelly, Mark Horsham, Carol Nugent, Bert Thomson (*substitute for Councillor Devlin*), Jim Wardhaugh, Jared Wark (*substitute for Councillor Corbett*)

**Councillor Also Present:**

John Ross

**Councillors' Apologies:**

Poppy Corbett, Maureen Devlin, Martin Lennon, Julia Marrs, Margaret B Walker

**Attending:**

**Finance and Corporate Resources**

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; P MacRae, Administration Officer; J Taylor, Head of Finance (Strategy)

**Also Attending:**

**Audit Scotland**

F Mitchell-Knight and R Smith, External Auditors

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### 1 Declaration of Interests

No interests were declared.

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### 2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Forum held on 13 June 2018 were submitted for approval as a correct record.

**The Committee decided:** that the minutes be approved as a correct record.

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### 3 External Auditors' Annual Report to South Lanarkshire Council 2017/2018

The following documents were submitted by Audit Scotland, the Council's external auditors:-

- ◆ letter and appendices relating to the 2017/2018 Annual Audit report on South Lanarkshire Council and registered charities administered by South Lanarkshire Council
- ◆ 2017/2018 South Lanarkshire Council proposed Annual Audit report to members of the Council and the Controller of Audit

The Audit Director, Audit Scotland, introduced the report and the Senior Auditor, Audit Scotland, spoke on the Annual Audit report and highlighted the following:-

- ◆ the audit of the 2017/2018 Annual Accounts

- ◆ financial management
- ◆ financial sustainability
- ◆ governance and transparency
- ◆ best value
- ◆ key messages
- ◆ 2017/2018 action plan on recommendations for improvement
- ◆ significant audit risks identified during planning of the audit

The Senior Auditor also referred to significant findings from the audit of financial statements in relation to:-

- ◆ capitalisation of expenditure on council dwellings
- ◆ capitalisation of grouped expenditure
- ◆ building valuation
- ◆ holiday pay accrual
- ◆ credit balances included in the debtors' balance
- ◆ revised estimated pension liability

The external auditors' opinion on the Council's Annual Accounts 2017/2018 and those of the 3 charities administered by the Council was unqualified.

The external auditors and officers responded to members' questions on various aspects of the report.

**The Committee decided:** that the report be noted.

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#### **4 Audited Annual Accounts 2017/2018**

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A report dated 7 September 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Council's Certified Annual Accounts and Charitable Trusts' Accounts for 2017/2018, which had received a clear audit certificate from the Council's external auditors, Audit Scotland
- ◆ requirement to approve the Annual Accounts 2017/2018 for signature in terms of both the Council's accounts and related charitable trusts

The accounts covered the Council as well as 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust. A clean audit certificate had been received for each and no specific actions were required.

The Annual Accounts would be advertised as being available for public inspection in Finance Services, Floor 4, Council Offices, Almada Street, Hamilton and also on the Council's website.

**The Committee decided:**

- (1) that the South Lanarkshire Council Annual Accounts 2017/2018 and the Charitable Trusts' Accounts, which had received a clean audit certificate from the Council's external auditors, Audit Scotland, be approved for signature; and
- (2) that it be noted that the external auditors' report would be referred to a future meeting of South Lanarkshire Council for noting.

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## 5 Internal Audit Activity as at 29 August 2018

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A report dated 29 August 2018 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 19 May to 29 August 2018.

Details were given on the progress of audit assignments and the performance of Internal Audit which highlighted that:-

- ◆ 67% of assignments had been delivered within budget against a target of 80%
- ◆ 80% of draft reports had been delivered on time against a target of 80%
- ◆ 69% of the 2018/2019 Internal Audit Plan had commenced
- ◆ 86% of audit assignments had been concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%
- ◆ 98% of Internal Audit recommendations had been delivered on time against a target of 90%

The findings from assignments completed in the period 19 May to 29 August 2018 were detailed in Appendix 2 to the report. Significant assignments completed in the period were detailed in Appendices 3, 4 and 5 to the report.

Internal Audit had also facilitated a self-assessment by the Information Governance Board of progress with actions to ensure compliance with the General Data Protection Regulation (GDPR). Follow up action would be undertaken by the end of September 2018 to assess progress with the completion of remaining actions.

Officers responded to a member's question on LED lighting.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 13 June 2018 (Paragraph 3)]*

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## 6 The National Fraud Initiative 2016

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A report dated 29 August 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the 2016 National Fraud Initiative (NFI).

The NFI matched similar data in different public sector systems and identified possible inconsistencies. Those inconsistencies, known as matches, required to be investigated by local authorities with a view to detecting fraud. Until 2014, the focus of the initiative had alternated annually between a limited and a full exercise. The full exercise continued to be undertaken every 2 years, however, the limited Single Person Discount (SPD) exercise, where the electoral register and council tax data were compared to detect cases where Single Person Discount was being claimed and there was more than 1 person over 18 in the household, could now be carried out annually. The 2016 NFI had been a full exercise and involved Council wide comparisons including:-

- |             |                                  |
|-------------|----------------------------------|
| ◆ benefits  | ◆ insurance claims               |
| ◆ payroll   | ◆ blue badge holders             |
| ◆ creditors | ◆ recipients of direct funding   |
| ◆ licences  | ◆ private nursing home residents |

In addition, records had also been matched to the Department for Work and Pensions' deceased persons' records and those of the UK Border Agency (UKBA). The 2016 NFI exercise had included additional matches carried out on existing data sets and had introduced 3 new data sets.

Details were given on the results of the 2016 exercise which, for the Council, highlighted that:-

- ◆ excluding the new matches, there had been a reduction of 2,636 matches (19%), compared with the previous exercise in 2014. This decrease was considered to reflect the success of previous exercises and the improvements made to the quality of data provided by the Council
- ◆ excluding the Single Person Discount (SPD), the Council had recorded approximately £0.045 million of outcomes from the 2016 exercise to date. This represented a decrease of £0.042 million (48%) from the previous exercise
- ◆ the Council was taking recovery action for approximately £0.030 million (64%) of SPD outcomes and £0.034 million (76%) of other outcomes identified

External auditors had reviewed the effectiveness of local arrangements in terms of the NFI exercise. As a result of those reviews, Audit Scotland had prepared a report which contained 5 recommendations to be considered by NFI participants. Details of those recommendations, together with the Council's response and further action required, were given in Appendix 1 to the report.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 20 September 2017 (Paragraph 8)]*

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## **7 Fraud Statistics Annual Report 2018**

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A report dated 31 August 2018 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2018 and comparing those figures with the previous year's statistics.

The number, types, outcomes and costs of fraud investigations, together with performance measures for the year to 31 March 2018, were detailed in the report. A comparison to the statistics for the same period in the previous year was also provided. Those statistics highlighted that:-

- ◆ 123 fraud investigations with a total value of £333,000 had been reported in the period, representing an increase in both number and value from the previous year
- ◆ 82% of cases investigated were founded
- ◆ 99% of founded cases related to benefit fraud or fraud committed by a third party

On conclusion of all internal investigations, an assessment was made on whether improvement actions were necessary. 4 action plans had resulted from fraud investigations issued and agreed during the year to 31 March 2018. 74 actions had been included in those plans and all high priority actions would be followed up in 2018/2019 in line with Internal Audit procedures.

Officers responded to a member's question on a high value Internal Audit investigation included in the 2017 statistics.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 20 September 2017 (Paragraph 7)]*

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## **8 Forward Programme for Future Meetings**

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A report dated 4 September 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to 14 November 2018.

As part of future arrangements, members were invited to suggest topics for inclusion in the Committee's forward programme.

**The Committee decided:** that the outline forward programme for the Risk and Audit Scrutiny Committee to 14 November 2018 be noted.

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## **9 Urgent Business**

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There were no items of urgent business.





# Report

**3**

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **14 November 2018**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Internal Audit Activity as at 24 October 2018**

## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ Update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of, the Internal Audit service in the period to 24 October 2018

## **2. Recommendation(s)**

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress and performance is noted
- (2) that Members suggest ideas for inclusion in the 2019/2020 Internal Audit Plan
- (3) that the Council's responses in relation to the National Fraud Initiative self-appraisal checklist are noted

## **3. Background**

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in September 2018. This reported on work completed in the period 19 May to 29 August 2018. This report covers all work completed in the period 30 August to 24 October 2018. Performance information is also included.

## **4. Performance**

4.1. As at 24 October 2018, approximately 75% of the 2018/2019 Audit Plan has been started. The other key performance indicators reflecting quality, on time and within budget for the period to 30 September 2018 are summarised in Appendix One together with explanations. 80% of draft reports have been issued on time and 68% within budget against targets of 80% respectively. Quality continues to be monitored through internal quality control procedures.

4.2. Client contributions to the delivery of the audit plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly, once agreed. 88% of audit assignments were concluded to a signed action plan within four weeks of the issue of a draft report against a target set of 80%.

4.3. Members are asked to note performance.

## **5. Findings**

- 5.1. Appendix Two lists all assignments completed in the period 30 August to 24 October 2018 and the key messages, in respect of the following significant assignments completed in this period, have been appended to this report:

- ◆ I612111 Tenancy Fraud (Appendix Three)
- ◆ I613112 Abandoned Properties (Appendix Four)

- 5.2. Members are asked to note findings.

## **6. Progress against Strategy**

- 6.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.
- 6.2. Delivery of the strategy will be evidenced by completion of the 2018/2019 Plan and this will be monitored through the performance indicators regularly reported to the Committee. Any subsequent changes to the Plan will be presented to the Committee which will include an assessment as to the impact such changes would have on the delivery of the overall audit strategy.

## **7. Internal Audit Plan 2019/2020**

- 7.1. Work is about to commence in the preparation of the 2019/2020 Internal Audit Plan. Consultation meetings will be convened with Resources and External Audit by the end of the calendar year to discuss ideas and suggestions for inclusion in the Plan. Suggestions are also being sought from the Risk and Audit Scrutiny Committee. These should focus on specific risk areas where there are known control weaknesses.
- 7.2. Once the consultation process has been concluded, the comprehensive list of audit 'ideas' will be risk assessed and an audit plan presented to the Committee for approval that ensures adequate coverage across all risk areas.

## **8. National Fraud Initiative**

- 8.1. The Risk and Audit Scrutiny Committee was advised in September 2018 that preparation for the 2018 National Fraud Initiative (NFI) exercise had started and Internal Audit would continue to co-ordinate this exercise within the Council.
- 8.2. The required privacy notices were published in September 2018 and data in relation to the specified datasets for South Lanarkshire Council were uploaded on 8 October 2018. This information will now be matched against other data sets provided by the range of public bodies participating in the exercise and relevant matches returned to South Lanarkshire Council for investigation. Further reports will be presented to the Risk and Audit Scrutiny Committee detailing the matches returned for investigation and the subsequent outcome of any reviews.
- 8.3. Audit Scotland recommend that public bodies participating in this process, self-appraise their involvement in NFI prior to and during the exercise. A checklist was developed by Audit Scotland to facilitate this self-appraisal exercise, an element of which includes a number of areas where it is recommended that an Audit Committee should seek to gain assurance around the organisation's approach to the NFI exercise. The relevant extract is attached at Appendix Five and includes suggested responses to each of the self-assessment questions.

8.4. Only one action has been identified and Members are asked to note the responses detailed within the self-appraisal checklist.

## **9. Employee Implications**

9.1. There are no employee issues.

## **10. Financial Implications**

10.1. At present, a breakeven position is forecast to the end of the financial year for the Internal Audit section.

## **11. Other Implications**

11.1. The main risks to the delivery of the Audit Plan are vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mainly mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan.

11.2. There are no implications for sustainability in terms of the information contained in this report.

## **12. Equality Impact Assessment and Consultation Arrangements**

12.1. There is no requirement to equality assess the contents of this report.

12.2. Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director Finance and Corporate Resources**

24 October 2018

## **Link(s) to Council Objectives/Ambitions /Values**

- Achieve results through leadership, good governance and organisational effectiveness

## **Previous References**

- ◆ Internal Audit Plan 2018/2019 – Risk and Audit Scrutiny Forum 21 March 2018
- ◆ Internal Audit Activity as at 18 May 2018 – Risk and Audit Scrutiny Forum 13 June 2018
- ◆ Internal Audit Activity as at 29 August 2018 – Risk and Audit Scrutiny Committee 18 September 2018
- ◆ The National Fraud Initiative 2016 – Risk and Audit Scrutiny Committee 18 September 2018

## **List of Background Papers**

- ◆ Figtree extracts of Action Plans

## **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Douglas, Audit and Compliance Manager

Ext: 2618

(Tel: 01698 452618)

E-mail: [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

**Key audit performance indicators as at 30 September 2018**  
**One**

**Appendix**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	15/22	68%	80%	Most assignments delivered outwith budget were marginally over budget. One assignment related to advice and guidance and participation in an internal working group where more days were required than was originally anticipated.
Draft reports delivered within 6 weeks of file review	8/10	80%	80%	
2018/2019 Audit Plan completed to draft by 31 March 2019	6/58	10%	100%	Approximately 75% of 2018/2019 Audit Plan has been started and plans are in place to deliver this programme of work by 31 March 2019.
Internal Audit recommendations delivered on time	55/62	89%	90%	Updates have been provided in relation to outstanding actions and all of these are being progressed with revised implementation dates between December 2018 and March 2019. Actions will be formally followed up in line with Internal Audit procedures and findings reported to the Risk and Audit Scrutiny Committee in line with standard reporting protocols.
Client to agree findings and actions within 4 weeks of draft issue	7/8	88%	80%	

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>Prior Year Assignments</b>				
I612111	Tenancy Fraud	30/03/2018	01/10/2018	See Appendix Three
I613112	Abandoned Properties	30/03/2018	01/10/2018	See Appendix Four

<b>2018/2019</b>				
<b>Internal Audit – Other Output</b>				
I350067	Governance Statement for 2017/18	13/06/2018	18/09/2018	Attended as required, researched, prepared written advice where necessary, completed actions.

<b>2018/2019</b>				
<b>External Clients</b>				
I918075	SLLC Annual Report 2017/18	20/08/2018	05/09/2018	Reported to SLLC
I931087	SEEMIS Annual Report 2017/18	20/09/2018	20/09/2018	Reported to SEEMIS
I913070	SLLC Facility Audit	20/06/2018	01/10/2018	Reported to SLLC
I933081	SEEMIS Information Security	04/07/2018	01/10/2018	Reported to SEEMIS
I943082	IJB Strategic Planning and Commissioning	23/05/2018	02/10/2018	Reported to IJB

**Objective**

The objective of this audit was to obtain assurance that Council properties are recorded on both the Rent and the Council Tax systems and confirm that there are no indicators of unauthorised sub-letting or succession of Council properties.

**Key Summary**

Overall, there is an adequate level of assurance regarding the match between the Council House records and the Council Tax system. Manual review was required to match the extracted data sets due to the differences in syntax and spelling of names and addresses present in both systems. There is a small inherent risk that the absence of consistency across Council systems could undermine the accuracy of the data held. The need for manual review was required given that there is no common referencing key between systems. It was noted that the Client is looking to implement a replacement to the legacy Academy system in the medium term.

The succession of Council House tenancies was also examined and tenancies were identified where a tenant had been flagged as deceased during the annual National Fraud Initiative exercise. There was good assurance that there were no indicators that a tenancy had been fraudulently succeeded, however, due to mismatches, timing differences and the inherent risks relating to consistency of data between systems, manual intervention and checking was required to obtain a level of assurance over the succession process.

The Client was consulted in respect of the mismatches identified and undertook to instruct Area Housing Offices to update tenancy records, where appropriate, for name and/or family composition changes.

**Identification of Key Findings**

- Manual review was required to obtain an acceptable match between systems.
- There was no evidence of illegal subletting.
- There was no evidence of fraudulent succession of tenancies.
- Established procedures in place to ensure applications for sublets and successions are processed timeously and to mitigate the risk of fraudulent or illegal applications.

**Areas for Improvement**

- Review and refresh of tenancies records in advance of new system implementation.
- Implementation and utilisation of common references to fit with the wider agenda for data matching and sharing where possible.

**Objective**

The objective of the audit was to obtain assurance that abandoned properties within the Council are identified timeously and that adequate steps are taken to recover outstanding rents and the cost of repairs to the abandoned properties, where required. There are adequate procedures in place to ensure that the debts of former tenants of abandoned properties are cleared before a further Council property is allocated and there are adequate procedures in place to identify and report where the abandoned property may have been used for illegal activities. All abandonments of secure tenancies are dealt with in accordance with Sections 17, 18, and 19 of the Housing (Scotland) Act 2001. A review was undertaken of the procedures which detail the process and the documentation that is completed in all cases of tenancy abandonment.

**Key Summary**

It was confirmed that the client has an established process to engage with tenants who have accrued rent arrears in order to mitigate the risk of continued non-payment and ultimately the abandonment of the tenancy. It was confirmed that efforts are made to timeously identify properties and tenancies at risk of abandonment and proactively engage to manage the situation. It is noted that, as well as increasing rent arrears, other indicators are used to identify 'at risk' tenancies, including whistleblowing, from neighbours and a lack of engagement from the tenant.

It was noted that there is a dedicated resource within the Service that works towards the recovery of rent arrears from former tenants. The recovery of accrued rent arrears and other debt can be problematic due to the tenancy having ended due to an abandonment and the personal circumstances of the individuals concerned. The Housing (Scotland) Act 1987 (as amended) sets out the statutory duty of local authorities when dealing with applications from people who are homeless or threatened with homelessness. Previous rent arrears can only be taken into consideration if the applicant is found to have made themselves intentionally homeless, in that they have lost their accommodation because of rent arrears which resulted from deliberate acts or omissions on the part of the applicant. It was confirmed that only a few of the former tenants were invoiced for property repairs and forced entries, and it was noted that these invoices remain unpaid.

It was noted that there were a few administrative gaps in the completeness and attestation of the local documentation in relation to the sampled abandonment cases.

Finally, it was confirmed that, although Housing Officers adopt a common sense approach to their inspections, it is considered that some refresh and expansion of the guidance regarding post abandonment inspections would be beneficial to the overall post abandonment inspection process. It was noted that, within the sample selected, there was no documentation of any suspicious circumstances during the post abandonment inspection of the selected properties.

Actions have been recommended that, if implemented, will address the identified gaps and augment the controls and processes in place.

**Identification of Key Findings**

- Service is proactive in engaging with tenants with rent arrears.
- Debt collection remains problematic given the lack of former tenant traceability.

**Areas for Improvement**

- Documentation of abandonments to be fully completed in line with local procedures.
- Guidance to be redrafted/refreshed to assist in the identification of suspicious activities with Council properties.

**Good Practice**

- The Council ensures that all properties exceed the SQHS standard when let/re-let.
- Total abandonments are less than 1% of total Council tenancies.



## Self-Appraisal Checklist

## Appendix Five

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
<b>Leadership, commitment and communication</b>			
1. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	Yes. South Lanarkshire Council has participated in NFI exercises since 2004. Support through Corporate Management Team and Risk and Audit Scrutiny Committee evidenced through allocation of employees across Resources to participate in exercise. Employees and Members are made aware of the exercise through intranet and internet notices and Personnel Circulars.	No further action	No further action
2. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	Yes. Included within the Anti-Fraud and Corruption Strategy as a method of Fraud Detection.	No further action	No further action
3. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes. Consideration has been given to this in the past and is being re-considered in 2018/19.	Yes, further use of NFI data-matching services to be considered.	Yvonne Douglas, Audit and Compliance Manager – 31 March 2019
4. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Yes. Included in six-monthly Fraud Statistics reports to the Risk and Audit Scrutiny Committee and outcomes where relevant.	No further action	No further action

5. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	All data sets are submitted to allow matches to be carried out and a decision then taken on the proportion of investigations to be undertaken. The target number of investigations agreed is risk-assessed based on the results of previous NFI exercises, the control environment and existing ongoing reviews in the area. Where other fraud detection arrangements are in place these continue and are reviewed in conjunction with NFI data.	No further action	No further action
6. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes. Internal Audit co-ordinate, monitor and report on NFI exercises.	No further action	No further action
7. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes. Internal Audit follow up results to establish the reason for the fraud or error and to confirm corrective action has been taken where required. Internal Audit also consider whether a review in this area is required and identify high risks areas for inclusion within the annual Internal Audit Plan.	No further action	No further action
8. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	Yes. Reports on NFI outcomes and fraud statistics are presented to the Risk and Audit Scrutiny Committee. Reports to this Committee are public documents.	No further action	No further action

# Report

**4**

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>14 November 2018</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>2017/2018 Year End Risk Management Report</b>
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## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ♦ provide an update on progress with risk management activity undertaken during 2017/2018

## **2. Recommendation(s)**

2.1. Committee is asked to approve the following recommendation(s):-

- (1) that the progress made by Resources in complying with the requirements of the Risk Management Strategy is noted
- (2) that the progress being made in delivering actions to mitigate top Council risks is noted

## **3. Background**

3.1. The Council has in place a Risk Management Strategy, which details the approach to identifying, managing and mitigating risks faced by the Council. In line with best practice, the Strategy also outlines a number of risk management requirements that Resources are expected to meet.

3.2. The Council has in place a top risk register and a top risk control plan. The Council's top risks are reviewed on an annual basis. The aims of the actions contained within the top risk control plan are to mitigate the risks and to strengthen existing control measures.

## **4. Resource Compliance with the Risk Management Strategy**

4.1. Risk Sponsors are required, on an annual basis, to assess their Resource's compliance with the Risk Management Strategy and provide supporting evidence. The information for 2017/2018 is summarised in the end of year compliance statement which is attached at Appendix One.

4.2. Appendix One shows that Resources continue to demonstrate full compliance with the Strategy, having scored 42 out of 42.

4.3. It is important that the current level of compliance is maintained to demonstrate effective risk management which contributes to robust service planning and improved decision making.

**5. Progress Made in Delivering Actions to Control the Council's Top Risks**

- 5.1. On a quarterly basis, performance in completing actions on the Council's top risk control plan is reported through IMPROVe. As at 31 March 2018, the percentage of actions completed was 100 per cent against an overall target of 80 per cent.
- 5.2. Table One below shows the overall status as at 31 March 2018 for all actions relating to the Council's top risk register.

**Table One – Completion of top risk control actions**

Action Status	Number of actions	Percentage of actions
Complete	10	100%
Outstanding (completion due by 31 March 2018)	0	0%
Total	10	100%

- 5.3. Thirteen actions in the 2017/2018 risk control plan have target dates in the future, therefore, they are not included in the table above. These actions will form the basis of the 2018/2019 top risk control plan.
- 5.4. New actions identified during this year's review will also be included within the 2018/2019 top risk control plan.
- 5.5. The findings of the Council's top risk review will be reported to Committee in February 2019.

**6. Employee Implications**

- 6.1. The Central Risk Management team takes a corporate lead for strategic risk management arrangements and each Resource has a Risk Sponsor who is responsible for developing, challenging and supporting risk management activity at Corporate and Resource levels. Risk Management personnel, Risk Sponsors and other officers, as appropriate, dedicate time to ensure risk management is embedded within Resources.

**7. Financial Implications**

- 7.1. There are no direct financial implications associated with this report.

**8. Other Implications**

- 8.1. Failure to implement risk management requirements within Resources and partnerships will impact on the Council's ability to comply with best practice guidance. The work of the Cross Resource Risk Sponsors Group and Resource Risk Groups mitigates against this risk.
- 8.2. There are no implications for sustainability in terms of the information contained in this report.

**9. Equality Impact Assessment and Consultation Arrangements**

- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 9.2. Resource Risk Sponsors were consulted on all items contained within this report.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

2 October 2018

**Link(s) to Council Values/Ambitions/Objectives**

- ◆ Values: Accountable, effective, efficient and transparent

**Previous References**

- ◆ None

**List of Background Papers**

- ◆ None

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## Appendix One

### 2017/2018 Compliance with Risk Management strategic requirements

#### Key

Score 3= Up to date and in line with requirement

Score 2= Work in progress

Score 1= Needs addressed

Requirement from Risk Management strategy	Community and Enterprise Resources	Education Resources	Finance and Corporate Resources	Housing and Technical Resources	Social Work Resources
Risk registers are updated on an annual basis	3	3	3	3	3
Delivery of Resource risk control actions and control actions for top risks lead by the Resource are progressed.	3	3	3	3	3
The risk register and risk control plan are approved annually by the Resource Management Team	3	3	3	3	3
The risk register is presented for noting; and assurance of delivery of actions is given to the Resource Committee on an annual basis.	3	3	3	3	3
Information held on Figtree reflects the latest Resource Risk Register and Risk Control Plan	3	3	3	3	3
The Council's agreed risk profile and risk tolerance level is adopted.	3	3	3	3	3
Risk evaluations are undertaken prior to the commencement of major projects, partnerships and organisational changes	3	3	3	3	3
Formal risk sharing agreements for major partnerships and contracts are in place	3	3	3	3	3
Major decisions are transparent and clearly show the following key elements: <ul style="list-style-type: none"> <li>• Full cost over life of proposal;</li> <li>• Funding source;</li> <li>• Savings or efficiencies;</li> <li>• Other benefits;</li> <li>• Associated risks and how they will be managed.</li> </ul>	3	3	3	3	3
Elected members are kept informed of risks by using the "Other Implications" section of the Committee report template. This section should include: <ul style="list-style-type: none"> <li>• The risks involved with the report's recommendations;</li> <li>• The potential positive and negative consequences;</li> <li>• How these risks are currently being managed (existing controls) or how they will be managed going forward (additional actions);</li> <li>• Link to risks on the Council's top risk register.</li> </ul>	3	3	3	3	3
Assurance is gained from contractors and sub-contractors, in line with procurement processes, of their adoption of recommended risk management practices, particularly that adequate insurance cover, safe health and safety practices, and equalities, sustainable development, business continuity and scrutiny procedures are in place.	3	3	3	3	3
Regular Resource Risk Management Group meetings (or alternative where risk management is a standing agenda item).	3	3	3	3	3
Liaison with Service Planners to ensure that risks associated with Council and Resource plans are identified and assessed; and that appropriate plans are put in place to manage these risks.	3	3	3	3	3
Management of insurance hotspots and required mitigating actions	3	3	3	3	3
<b>Total</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>
<b>Percentage compliance</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# Report

**5**

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **14 November 2018**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **2017/2018 Year End Insured Risks Report**

## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ♦ highlight trends, on an annual basis, for insurance claims against the Council.

## **2. Recommendation(s)**

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Insured Risks Report for year ended 31 March 2018 is noted
- (2) that progress made in implementing actions to mitigate insurance hotspots is noted

## **3. Background**

- 3.1. The Council has in place insurance policies for employers' liability, public liability, motor, property and other miscellaneous risks.
- 3.2. The Council's employers' liability policy covers employee injury, disease and death, where the Council is deemed to be negligent.
- 3.3. The public liability policy covers the Council's legal liability to pay claims for death, injury and disease to third parties, as well as third party property damage, where the Council is found to be responsible for such losses.
- 3.4. Motor insurance provides comprehensive cover for all Council vehicles and injuries resulting from motor incidents.
- 3.5. The property insurance policy covers damage/loss to Council buildings and assets.

## **4. Overview and Analysis of Data**

- 4.1. Claims which fall under the main policies are handled by the Council's Risk Management section and external claims handlers, Gallagher Bassett. The number and cost of these claims form the basis of this report and compares like years.
- 4.2. Claims will continue to be intimated beyond the financial year end, with numbers increasing by approximately 20 per cent on average. Up to date annual comparisons for the last five years are included at Appendix One. The comparison shows an increase in the last year.
- 4.3. In addition, to allow comparison of the position as at the year end for the last two years, Appendix Two compares the claim numbers and costs for incidents reported in

2016/2017 as at 31 March 2017 against incidents reported in 2017/2018, as at 31 March 2018. In effect, this compares the equivalent position and removes the impact of late claims notification for both years.

## **5. Insurance – Total Losses Reported as at 31 March Each Year**

- 5.1. Based on the comparisons in Appendix Two, the overall number of claims received to date for incidents occurring during 2017/2018 is 1,252. This is an increase of 251 claims (25 per cent) on the numbers reported last year for 2016/2017.
- 5.2. The number of claims received for 2017/2018 are in line with the average for the last five years (1,240).
- 5.3. The total estimated cost of claims for 2017/2018 is £1.963million. At the same time last year, estimated claims costs for 2016/2017 was £1.662m. This is an increase of £0.301m (18 per cent).
- 5.4. The estimated cost of claims for 2017/2018 is below the average for the last five years (£2.228m)
- 5.5. When comparing the last two years, the number and cost has increased for liability and property claims. The number of claims received has reduced for motor claims, however, the cost of motor claims has increased.

## **6. Claim Highlights**

- 6.1. A summary of claim highlights for the year and details of positive risk management activity aimed at reducing the number and cost of claims intimated are noted below.
- 6.2. The severe winter weather, including the 'Beast from the East' caused significant damage to the Council's road network and this contributed to an increase in the number of public liability claims intimated, compared to the previous year.
- 6.3. The Driver Safety Group set a target of a five per cent reduction in the number of "at fault" motor incidents, when compared to the average for the three previous years.
- 6.4. The number of "at fault" incidents per vehicle for 2017/2018 was the same as 2016/2017 at 0.11 per vehicle. This is a 15 per cent improvement on the average for the previous three years, at 0.13 incidents per vehicle. The target of a five per cent improvement has, therefore, been exceeded.
- 6.5. Initiatives to further mitigate occupational road risk are being progressed, including development of updated road risk guidance, training and fact finding/incident investigation.
- 6.6. A number of actions are being progressed in respect of the winter weather slips risk. This includes preparation of a winter weather guidance note which will cover training, footwear, gritting arrangements and updating risk assessments/safe systems of work. An information sheet for employees has been subject to consultation and will be included within the new guidance.
- 6.7. Work is also ongoing within Resources to mitigate against violent incidents including updating safe systems of work/risk assessments, training and purchase of body cams.
- 6.8. A total of 38 claims for council house fires were intimated during 2017/2018. This is an increase of 14, when compared to the previous year.
- 6.9. The majority of fire claims intimated are for wilful fire raising (15 during 2017/2018).



- 6.10. As reported previously to the Risk and Audit Scrutiny Forum, a number of initiatives have been implemented aimed at reducing fires in council properties. It may take time for the benefits of some of these measures to come to fruition.

## **7. Risk Management Fund**

- 7.1. A central fund is held by Risk Management to assist Resources in funding for specific risk management initiatives. A bidding process is in place for the limited funds. All bids are considered on their individual merits against set criteria.
- 7.2. Examples of successful bids over the last 12 months, and the resultant positive effects of these measures are detailed in Table One below.

**Table One – Successful risk management fund bids**

<b>Initiative implemented</b>	<b>Contribution from Risk Management fund</b>	<b>Details/Positive effect</b>
Security Upgrade - Auchentibber	£20,000	<p>There had been a number of incidents of vandalism, break-in and thefts at this location.</p> <p>Upgrades to security have seen the levels of criminality reduce.</p>
Security Upgrade - Phase One Schools	£20,000	<p>Phase One schools security measures were designed prior to the Council adopting the principles of Secured by Design. As such, measures were less robust than the later schools.</p> <p>The upgraded security measures implemented at these early schools should help the Council to maintain the low level of criminality seen within education establishments and the associated current low number and cost of claims.</p> <p>The security measures implemented in post Phase One schools have been proven to be effective with the cost of criminality reducing significantly. The upgrades required at Phase One schools will supplement the good work that has been undertaken.</p> <p>When this project is completed it will ensure that high security standards are consistent across the full estate.</p>
Security Upgrade - Door Entry Systems	£22,500	<p>Anti-social behaviour has been witnessed within various communities.</p> <p>By installing metal screens and doors along with door entry systems this has alleviated the issue by preventing access to the common close areas.</p> <p>The installation of these security measures also reduces the ongoing costs faced by the council to rectify the damage caused by unwanted visitors and damage to the Council's reputation.</p>

Initiative implemented	Contribution from Risk Management fund	Details/Positive effect
Fly-tipping - CCTV	£5,000	<p>There is the potential for items that have been fly-tipped to be set on fire and cause greater damage to council property and its surroundings. It is also an eye-sore in communities.</p> <p>There is an associated financial cost with the removal of these items.</p> <p>This initiative allowed a moveable CCTV camera to be positioned in known hot spot fly tipping areas to identify perpetrators and to take the appropriate action, which includes fixed penalty notices or prosecutions.</p> <p>Householders in the hot spot areas were also sent leaflets on the correct disposal methods for waste and bulk uplifts.</p> <p>Following the introduction of the CCTV, along with the other Common Sense initiatives, Housing and Technical Resources costs have fallen by £57,000.</p>

- 7.3. Resources are encouraged to implement spend to save initiatives where potential savings are likely to outweigh initial outlay costs.

## **8. Insurance Hotspots**

- 8.1. A review of all claims that were intimated to the Council for incidents that occurred during the period 1 April 2014 to 31 December 2016 was undertaken previously. The review identified claims trends for this period and highlighted new emerging areas of risk.
- 8.2. Forty one actions to mitigate the identified hotspot areas were agreed. To date, 26 actions have been successfully implemented. Work to complete the outstanding actions will be progressed.

## **9. Employee Implications**

- 9.1. Time and effort will continue to be required by Resource personnel to implement initiatives to mitigate insurance hotspots.

## **10. Financial Implications**

- 10.1. Claims received to date, for incidents which occurred during 2017/2018, are estimated to cost £1.963m. It is reasonable to expect this value to increase due to incidents that have taken place but for which claims have not yet been received.
- 10.2. All claims costs and estimates for 2017/2018 are currently within uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2017/2018, it is forecast that the current estimated cost of claims at £1.963m will require to be met from the Council's self-insurance fund.
- 10.3. During 2017/2018, a total of £1.746m was paid out by the Council on all claims, irrespective of their incident date. For claims which occurred between 1 April 2017

and 31 March 2018, £0.668m was paid out by the Council. These costs include claims payments and other associated costs.

- 10.4. The total cost of loss for 2017/2018 was £3.6m. This covers claims costs, insurance premiums and other costs for contracted insurance services. For 2016/2017, the total cost of loss was the same, at £3.6m.
- 10.5. As at 31 March 2018, the balance in the insurance fund was £4.517m, with current contributions from Resources at £2.672m per annum.
- 10.6. The balance in the insurance fund will require to be monitored to ensure adequate funds are available to meet known liabilities.

## **11. Other Implications**

- 11.1. The cost of insurance claims and premiums is linked to the Council top risk 'Reduction in Council funding, resulting in difficulties maintaining front line services'.
- 11.2. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self-insurance costs and insurance premiums. This risk is mitigated through the insurance hotspots action plan and other risk management initiatives implemented by Resources or through the risk management bidding process.
- 11.3. There are no implications for sustainability in terms of the information contained in this report.

## **12. Equality Impact Assessment and Consultation Arrangements**

- 12.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 12.2. Copies of this report have been passed to the Resource Risk Sponsors.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

5 October 2018

### **Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent

### **Previous References**

- ◆ Report to the Risk and Audit Scrutiny Forum – 2016/2017 Year End Insured Risks - 1 November 2017

### **List of Background Papers**

- ◆ None

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## Appendix One

Full year claims numbers and values by Resource as at 31 March 2018

### All claim types

Number of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	754	694	763	522	719
Education	37	42	44	32	30
Finance and Corporate	1	1	3	5	3
Housing and Technical	699	620	482	473	436
Social Work	97	104	76	83	64
<b>Total</b>	<b>1,588</b>	<b>1,461</b>	<b>1,368</b>	<b>1,115</b>	<b>1,252</b>
<b>Reported at individual year end</b>	<b>1,449</b>	<b>1,241</b>	<b>1,257</b>	<b>1,001</b>	<b>1,252</b>

Cost of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	£1,333,974	£1,154,258	£745,322	£732,932	£1,002,537
Education	£82,827	£39,413	£161,187	£130,837	£119,036
Finance and Corporate	0	£101	£1,993	£445	£5,803
Housing and Technical	£1,251,341	£1,109,300	£1,005,220	£484,244	£745,413
Social Work	£241,464	£134,569	£91,949	£108,709	£89,849
<b>Total</b>	<b>£2,909,606</b>	<b>£2,437,641</b>	<b>£2,005,671</b>	<b>£1,457,167</b>	<b>£1,962,638</b>
<b>Reported at individual year end</b>	<b>£2,795,303</b>	<b>£2,344,876</b>	<b>£2,374,025</b>	<b>£1,662,025</b>	<b>£1,962,638</b>

### Public Liability Claims

Number of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	452	392	422	258	430
Education	8	15	13	7	12
Finance and Corporate	0	1	0	0	1
Housing and Technical	469	381	277	235	213
Social Work	8	7	6	4	3
<b>Total</b>	<b>937</b>	<b>796</b>	<b>718</b>	<b>504</b>	<b>659</b>

Cost of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	£902,216	£602,168	£265,610	£418,878	£496,138
Education	£22,976	£18,196	£42,015	£3,157	£58,177
Finance and Corporate	£0	£101	£0	£0	£1,428
Housing and Technical	£432,215	£307,365	£124,130	£165,109	£321,265
Social Work	£158,490	£2,769	£0	£386	£5,753
<b>Total</b>	<b>£1,515,897</b>	<b>£930,599</b>	<b>£431,755</b>	<b>£587,530</b>	<b>£882,761</b>

**Motor**

## Number of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	244	257	283	226	237
Education	13	9	18	9	4
Finance and Corporate	1	0	3	4	1
Housing and Technical	167	184	149	193	166
Social Work	71	86	66	73	56
<b>Total</b>	<b>496</b>	<b>536</b>	<b>519</b>	<b>505</b>	<b>464</b>

## Cost of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	£204,413	£317,562	£284,711	£221,305	£376,003
Education	£13,601	£2,344	£15,982	£10,022	£5,349
Finance and Corporate	£0	£0	£1,993	£445	£100
Housing and Technical	£94,480	£75,701	£172,918	£143,470	£175,447
Social Work	£36,347	£78,157	£66,247	£85,086	£58,014
<b>Total</b>	<b>£348,841</b>	<b>£473,764</b>	<b>£541,852</b>	<b>£460,327</b>	<b>£614,913</b>

**Employer's Liability Claims**

## Number of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	13	20	20	10	9
Education	3	3	4	6	5
Finance and Corporate	0	0	0	0	1
Housing and Technical	1	10	3	4	1
Social Work	8	4	2	4	3
<b>Total</b>	<b>25</b>	<b>37</b>	<b>29</b>	<b>24</b>	<b>19</b>

## Cost of claims

Resource	2013/14	2014/15	2015/16	2016/17	2017/18
Community and Enterprise	£107,520	£199,042	£137,352	£79,452	£82,105
Education	£15,541	£16,932	£75,154	£65,271	£35,035
Finance and Corporate	£0	£0	£0	£0	£4,275
Housing and Technical	£4,709	£94,670	£86,266	£38,152	£30,000
Social Work	£46,137	£51,245	£12,920	£14,923	£19,082
<b>Total</b>	<b>£173,907</b>	<b>£361,889</b>	<b>£311,692</b>	<b>£197,798</b>	<b>£170,497</b>

**Property**

## Number of claims

<b>Resource</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Community and Enterprise	45	25	38	28	43
Education	13	15	9	10	9
Finance and Corporate	0	0	0	1	0
Housing and Technical	62	45	53	41	56
Social Work	10	7	2	2	2
<b>Total</b>	<b>130</b>	<b>92</b>	<b>102</b>	<b>82</b>	<b>110</b>

## Cost of claims

<b>Resource</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Community and Enterprise	£119,825	£35,486	£57,649	£13,297	£48,291
Education	£30,709	£1,941	£28,036	£52,387	£20,475
Finance and Corporate	0	0	0	0	0
Housing and Technical	£719,937	£631,564	£621,906	£137,513	£218,701
Social Work	£490	£2,398	£12,782	£8,314	£7,000
<b>Total</b>	<b>£870,961</b>	<b>£671,389</b>	<b>£720,373</b>	<b>£211,511</b>	<b>£294,467</b>

## Appendix Two

Comparison of claims costs and numbers for claims occurring during the last two years as at their respective year ends

### All claim types

Number of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	453	719	266	58.7%
Education	27	30	3	11.1%
Finance and Corporate	5	3	-2	-40%
Housing and Technical	436	436	0	0%
Social Work	80	64	-16	-20%
<b>Total</b>	<b>1,001</b>	<b>1252</b>	<b>251</b>	<b>25.1%</b>

Cost of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	£779,968	£1,002,537	£222,569	28.5%
Education	£158,444	£119,036	£-39,408	-24.8%
Finance and Corporate	£16,766	£5,803	£-10,963	-65.4%
Housing and Technical	£566,577	£745,413	£178,836	31.6%
Social Work	£140,272	£89,849	£-50,423	-35.9%
<b>Total</b>	<b>£1,662,027</b>	<b>£1,962,638</b>	<b>£300,611</b>	<b>18.1%</b>

### Public liability

Number of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	198	430	232	117%
Education	7	12	5	71%
Finance and Corporate	0	1	1	100%
Housing and Technical	204	213	9	4%
Social Work	4	3	-1	-25%
<b>Total</b>	<b>413</b>	<b>659</b>	<b>246</b>	<b>60%</b>

#### Cost of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	£478,502	£496,138	£17,636	4%
Education	£39,027	£58,177	£19,150	49.1%
Finance and Corporate	£0	£1,428	£1,428	1428%
Housing and Technical	£218,929	£321,265	£102,336	47%
Social Work	£266	£5,753	£5,487	2063%
<b>Total</b>	<b>£736,724</b>	<b>£882,761</b>	<b>£146,037</b>	<b>20%</b>

#### Employer's liability

##### Number of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	5	9	4	80%
Education	2	5	3	150%
Finance and Corporate	0	1	1	100%
Housing and Technical	1	1	0	0%
Social Work	3	3	0	0%
<b>Total</b>	<b>11</b>	<b>19</b>	<b>8</b>	<b>72.7%</b>

#### Cost of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	£42,977	£82,105	£39,128	91%
Education	£28,984	£35,035	£6,051	20.9%
Finance and Corporate	£0	£4,275	£4,275	4275%
Housing and Technical	£8,439	£30,000	£21,561	255.5%
Social Work	£17,500	£19,082	£1,582	9%
<b>Total</b>	<b>£97,900</b>	<b>£170,497</b>	<b>£72,597</b>	<b>74.2%</b>

#### Motor

##### Number of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	224	237	13	6%
Education	9	4	-5	-56%
Finance and Corporate	4	1	-3	-75%
Housing and Technical	192	166	-26	-14%
Social Work	71	56	-15	-21%
<b>Total</b>	<b>500</b>	<b>464</b>	<b>-36</b>	<b>-7%</b>



Cost of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	£235,256	£376,003	£140,747	60%
Education	£12,001	£5,349	-£6,652	-55%
Finance and Corporate	£6,266	£100	-£6,166	-98%
Housing and Technical	£185,524	£175,447	-£10,077	-5%
Social Work	£111,006	£58,014	-£52,992	-48%
<b>Total</b>	<b>£550,052</b>	<b>£614,913</b>	<b>-£64,861</b>	<b>12%</b>

**Property**

Number of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	26	43	17	65.3%
Education	9	9	0	0%
Finance and Corporate	1	0	-1	-100%
Housing and Technical	39	56	17	43.6%
Social Work	2	2	0	0%
<b>Total</b>	<b>77</b>	<b>110</b>	<b>33</b>	<b>42.9%</b>

Cost of claims

Resource	2016/17 as at 31 March 2017	2017/18 as at 31 March 2018	Difference	Difference Percentage
Community and Enterprise	£23,233	£48,291	£25,058	107.9%
Education	£78,432	£20,475	-£57,957	-73.9%
Finance and Corporate	£10,500	£0	-£10,500	-100%
Housing and Technical	£153,685	£218,701	£65,016	42.3%
Social Work	£11,500	£7,000	-£4,500	-39.1%
<b>Total</b>	<b>£277,350</b>	<b>£294,467</b>	<b>£20,117</b>	<b>7.3%</b>



# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>14 November 2018</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Audit Scotland Report: Challenges and Performance 2018</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the Committee with a summary of the information contained within the Audit Scotland Report 'Challenges and Performance 2018' published in April 2018.

## 2. Recommendation(s)

2.1. The Committee is asked to note the following recommendation(s):-

- (1) that the key messages and recommendations are noted;

## 3. Background

3.1. In April 2018, Audit Scotland published the above report on behalf of the Accounts Commission. This 'overview' report is prepared each year and covers key areas of current and future activity relative to local government and an opinion on how these are, or should be, managed. The document complements the Commission's *Local Government in Scotland: Financial Overview* report, published in November 2017.

3.2. The Accounts Commission regards these two reports as providing an overall statement of the state of the local government sector, including the key issues as they see it. They also inform the work of auditors preparing annual reports on councils, as well as the teams undertaking Best Value Assurance Review work on selected councils.

3.3. This report provides a summary of the challenges and performance document.

## 4. Key messages

4.1. The Audit Scotland report is divided into 3 parts, namely:

- Part 1: The challenges for councils
- Part 2: Councils' response to the challenges
- Part 3: The impact on council services

4.2. There are a number of key messages noted within the report:-

- ◆ Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These

events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.

- ◆ Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.
- ◆ Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.
- ◆ While councils have done a considerable amount to manage the impact of continued budget reductions, and have maintained or improved performance in a number of areas, there is some evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

4.3. On the **challenges** facing councils, the report highlights the following:-

- ◆ Councils are operating in a complex, changing and increasingly uncertain environment. The sector faces potentially significant change from the UK's decision to leave the European Union. The review of local governance announced by the Scottish Government and COSLA may have a significant impact on councils.
- ◆ Council revenue funding from the Scottish Government has fallen in real terms by 9.6 per cent between 2010/11 and 2018/19. This has presented councils with a major challenge in delivering services and making savings. However, some national policies and ongoing spending commitments, such as pension and debt costs, mean there are limitations on where councils can make savings. Education and social care services are taking up a growing proportion of council spend.
- ◆ Scotland's population is getting older, leading to increased demand for social care services and fewer working age people to fund public services. Under current arrangements, some councils can expect to see Scottish Government funding fall further than others as their total population declines, while their older population grows and demand for services increases.
- ◆ New legislation involves councils developing fresh approaches to community empowerment. There are some examples of good work taking place, however councils are, in the main, still at the early stages of realising the ambitions of the Community Empowerment Act. In 2016, only 23 per cent of adults agreed that they can influence decisions affecting their local area.

4.4. Turning to the way in which councils are **responding** to the challenges, the key messages are:

- ◆ Councils are increasingly using their reserves. Long-term financial planning is not easy but is vital in helping councils deliver sustainable services.
- ◆ Reducing staff numbers has been one of the main ways councils have reduced their spending. Given the changes in workforce to date and the expected new demands on councils, robust workforce planning is essential to ensure councils have the right people, who have the right training and skills, to deliver their priorities.

- ◆ Achieving transformational change is increasingly vital to councils as they respond to reductions in funding. Councils need to ensure they have effectively planned and invested to deliver their transformational programmes and that staff have the necessary skills. Cohesive and decisive leadership is essential to address the significant challenges councils face.

4.5. The report contains several recommendations for councils. These are listed below, together with an assessment of the position in South Lanarkshire Council:

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<b>Looking to the future:</b>	
<ul style="list-style-type: none"> <li>continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes</li> </ul>	<ul style="list-style-type: none"> <li>The Council developed its new strategic plan for the period 2017-2022 following a thorough review and analysis of PESTLE factors impacting on the work of the council. A mid-term review of the Council Plan will refresh this analysis to ensure the Plan remains responsive to the environment in which the Council operates.</li> <li>Annual Resource Plans contain detailed information on how Resources understand the landscape in which they operate. This includes demographics, policy and legislative changes, as well as social, economic and technological drivers of change.</li> </ul>
<ul style="list-style-type: none"> <li>using this information to inform council priorities</li> </ul>	<ul style="list-style-type: none"> <li>The Council's investment decisions reflect its priorities and its understanding of current and future pressures, with additional support being provided for social care, education, roads and housing.</li> </ul>
<ul style="list-style-type: none"> <li>developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users</li> </ul>	<ul style="list-style-type: none"> <li>The Council has approved a medium / long term financial plan, covering 10 years from 2019/20. The strategy covers the short and medium term requirements and sets out the council's assumptions in terms of commitments, grant funding and efficiency requirements. With only one year notification of grant funding, there are inherent difficulties in planning longer term with any certainty.</li> </ul>
<ul style="list-style-type: none"> <li>considering how to make the most of new technology, for example streamlining processes and communicating differently with service users</li> </ul>	<ul style="list-style-type: none"> <li>The Council has a Digital IT Strategy for the period 2017-2020 which addresses the need to make the most of new technology for delivering services and communicating with service users.</li> </ul>

<p>Councils should ensure they are continuously improving their work in key areas by:</p>	<p>SLC position</p>
<p><b>Working with communities - so that they are actively involved in decision-making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment</b></p>	<ul style="list-style-type: none"> <li>• The South Lanarkshire approach to community participation and empowerment is underpinned by the principles contained within the national standards for community participation and engagement.</li> <li>• A report to the Executive Committee on 27 June 2018 set out a new approach to community participation and engagement.</li> <li>• Communities have a wide range of opportunities to be consulted on council priorities, including on the Council Plan, the budget consultation process, and consultation on the Community Plan.</li> <li>• There was full consultation in the development of the LOIP, which articulates an agreed shared vision and an Overarching Objective to tackle poverty, inequality and deprivation.</li> <li>• The CPP is piloting a Locality planning approach – called Neighbourhood Planning in 3 of the most deprived areas of South Lanarkshire. This has involved a door to door and online survey of local residents to identify priorities and the establishment of joint resident and officer workstreams to progress issues further and pave the way for Neighbourhood Plans early in the New Year. Community engagement and capacity building on Neighbourhood Planning is being delivered by two third sector organisations - Community Links and Healthy n Happy Community Development Trusts.</li> <li>• Over 1,200 households took part in the Our Place, Our Plan survey mainly via door step dialogues, with others with the necessary skills and access engaging online. This represented around 15% of all households.</li> <li>• The Council is developing an approach to delivering on the requirements around participatory budgeting to ensure that the target spend that is subject to the Participatory Budgeting and community choice are met by 2020.</li> </ul>

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<b>Focusing on the delivery of priority outcomes through:</b>	
<ul style="list-style-type: none"> <li>• working with communities to understand their needs</li> </ul>	<ul style="list-style-type: none"> <li>• As noted above.</li> </ul>
<ul style="list-style-type: none"> <li>• establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities</li> <li>• clearly linking budgets to plans and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• A full induction training programme to introduce Elected Members to both the role and objectives of the Council and their role and responsibilities as elected members both within the Council and in any outside bodies to which they have been appointed by the Council was delivered following the election in May 2017 until the end of the financial year.</li> <li>• A training needs analysis has been conducted by Learning and Development to inform the elected members' training plan for 2018-19. Training sessions delivered or planned so far for 2018 include Personal Safety, Data Protection, Governance, Best Value, Longer Term Financial Strategy, The Role and Powers of the Integration Joint Board, Community Participation and Engagement.</li> <li>• Members' Awareness sessions are held to allow members to understand the issues, and to assist them to take fully informed decisions.</li> <li>• Monthly meetings of Leaders of the political groups in the Council are held to discuss relevant issues.</li> <li>• As noted above, the council has a Budget Strategy and a longer term outlook covering 10 years. The strategy covers the short and medium term requirements and sets out the Council's assumptions in terms of commitments, grant funding and efficiency requirements.</li> <li>• The Council recently approved the Council Plan for the period 2017-2022. The actions and measures associated with achieving the Objectives of the Council Plan are linked to the budget planning process, our workforce planning and also to the arrangements for performance management and public performance reporting. Taken as a whole, these arrangements ensure that we resource the Council Plan, manage its delivery and report our progress transparently and effectively.</li> </ul>

Councils should ensure they are continuously improving their work in key areas by:	SLC position
	<ul style="list-style-type: none"> <li>• Through the financial strategy, the Council can ensure that it sets a budget that aligns to the ambitions of its Council Plan. The Financial Strategy is a corporate plan which involves communication with senior officers of all Resources of the Council, uses horizon scanning, and ensures financial implications are considered.</li> <li>• The long term strategy approved on 15 August is an integral part of the Councils planning arrangements taking into account the councils aims and objectives, sitting alongside the Councils plans including Workforce Plan, Asset Management Plan, and the development of Local Outcome improvement Plans. The Council's approved capital and Treasury management plans also feed into the Financial Strategy.</li> <li>• The Financial Strategy covers the Councils use of reserves, which are held for specific purposes, including future budget pressures. A principle of the Finance Strategy is that we will consider the use of Reserves to support the council budget going forward.</li> </ul>
<b>Establishing robust change strategies and developing realistic plans for transforming services, which incorporate:</b>	
<ul style="list-style-type: none"> <li>• effective leadership and good governance arrangements</li> <li>• robust options appraisal</li> <li>• strong financial management</li> </ul>	<ul style="list-style-type: none"> <li>• On an ongoing basis, the Council examines options for change, service redesign and opportunities for efficiencies. Examples of change and transformation projects include: <ul style="list-style-type: none"> <li>◦ the Roads Review, which has strengthened governance, quality control and built additional</li> </ul> </li> </ul>



Councils should ensure they are continuously improving their work in key areas by:	SLC position
<ul style="list-style-type: none"> <li>properly scoped and resourced plans</li> </ul>	<p>capacity in key areas;</p> <ul style="list-style-type: none"> <li>the Property Review, which has cut property costs in excess of £2m per annum through reduction in rents and release of 9,200 square metres of office accommodation; and</li> <li>work with the Integration Joint Board to shift the balance of care enabling more people to be cared for at home or in homely settings.</li> </ul> <ul style="list-style-type: none"> <li>Impact assessments are carried out on reviews prior to implementation and impacts are monitored through ongoing performance management and reporting through Resource and service planning.</li> <li>Investment has been made in the 2018/19 budget in relation to Investment to support priorities. This included funding to provide additional teachers, classroom assistants, and expand Employability programmes for Early Years and Social Care.</li> </ul>
<b>Ensuring change strategies are supported by:</b>	
<ul style="list-style-type: none"> <li>realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities</li> </ul>	<ul style="list-style-type: none"> <li>As noted above.</li> </ul>

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<ul style="list-style-type: none"> <li>• effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services</li> </ul>	<ul style="list-style-type: none"> <li>• The Workforce Planning Strategy was approved at the Executive Committee of the Council on 13th April 2016.</li> <li>• The Workforce Plan is supported by a range of policies to support the change processes. In particular, to support instances where redeployment may be required as an outcome of workforce planning or efficiency process, the Council updated its Switch2 policy in March 2016. The policy has been adapted to more easily allow us to match employees' skills and knowledge to the other areas of the council.</li> <li>• The Council's workforce plan 2017 – 20 was approved at Executive Committee in March 2017 and Resource specific workforce plans are in place and will be updated annually to take account of changing circumstances</li> <li>• There is a workforce planning review cycle for Council wide and Resource workforce plans and the plans will be reviewed in 2019.</li> <li>• The annual review of the workforce plan will commence Autumn 2018 and workforce planning sessions will be held with Resources to inform any proposed changes</li> </ul>
<ul style="list-style-type: none"> <li>• income generation plans</li> </ul>	<ul style="list-style-type: none"> <li>• A Council wide charging policy is being prepared for members' consideration. Income and charges have featured as part of budget strategies over recent years. The charging policy takes into account the Audit Scotland guidance on charging.</li> </ul>

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<ul style="list-style-type: none"> <li>workforce and member support, training and development</li> </ul>	<ul style="list-style-type: none"> <li>The council has a comprehensive programme of learning and development which is reflected in each Resource Learning and Development Plan.</li> <li>The council is committed to building a workforce for the future, through our Foundation, Modern and Graduate Apprenticeship programmes.</li> <li>Councillors have access to Learn Online which provides a range of materials relevant to their role.</li> <li>Councillors are periodically asked if they have any specific training needs and the programme for 2018 includes training sessions on good governance, risk and audit, membership and role of ALEOs, and media training for Councillors with public roles.</li> <li>Briefing sessions are held on financial planning for the revenue budget and associated efficiencies. Briefings are held on other topics as required. As well as internal briefing sessions, members are given the opportunity to participate in the Improvement Service's Masterclasses.</li> <li>An induction programme, ongoing learning and development programme and access to Improvement Service training materials was made available to new and returning members following the Local Government Elections in May 2017.</li> <li>Finance services have delivered training, and Members have also received externally provided finance training from CIPFA. Members of the Risk and Audit Scrutiny group also received training over multiple sessions including one run by Audit Scotland.</li> </ul>
<b>Evaluating and reporting:</b>	
<ul style="list-style-type: none"> <li>the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality</li> </ul>	<ul style="list-style-type: none"> <li>Equality Impact Assessments are conducted on all savings proposals and the outcomes of reviews. Potential impact on service delivery and quality is noted as part of the budget savings proposals which are approved by Committee each year.</li> </ul>

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<ul style="list-style-type: none"> <li>• using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance reports on the progress of the Council Plan, Connect, are provided to Councillors at Q2 and Q4 each year, and Resource Plans with more detailed information are also reported twice-yearly. Information in relation to how the Council performs relative to other councils is provided via the Local Government Benchmarking Framework, which is reported each year to the Executive Committee and the Performance and Review Scrutiny Forum.</li> <li>• The Council publishes an Annual Performance Report each year, and this is supplemented by a comprehensive suite of performance reports on the council's website. The Local Government Benchmarking results are also published on the website each year, together with narrative which explains the trends and how the information might be interpreted.</li> </ul>

- 4.6. In addition to the recommendations shown above, the report is accompanied by a "scrutiny tool" for councillors, which has example questions that councillors could ask to help them perform their role. These questions are shown at Appendix 1.
- 4.7. The report also contains a link to an interactive online tool (<http://www.audit-scotland.gov.uk/local-government-in-scotland-challenges-and-performance-2018>) which allows users to access a range of data to assess how councils are performing relative to others.

## **5. Next Steps**

- 5.1. The Committee is asked to note the contents of this report.

## **6. Employee Implications**

- 6.1. There are no direct employee implications.

## **7. Financial Implications**

- 7.1. There are no direct financial implications.

## **8. Other Implications**

- 8.1. Considering the detail of the report and identifying actions as appropriate contribute towards effective risk management.
- 8.2. There are no significant implications for sustainability in terms of the information contained in this report.

## **9. Equality Impact Assessment and Consultation Arrangements**

- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 9.2. There is no requirement for consultation on the content of the report.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

5 November 2018

**Link(s) to Council Objectives/Ambitions/Values**

- Achieve results through leadership, good governance and organisational effectiveness

**Previous References**

- None

**List of Background Papers**

- Audit Scotland Report 'Local Government in Scotland: Challenges and Performance 2018'

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-


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# Scrutiny tool checklist for councillors

This scrutiny tool captures a number of potential questions for councillors and relates to our report [Local government in Scotland: Challenges and performance 2018](#) . It is designed to provide councillors with examples of questions they may wish to consider to help them better understand their council's position and to scrutinise performance.



How well informed am I?		
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
<b>Community empowerment (paragraphs 7 to 12)</b> 		
How are you involving local communities and empowering them to design and deliver services that suit local need?		
Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide in the future? What is your role as a councillor in this?		
<b>Training for councillors (paragraphs 13 to 16)</b> 		
Do you know what training is available to help you fulfil your duties?		
Does the training meet your needs? If not, do you know who to speak to?		
<b>Factors affecting demand for services and council funding (Exhibit 1 and paragraphs 24 to 33)</b> 		
Have you considered how policy and legislative change will affect how your council operates?		
Have you considered the demographics of your council and how this will impact on service delivery and funding in the future?		

## How well informed am I?


Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
<b>Financial planning (paragraphs 34 to 38)</b> 		
Does your council have medium and long-term financial plans in place?		
Does your council link budgets to plans and outcomes and report on these?		
<b>Making savings and generating income (paragraphs 39 to 51)</b> 		
Does your council have the right structures in place to ensure that all your efficiency, improvement and transformational approaches are working together to maximise savings?		
How is your council looking to maximise income?		
Does your council compare its policies and priorities to raise income with other councils?		
Does your council have an organisation-wide workforce plan? Does it contain information about the numbers, costs, and skills of the actual and desired workforce?		



## How well informed am I?

Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
<b>Transformation (paragraphs 52 to 65)</b> 		
Does your transformation strategy contain plans for truly transformational change? Will it improve services and save money?		
Have you invested in the right resources for your transformation strategy to achieve its planned savings?		
Does your council have the necessary governance structures to effectively oversee and monitor its transformation activity?		
What is your council's risk appetite for transformational change? Are risks properly monitored?		
What will the financial repercussions be for your council if your transformation strategy fails to meet its savings targets?		
Does your council follow the core principals for successfully planning digital projects outlined in our <a href="#"><i>Principles for a digital future</i></a>  published in May 2017?		

## How well informed am I?

Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
<b>Service performance and performance reporting</b> (paragraphs 66 to 95) 		
How well does your council report performance to local communities? Is there a link to priorities and budgets in your performance reporting?		
Have you considered what lessons you can learn from other councils who are delivering services well?		
Do you know the impact of spending reductions on the services your council provides?		
How can you better engage with local communities to understand why public satisfaction is declining?		
How are your council and IJB managing demand for social care services? What preventative measures are available in your council?		
Do you know how budget cuts have affected your smaller services?		



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# Report

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Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **14 November 2018**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Efficiency Statement 2017/2018**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide the Committee with the Council's Efficiency Statement submitted to COSLA for 2017/2018.

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):

- (1) that the Efficiency Statement figure of £19.653 million for 2017/2018, be noted; and
- (2) that it be noted that this Efficiency Statement was returned to COSLA, in line with timescales set, by 17 August 2018.

## 3. Background

- 3.1. Efficient Government is a concept South Lanarkshire Council has been committed to for many years. Since 2006/2007, the Scottish Government has required councils to publish an annual Efficiency Statement. The aim of these statements is to add to local accountability around the efficiency process and contribute to the sharing of best practice.
- 3.2. Continued financial pressure and increased focus on changing the way that services are delivered make the identification and delivery of efficiency savings even more vital. The efficiency savings programme is core to the financial strategy.
- 3.3. Looking forward, the Council's Revenue Budget Strategy for 2019/2020 indicates the level of savings required to balance the budget.
- 3.4. The purpose of this report is to provide information on the Council's efficiencies achieved in 2017/18, the detail of which is shown in section 5 below.

## 4. Employee Implications

4.1. None.

## 5. Efficiency Statement

- 5.1. As part of the Scottish Government Efficiencies Agenda, councils are asked to return information on the level of efficiencies generated in the year. In classing a saving as an 'efficiency', there are a number of rules which must be adhered to, for example, Income Generation cannot be included nor can any savings which are a Reduction or Removal of service provision.

- 5.2. To prepare the efficiency statement for 2017/2018, the savings that were achieved for 2017/2018 is taken as the starting position. This is then reduced to remove any savings which are not considered efficiencies achieved in the year.
- 5.3. In addition, efficiencies identified through corporate procurement practices are also included as efficiencies (£2.740 million) as well as the efficiencies identified by the Lanarkshire Valuation Joint Board (£0.492 million).
- 5.4. Table 1 below shows the total efficiencies realised in 2017/2018, being £19.653 million, across Resources and the Lanarkshire Valuation Joint Board. It is also detailed on a separate Statement in Appendix A.

**Table 1**

	<b>Efficiencies achieved in 2017/18</b>
	<b>£m</b>
Community and Enterprise	5.909
Education	0.856
Finance and Corporate	2.950
Housing and Technical	1.670
Social Work	0.939
Centre	4.097
Procurement	2.740
LVJB	0.492
<b>Total inc. Procurement and LVJB</b>	<b>19.653</b>

- 5.5. The corporate procurement efficiencies of £2.740m shown above, are added to procurement efficiencies of £0.831m included within the Resource and LVJB figures to give total reported procurement efficiencies of £3.571m, as noted in Appendix A.
- 5.6. The Council continues to recognise an ongoing requirement to demonstrate efficiency, with continuous improvement remaining a key principle of Best Value.
- 5.7. The Efficiency information was returned to COSLA by the deadline of 17 August 2018. The Statement is included in Appendix A.

## **6. Financial Implications**

- 6.1. The figure for Efficiencies for 2017/2018 is noted as £19.653m with the details contained in section 5.

## **7. Other Implications**

- 7.1. The main risk associated with the presentation of the efficiency figure is that it includes in the reported Efficiency Savings information, a figure which is not eligible to be presented as an efficiency. This risk is mitigated by the regular review of their achievement carried out by Resources and the consideration of all savings by Finance Services as part of the budget monitoring process.
- 7.2. There are no implications for sustainability in terms of the information contained in this report.

## **8. Equality Impact Assessment and Consultation Arrangements**

- 8.1. There is no requirement to carry out an impact assessment in terms of the information contained within this report.
- 8.2. The statement has been prepared based on detailed consultation with individual Resources.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

19 September 2018

### **Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent

### **Previous References**

- ◆ Executive Committee, 30 August 2017

### **List of Background Papers**

- ◆ None

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## CONFIRMATION OF EFFICIENCIES DELIVERED IN 2017-18

1	Local Authority Name	South Lanarkshire Council
2	Total cash efficiency achieved for 2017-18 £'000	£19.653m
3	<p><b>Summary of efficiency activity e.g.</b></p> <p>The main initiatives the local authority has taken over the year to ensure a strategic approach to increased efficiency and productivity and the improvements achieved in these areas.</p> <p>The main information that the local authority uses to assess productivity, service quality and performance and how the scope, usefulness or reliability has been improved during the year.</p> <p>Specific steps the local authority has taken during the year to improve collaboration and joint working to deliver efficient and user-focussed services and the improvements achieved.</p>	<p>As part of the budget preparation exercise, the Council formally agreed the level of savings for each Resource for the year ahead. These were supported by detailed explanations which enabled them to be monitored and reported during the year. Examples of efficiency savings include:</p> <ul style="list-style-type: none"> <li>• Reviews of management and staffing structures</li> <li>• Cross-Resource review of service provision</li> <li>• Procurement savings</li> </ul> <p>In accordance with the requirements of the Community Empowerment (Scotland) Act 2015, the South Lanarkshire Community Planning Partnership's Local Outcomes Improvement Plan entitled the "Community Plan" was approved by the Community Planning Partnership Board and published in October 2017. The Plan sets out the priorities and outcomes for the Community Planning Partnership over a 10 year period from 2017-2027. The Community Plan is underpinned by Partnership Improvement Plans (PIPs). The PIPs are detailed action plans which include performance measures and related interventions for each of the Partnership's key thematic areas over a three year period from 2017-2020.</p> <p>The Council benchmarks its performance, where appropriate, and uses the results to consider any improvements. Into 2018/19 the Council is continuing its involvement with the Local Government Benchmarking Framework (LGBF).</p> <p>The Council's Performance Management Framework is supported by a range of customer consultation information and feedback, which helps inform service planning and delivery. The Council has, for many years, retained its status as an Investors in People organisation, and recently received the silver award assessed</p>

		<p>against the Generation Six framework. This reflects the continued commitment to ensuring employees are provided with the skills and expertise necessary to deliver high quality services. There continues to be a range of services which are accredited with Customer Service Excellence and all have a number of compliance plus components in their awards. These are all underpinned by what is regarded as a very strong Corporate application.</p> <p>The Council is the lead authority for the Lanarkshire Valuation Joint Board (LVJB). It can, therefore, be noted that the Council efficiencies figure of £19.653m reported for 2017/2018 includes efficiencies generated in the year by the LVJB which total £0.492m.</p>
4	<b>Breakdown of efficiency saving by Procurement, Shared Services or Asset Management £'000</b> (only where relevant – not all efficiencies will fall into these categories, so the figures here do not have to match the overall total.	Procurement = £3.571m
		Shared Services = £0.000m
		Asset Management = £1.785m
5	<b>Evidence:</b> What performance measures and/or quality indicators are used to ensure that efficiencies were achieved without any detriment to services?	The Council continues to monitor a variety of performance measures to confirm that efficiencies has been delivered without any detrimental effect to services. These include KPIs and the LGBF, the Customer Complaints process, SLA monitoring, continued achievement of Customer Excellence Awards, achievement of national targets, level of service standards maintained, Customer Satisfaction surveys, Care Inspectorate reviews and HMIE report results.

Signed ..... (Chief Executive or equivalent)

Signed (if applicable)..... (Council Leader or equivalent)

Date .....





# **Report**

**8**

<b>Report to:</b>	<b>Risk and Audit Scrutiny Committee</b>
<b>Date of Meeting:</b>	<b>14 November 2018</b>
<b>Report by:</b>	<b>Executive Director (Finance and Corporate Resources)</b>

<b>Subject:</b>	<b>Forward Programme for Future Meetings</b>
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## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meetings of the Risk and Audit Scrutiny Committee to June 2019
- ◆ invite members to suggest topics for inclusion in the Committee's forward programme

## **2. Recommendation(s)**

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the report and the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to June 2019, attached as an appendix to the report, be noted.

## **3. Background**

3.1 As part of a range of improvement measures introduced as a result of Audit Scotland's report on the Audit of Best Value and Community Planning (2009), an Action Plan was prepared. One of the actions was to include, as a standard agenda item, a list of items proposed for consideration at subsequent meetings of this Committee to provide an opportunity for members to inform future agendas. The outline forward programme for is attached, for members' information, as an appendix to the report.

## **4. Employee Implications**

4.1. There are no employee implications.

## **5. Financial Implications**

5.1. There are no financial implications.

## **6. Other Implications**

6.1. There are no risk or sustainability issues associated with the content of this report.

## **7. Equality Impact Assessment and Consultation Arrangements**

7.1. The report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

7.2 There was no requirement to undertake any consultation in terms of the information contained in this report.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

25 October 2018

**Link(s) to Council Values/Objectives/Ambitions**

Value – Accountable, Effective, Efficient and Transparent

**Previous References**

Executive Committee 8 July 2009

**List of Background Papers**

Audit Scotland Audit of Best Value and Community Planning

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Pauline MacRae, Administration Officer

Ext: 4108 (Tel: 01698 454108)

E-mail: [pauline.macrae@southlanarkshire.gov.uk](mailto:pauline.macrae@southlanarkshire.gov.uk)

## APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO JUNE 2019

Meeting Date	Item	Responsibility
6 February 2019	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. Good Governance 2018/2019 Quarter 2 Progress Report	Head of Administration and Legal Services
	3. Review of Council's Top Risks	Head of Finance (Transactions)
	4. Performance and Review Scrutiny Forum Annual Update	Head of Corporate Communications and Strategy
	5. Corporate Governance – Review of the Adequacy of Internal Audit	External Auditor
	6. Annual Review of the Local Code of Good Governance	Head of Administration and Legal Services
	7. Six Monthly Fraud Report to 30 September 2018	Audit and Compliance Manager
24 April 2019	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. Annual Audit Plan	External Auditor
	3. 2019/2020 Internal Audit Plan	Audit and Compliance Manager
	4. PSIAS Action Plan/EQA2 Update	Audit and Compliance Manager
19 June 2019	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. Good Governance Statement 2018/2019 and Quarter 4 Year End Report	Head of Administration and Legal Services
	3. Financial Resources Scrutiny Forum Activity	Head of Finance (Strategy)
	4. Internal Audit Annual Assurance Report	Audit and Compliance Manager
	5. Interim Audit Report for Year Ended 31 March 2019	External Auditor

N.B:-. Audit Scotland national studies and reviews will appear as a recurring item but the frequency and subject matter will vary according to their programme.

