West Lothian Council

Strategic Audit Risk Analysis 2008/09

March 2009

AUDIT SCOTLAND

West Lothian Council

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Key messages

This report sets out the findings from our review of the strategic risks facing West Lothian Council. We have used these findings to prioritise the audit activity to be undertaken in the current audit year and identify areas for ongoing review in future years.

The local government environment within Scotland continues to evolve. The Concordat between COSLA and the Scottish Government has led to the successful development and signing of Single Outcome Agreements (SOAs). The evolving nature of the SOAs will bring fresh challenges and risks in respect of governance, accountability and performance management.

Services delivered directly, or in partnership with others, involve substantial resources. There are significant pressures on finances which necessitate greater emphasis on efficiency and the effective use of resources.

The major priorities and risks identified within our analysis include:

- reviewing management and scrutiny processes to ensure that they remain suited to the changing financial pressures and economic conditions

- managing budget pressures

- maintaining the unallocated level of general fund balance and considering whether the level is sufficient in the current economic climate

- addressing the absence rates across the council

- developing performance management arrangements for the SOA outcomes

- ensuring the Covalent Performance management system is accurate and up to date.

The priorities and risks we have identified present significant challenges for the council, and we have confirmed that the council has action plans in place to address many of the risks identified. In these areas we will monitor the progress over the coming years and report any significant matters which arise on an exception basis.

Where relevant, any significant findings from our work on the council's management of key risks will also be summarised in our annual report on the audit.
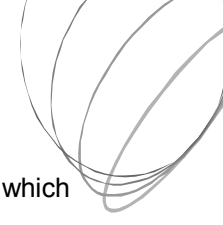
Introduction

Overview

1. The local government environment within Scotland has continued to evolve since we issued the last Priorities and Risk Framework document in 2007. The Concordat between COSLA and the Scottish Government has led to the successful development and signing of Single Outcome Agreements (SOAs) between all thirty two councils and the Government by June 2008. The evolving nature of the SOAs will bring fresh challenges and risks in respect of governance, accountability and performance management.

2. Currently there are significant pressures on finances: the economic downturn, meeting the needs of an aging population, requirements such as single status and new national policy expectations such as school class sizes and waste management. These pressures necessitate even greater emphasis on efficiency and the effective use of resources. The overall context for local government, therefore, is continuing change, with increasing pressures on services. The new councils face difficult choices in deciding which service options to deliver and how to allocate limited resources.

2008/09 Priorities and Risks Framework

3. The PRF is a national tool used by auditors to plan the risk-based audits of local authorities in Scotland. It identifies the key national priorities facing councils and the main risks to their achievement. This helps to ensure that audit work takes account of sector specific national priorities and risks. For 2008/09 - 2010/11 the key national priorities are:

Vision and strategic direction	Financial management
Partnership working and community leadership/ engagement	People management
Governance and accountability	Asset management
Performance management and improvement	Procurement
Risk management	Information management
	Service priorities and risks

4. There are also a number of cross cutting issues that are important elements of the overall audit approach, including equality and diversity and sustainability. The 2008/09 PRF is available from Audit Scotland's website (http://www.audit-scotland.gov.uk/docs/local/2008/prf_0809_localgov.pdf).

5. Auditors discuss the risks contained in the PRF with councils and the national view is combined with the auditor's understanding of the key priorities and risks operating at the local level. This overall assessment of risk informs the auditor's decisions on where to target audit resources. This approach

helps meet the requirements of the Code of Audit Practice and International Standards on Auditing which require auditors to obtain an understanding of the client's business and environment.

6. As many of the risks included in this report are high level and strategic in nature, they will continue to be relevant to the council for a number of years. Therefore, although our analysis will be updated annually, many risks will remain from year-to-year and the risk analysis will cover a rolling three year period.

7. This report complements the work carried out by us in other areas such as the audit of the financial statements, the approach to which was reported in our Annual Audit Plan.

8.   The management of the council is responsible for implementing appropriate internal control systems including risk management processes. Communication by auditors of matters arising from the audit or of weaknesses does not absolve management from its responsibility to address the issues raised and for maintaining an adequate system of internal control.

9.   The risks outlined are only those which have come to our attention during the course of our normal audit work in accordance with the Code of Audit Practice and are not necessarily, therefore, all of the risks which may exist.

10. Risk exists in all organisations that are committed to continuous improvement and, inevitably, is higher in those undergoing significant change. The objective is to be 'risk aware', with sound processes of risk management, rather than 'risk averse'. Indeed, organisations that seek to avoid risk entirely are unlikely to achieve best value.

11. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The assistance and co-operation received during the course of our work is gratefully acknowledged.

Links with the audit of Best Value

12. In November 2008, the Scottish Government announced a series of proposed reforms to the scrutiny landscape in response to the Crerar report. Audit Scotland on behalf of the Accounts Commission is developing a shared approach to risk assessment and planning to enable the delivery of more streamlined and better co-ordinated scrutiny in local government.

13. As part of a more integrated approach to scrutiny we are developing an overarching corporate assessment framework which reflects our theory of improvement, that: effective leadership, good governance and sound management are necessary conditions for the delivery of sustainable continuous improvement and effective outcomes. The corporate assessment framework will be a primary component of our revised approach to the audit of best value and will also be reflected in the PRF process and our audit planning.

14. Outputs gathered through the application of the PRF; other intelligence such as Best Value findings and follow-up work; the views and risk assessments of inspectorates; self assessments and other performance analysis are playing a key part in ensuring that the second round of Best Value audits (BV2) is proportionate and reflects the national context and local circumstances. The PRF process is making an important contribution to streamlined scrutiny.

Strategic audit risk analysis 2008/09 – 2010/11

Overview

15. As part of a more integrated approach to scrutiny, we have reported the results from this analysis using this year's PRF headings, which will also be used to develop the corporate assessment for Best Value 2 (BV2).

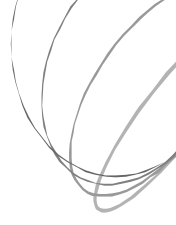## Vision and strategic direction

16. Councils that perform well are ambitious, have clear aims and objectives for delivering high quality services that provide Best Value and meet the needs of their local community. Member and officer leadership of the council are responsible for promoting this vision effectively and ensuring its achievement. The overall aims should be backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery.

17. The strategic direction of the council should be supported through open and inclusive leadership and a culture where the process for prioritising council activity is open and fair. The council should demonstrate that it maintains focus on core priorities and is not distracted by minor operational matters.

Leadership

18. West Lothian Council has 32 councillors: 14 Labour, 13 Scottish National Party, one Conservative, one Independent and three Action to Save St John's Hospital.

19. A revised multi-member ward protocol was approved in December 2008 to cover interactions between officers and members to encourage effective political leadership in addition to effective community leadership.

20. The council recognises that building a positive culture is essential to promoting continuous improvement. There is a development programme in place for all senior managers, and leadership and management competencies have been established. The management development programme has been endorsed by the Institute of Leadership and Management. The council is working with the Chartered Management Institute to further accredit its management programme.

Political governance

21. Wider political distribution and increased opposition membership, together with the introduction of the executive committee and the policy development and scrutiny panels(PDSP's), has paved the way for increased scrutiny and debate. PDSP's have allowed new policy proposals to be brought to all member's attention at an earlier stage than before, and have allowed their input whilst policies are still developing and before they are presented for decision. They also allow a forum for information to be brought before members for information or for noting which before would have

been on the agenda for the five main decision-making committees, and they give members an opportunity to apply a critical eye to existing policies and their performance.

22. As the new arrangements continue to bed in, the council will need to keep their effectiveness under review and ensure that elected members are appropriately supported.

Vision and communication

23. Clear political priorities and organisational values have been set by West Lothian Council and a wide range of information about services and performance is available. The council has a set of key documents that reflects its aims and objectives, such as the community plan, single outcome agreement (SOA) and corporate plan. These documents cascade down into locality plans and management plans.

24. The council's corporate plan 2007-2011 was approved at a council meeting in June 2007. It contains six main priorities for the council over the four years:

- improving opportunities for young people

- making the economy stronger

- improving the health and wellbeing of communities

- protecting environment and communities

- planning for population growth

- making services as efficient as possible.

25. For each priority the plan summarises the context and key challenges the council faces and sets out the council's overall goals and specific objectives.

26. Council duties under the Local Government in Scotland Act 2003 are to initiate, facilitate and maintain a community planning process, ensuring effective leadership within local community planning partnerships. Councils work with a range of other agencies and groups and many council services are planned and delivered in partnership with other public, private and voluntary organisations. These partnerships are of particular importance in tackling complex or cross-cutting issues.

27. The current 10 year community plan was agreed in 2000. A substantial volume of work has been completed in the development of the community plan for 2010-20 which will cover the five life stages and align with the SOA. The new community plan is expected to be complete later in 2009.

28. Audit Scotland's baseline study on community planning, 'Community planning: an initial review', June 2006, identifies the challenges facing community planning partnerships (CPPs). The council conducted an exercise in January of this year to identify its position against the recommendations in the report. A full review and survey the community planning partnership will be undertaken later this year.

Single outcome agreement - approach and integration

29. There is a multi-agency approach to West Lothian's SOA. Community planning partners have a genuine shared acceptance of the need to collaborate effectively to meet the significant challenges that exist within West Lothian. Partners recognise the need for an integrated approach in key areas such as community safety, health improvement and supporting people at home.

Member/ officer relationships

30. The council undertakes to exercise leadership, a principle of good governance, through decision making and other actions that provide a vision and leadership for the local community and by elected members and officials conducting themselves in accordance with high standards of conduct.

31. There have been recent allegations of impropriety against one of the members of the council, and the member has been reported to the police by the Chief Executive. The police investigation is ongoing.

32. In addition, several members of the administration have been reported to the Standards Commission by opposition councillors.

33. Despite these ongoing issues, there has been no effect on the business conducted by the council in achieving its corporate objectives, a good example being the recent setting of the council budget.

Longer term considerations

- continuing support for members to ensure the determined committee structure is fully effective.

Partnership Working and Community Leadership

Governance and Accountability

34. West Lothian Community Planning Partnership (CPP) consists of 16 partner agencies. The partnership was set up in 1999, demonstrating a willingness and commitment to work together to provide better services for local people. There is a shared understanding of the priorities for the area and the roles which they each play in delivering them.

35. The (CPP) identified 12 Joint challenges for West Lothian which focus on the key issues that need to be tackled in the area. These challenges were translated into outcomes and now form the basis of the SOA and have been matched to the government's 15 national outcomes.

36. The CPP is responsible for ensuring the SOA is delivered. High level responsibility sits with the Community Planning Board, supported by the Community Planning Working Group and the three Forums:

- Health and Wellbeing

- Community Safety Forum

- Economic Partnership Forum.

37. The community planning partnership is beginning to engage with communities on the vision for the new community plan 'Towards 2020'. A series of engagement opportunities took place during November and December 2008.

Community Health and Care Partnership

38. West Lothian Community Health and Care Partnership (CHCP) was formed in 2005 when NHS Lothian and West Lothian Council joined forces to bring community based health and social care services closer together wherever possible. The purpose of the partnership is to deliver more accessible, integrated and high quality services which are jointly planned and community-focused.

39. The CHCP manages a substantial range of NHS and council services including: community care, personal care, residential care, continuing care, mental health, general practitioner, dental, optician, pharmacist, district nursing, health visiting, five of the allied health professions, children's services, learning disabilities and physical disabilities. The CHCP also works closely with voluntary organisations and private sector agencies to provide a wide range of community services.

40. The work of the CHCP is currently governed by the Partnership Board which is made up of four NHS members and four elected members from West Lothian Council, reflecting the equal involvement of health and council. The Board meets six-weekly in Strathbrock Partnership Centre in Broxburn.

41. The CHCP also currently has a Sub-committee to involve front-line staff, the public and the voluntary sector.

42. The CHCP Acting Director is responsible for the day-to-day operational and strategic management of the CHCP and is jointly accountable to both NHS Lothian and West Lothian Council.

43. A joint workplan has been prepared for the partnership, and once agreed, the CHCP will carry forward the work.

44. Currently, there is no permanent Director of the CHCP and there are tensions in the relationships in the CHCP. However, representatives from the council and NHS are working together to resolve issues surrounding the operation of the Partnership. This is aimed at securing delivery of the outcomes of the two organisations working together. We note that there are plans now underway to recruit a permanent director.

45. A finalised partnership agreement has not yet been concluded for the CHCP. A final agreement would formalise the relationship between the two bodies, form the basis for future joint governance and working arrangements.

Community Engagement

46.   As well as the engagement of the CPP with communities, locality planning aims to ensure that people and communities are genuinely engaged in decisions on public services that affect them. The locality planning process in West Lothian encourages local communities and organisations to work together to jointly plan services at a local level, resulting in services that are much more responsive to local needs.

47.   Lead Officers for each multi-member ward, assisted by locality planning officers (LPO's) in West Lothian Council's communities team have developed locality plans (LP's) for each of the nine multi-member wards in West Lothian. The plans have been developed from the local priorities identified by officers from services across the community planning partnership (CPP). The local priorities are discussed at local area committees which act as forums through which local issues can be discussed between local members, local officers and the wider community that have identified local priorities. Multi-agency working groups have also been established to develop action plans for each of these priorities. Some decision making is being devolved to local area committees. The committees are now receiving devolved budgets which then determine local priorities.

Resources

48.   In April 2008, the Scottish Government removed the ring-fencing of some monies previously provided for funding specific Government initiatives. This means that authorities can now choose whether to continue fully supporting the Government initiatives or fund more local initiatives and priorities, as the funding is now included in the Revenue Support Grant.

49.   West Lothian Council has retained all initiatives previously processed through ring-fenced monies eg Youth Crime reduction.

50.   The Community Regeneration Fund previously allocated to bring improvements to Scotland's most deprived areas and help individuals and families escape poverty was combined with six other funding sources - Working for Families, Changing Children's Services Fund, Financial Inclusion Fund, Community Voices Fund, Workforce Plus and More Choices, More Chances – to create the *Fairer Scotland Fund*. WLC is also including a number of other funding sources in the fund, including: Choose Life and Community Safety Partnership funding.

51.   The community planning working group is responsible for managing the allocation from the Fairer Scotland Fund. The Fairer Scotland Fund (FSF) helps Community Planning Partnerships (CPPs) to regenerate disadvantaged communities, tackle poverty by helping vulnerable people and groups and overcome barriers to employment.

52.   The Scottish Government has set the overall aims and the guiding principles and will support all partners working towards key outcomes by sharing best practice from across Scotland through the development of a learning network.

Immediate priorities and risks

- Resolution of issues surrounding the operation of the CHCP
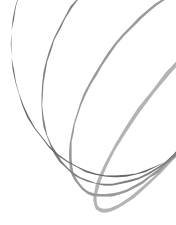- finalisation of the CHCP agreement.

- completion and implementation of the community plan 2010 – 2020.

Governance and accountability

53. Governance is about direction and control of organisations. It is concerned with structures and processes for decision-making and accountability. Good governance means that the way local authorities operate is based on sound decision-making and an effective support process.

54. CIPFA/SOLACE's 'Delivering Good Governance in Local Government Framework' and an accompanying guidance note for Scottish authorities were published in 2008. The guidance includes a self-assessment framework.

55. The working group on corporate governance within West Lothian Council completed a mapping exercise comparing the council's code of corporate governance with the new framework. The only area not covered in the council's current code for members and officers is partnership working.   The adoption of the CIPFA framework is planned for 2009/10 following approval by the council executive in June 2009.

The role and development of elected members

56. To assist the new members elected in May 2007 in acquiring the knowledge and skills required to allow them to carry out their new role, a structured induction process was in place immediately after the election and all members took part in it.

57. Since the elections in May 2007, the council has been successful in implementing a personal development plan for each member. Job descriptions/roles are present for every councillor.

58. Training is coordinated from a central point and one person manages the process. A record of training and attendance is kept. Training is offered to meet the learning needs of elected members and dates and times suitable for most members is identified to deliver the session. A session may be repeated to allow all members an opportunity to attend. At the beginning of each training session a record of attendance is completed.

59. Following training sessions an evaluation sheet is provided so that members can give their immediate feedback. Evaluation questionnaires are issued annually to gain general feedback on training. One to one Training Needs Analysis (TNA) sessions take place using a learning framework to discuss effective performance and identify any further training needs.

60. The council is considering qualifications or accredited training for members and is aware of work being carried out by the Improvement Service in this area.

61. A knowledge management system has been introduced to ensure elected members have ready access to training material, presentations, articles and web sites. Examples of topics covered include code of corporate governance, standing orders, appointments to outside bodies, insurance, risk management, code of conduct, registering declarations of interest and cases to the standards commission.
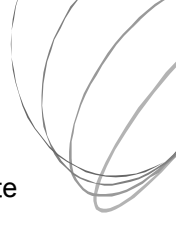
62. In 2008 core training was delivered and this included topics linked to knowledge and decision making in the performance development and scrutiny panel (PDSP) process. It also included more in depth or specific training on planning, finance, code of conduct and standards commission cases. Personal development opportunities such as assertiveness and managing meetings were attended with some additional requests for negotiating skills training and a follow up course to 'working with the media' training.

63. From 2009, the focus will be on refresher training and further follow up to the induction and core training programme with an emphasis on addressing areas arising from personal development planning. It is important in going forward that members continue to take advantage of training and development opportunities available to them.

Support available to elected members

64. Officers are satisfied that there are mechanisms in place to ensure sufficient information is provided to members and that opportunities exist for members to feedback any comments. This includes the fact that all committee reports follow a set report structure which includes information on the financial, legal and human resource implications of a proposal. Agendas published for each committee meeting include details on where to obtain further information.

65. The revised multi-member ward protocol which was approved in January this year details members rights to information and includes guidance on member liaison officers.

66. Prior to a committee meeting, a pre-agenda meeting is held where officers have the opportunity to provide clarification on reports to the committee chair. The Chief Executive or his senior managers also brief opposition members and answer any queries raised as far as possible within the political framework.

Working with external organisations

67. Increasingly councils are working with companies, trusts and other external organisations to deliver a range of services, such as leisure and other services which provide social benefit. The CIPFA Framework and the Accounts Commission's 'Following the Public Pound' national performance report (published in March 2004) underlines the need for good governance and clear accountabilities.

68. The council provides around £4million of funding to external voluntary organisations each year, to provide services to the community of West Lothian that can be more efficiently and more economically provided by an established external organisation. The aim of this partnership working is to gain synergies from working together on a common goal/issue. The intended benefits and links are specified in standard application forms and standard monitoring forms.

69. Funding of voluntary organisations is covered through the voluntary organisation payments procedures. The council considers it has a robust system in place which follows the recommendations of Following the Public Pound.

70. Arrangements are in place for governance, funding and performance review for voluntary organisations. For example the Standard Conditions of Funding, cover the circumstances in which

the council will review the extent of its financial commitment to external organisations and, terminate the relationship.

71. The council has a Voluntary Organisation Policy Development and Scrutiny Panel. The remit of this plan is as follows:

- strategic policy, budgetary and monitoring framework for voluntary organisations

- best value review of voluntary organisations

- voluntary organisations' role in service delivery

- involvement of voluntary organisations in Community Planning arrangements.

72. In May 2007 all elected members received induction training on working with outside bodies. This addressed topics such as rules of conduct of outside bodies, councillors code of conduct, personal responsibilities, possible conflict of interest, and risk management. Continuing support is also available to elected members from member services staff and members learning and support staff.

73. A number of external organisations provide additional specialist training and support to board members and elected members have received training where available.

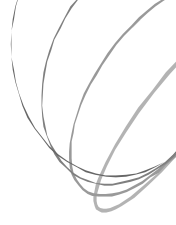## *Annual governance statements*

74. The council is encouraged (but not required) to include an annual governance statement within the financial statements. Historically the council has included a separate corporate governance statement and a statement on the system of internal financial control.

Immediate priorities and risks:

- updating the council's code of corporate governance to include guidance for members and officers in partnership working

- ensuring member training and development addresses specific objectives or leads to improvements in performance. It should also address competency areas which are becoming increasingly important for the future – such as partnership working

- ensuring elected members continue to take advantage of training and development opportunities available to them.

Performance management and improvement

75. The concordat between the Scottish Government and COSLA agreed in November 2007 set out the terms of a new relationship between the Scottish Government and local government. It underpins the funding to be provided to local government for the period 2008-09 to 2010-11. A central proposal was the creation of a National Performance Framework that includes a Single Outcome Agreement (SOA) between each council and the Scottish Government based on 15 key national outcomes.

76. Good quality performance information is essential for informed decision making and allows elected members to scrutinise performance and hold management to account for service delivery. Councils also require accurate performance information to report to the public on all aspects of their activities.

Corporate priorities and performance indicators

77. Each main priority in the corporate plan is supported by undertakings, pledges and targets. Targets which demonstrate sustainability and equality are also highlighted within the plan.

78. The council is planning to return to managing priorities on a service basis as well as on a locality basis. Service plans are being prepared which will provide a framework for helping to deliver the agreed outcomes in the SOA. The service plans will be in place from April 2009.

Monitoring performance

79. The council has an integrated performance management framework (Covalent software) linked to the objectives and outcomes contained within the corporate plan. The arrangements in place are based on a self-serve model supplemented by standard formatted reports which include:

- reports for each Head of Service detailing performance against the corporate plan

- monthly system-audit reports of the accuracy and timeliness of the data on the Covalent system.

80. Commonly used reports are generated monthly and can be generated at any time for the most up to date information.

81. The council operates an Initiatives Management System with around 450 separate projects. Covalent is also used to monitor these projects.

82. During 2008 Internal Audit performed work to assess the accuracy and reliability of the information on covalent. The audit found a number of substantive errors or out of date items in the system. Further follow up audits will be conducted by Internal Audit and services have been reminded to give Covalent due attention and priority.

83. The council also continues to use the West Lothian Assessment Model (WLAM) which was launched in March 2003. The model provides a framework for all teams within West Lothian Council to conduct an evidence-based self assessment of their service. This is facilitated by a central support team who are accredited assessors to ensure a rigorous and consistent approach. It is an amalgamation of criteria from several business improvement frameworks, integrating the processes to minimise potential duplication.

Monitoring community planning performance and the SOA

84. Performance management within the CPP will be against the SOA measures. As the format of the SOA is to change for 2009 the council is taking the opportunity to review and refine measures and the data submitted to date. The last update report on the CPP's performance was published in 2007.

Performance reporting

85. Each year in September, the council publishes the "Factfile" newsletter, and provides a copy to all houses and businesses in the area. It provides information on performance against the Corporate Plan but it is not a comprehensive picture against all of the corporate plan undertakings. In November 2008 the council produced a "progress on the corporate plan" document which assesses progress against the six priority areas. Work is ongoing for 2008/09 reporting year to integrate "Factfile" with reporting on progress against the corporate plan in a single publication for citizens.

86. Performance reporting takes place via the performance committee. We reported in our annual report 2007/08 that there had been little evidence of scrutiny in the minutes of the performance committee meetings. We have observed reference to scrutiny in performance committee minutes since December 2008 and note that members received training on scrutiny in December 2008.

87. Specific reports for each of the nine Policy, Development and Scrutiny Panels were introduced in January 2009. We will review the reports presented to the panels and provide a comment on their effectiveness in our final audit report on October this year.

88. Public performance reporting on the single outcome agreement is expected to take place after April/May 2009.   Performance targets included in the SOA have been input to Covalent and the council is currently considering how to use Covalent in public performance reporting.

89. Locality plans have identified key themes linked to the SOA and progress reports will be presented to local area committees in May/June 2009.

Immediate priorities and risks

- finalising and implementing service plans from April 2009

- ensuring the data on Covalent is accurate and up to date

- delivering public performance reporting on the agreed outcomes in the SOA.

Risk management

90. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives and to execute its strategies successfully. Risk management is the process by which risks are identified, evaluated and controlled. Effective risk management is an essential element of good corporate governance which, in turn, supports effective decision making and ultimately contributes to improved performance.

Policy, strategy and procedures

91. The council's policy on risk management was last revised in January 2006 and is due for review in the current administrative term.   It is an integral part of the council's local code of corporate governance and supports its Best Value regime.

92. The council's risk management strategy, approved in February 2006 is designed to comply with the policy and to ensure the council creates an appropriate risk management culture, processes and structure to comply with statutory and regulatory requirements. The strategy is organisation-wide

and uses a risk assessment model to identify, assess and prioritise risks and compare them across the organisation.

93. The council executive reviews the actions taken to implement the risk management strategy each year and endorses proposals for the year ahead. The risk management strategy cascades down in to service risk registers.

Corporate risk management

94. The risk management steering group (RMSG) meets quarterly. Each directorate is represented by on the group. In addition, specialist staff attend, e.g. the health & safety manager. The Chief Executive and directors review and consider new key risks. The group reviews and considers all corporate risks that are not allocated to a nominated person. The nominated person reviews the risks allocated to them. The risk assessment includes such areas as risk identification, description, scoring, mitigating controls identification and evaluation.

95. The risk register groups risks on the basis of the key objectives in the council's corporate plan. The groupings match those used for performance reporting. This is work in progress but some risks have been allocated. Reviews of each risk are carried out at least annually by the responsible officers. In addition, the risk & insurance manager looks at trends and various overview reports are available to the RMSG.

Service risk management

96. The council actively manages risk as a routine part of service management. Management teams in the directorates own and maintain risk registers through regular management meetings, as part of the other core business reporting such as financial and performance management.

97. Services are responsible for managing their own risks in the manner most appropriate to the service. The RMSG monitors the level of work carried out and agrees strategies to address issues of corporate significance or perceived areas of overdue work.

98. The review process is the main method for identifying escalating risks. Risk management is part of the normal business of managers and problems should be reported upward in the same way that any other management issue is reported. Services also liaise with the risk and Insurance manager to identify items requiring consideration and ownership at a higher management level. In addition central monitoring identifies high risks for the RMSG, corporate management team and services. These risks may not carry high scores individually, but the frequency may warrant corporate action. The reports to the council executive highlight key risks and areas requiring action to elected members.

99. A training programme of workshops is in place with guidance provided. Copies of the key documents and a presentation are available to all services via the risk & insurance intranet site. In addition, central support is available to help services with risk reviews.

Partnership risk management

100. The council recognises that risk management within partnerships is crucial and have taken steps to address this. The RMSG have ensured that the CHCP is covered by risk registers. In addition, the

corporate governance working group is aligning the recent CIPFA framework on governance with the development of guidance in respect of partnership working.

Project risk management and key decisions

101. The council recognises that risk management is essential to good project management. Major projects such as the ongoing move to the Civic Centre have a risk profile and are on the risk register. Other projects will be identified on the risk registers as and when they occur.

102. Services are advised to use the risk register for major projects to show the risks to the council or the service. In addition many projects are controlled through Prince 2 or Microsoft Project, in which case services are not expected to duplicate the risks identified to the project and managed through these processes in the risk register.

Officer and member understanding and ownership

103. Risk management awareness and understanding at committee and senior officer level is good, with strong ownership by senior management. Key staff attend external seminars. There is an ongoing internal programme of training talks and workshops. This is seen as a permanent part of the risk management process within the council as the organisation and its personnel are constantly changing. In addition guidance is available on the intranet. Approaches for assistance may be received from services or individuals or proposed from centre. Staff in all services have received training.

Integration with other corporate processes and business continuity planning

104. New IT developments allow risk to be linked to performance where appropriate. Discussions are to take place between the performance manager and the risk & insurance manager to decide how best to take this forward.

105. Financial management risks are included in the risk register and the assessment of risk is part of the general planning and financial management process.

106. Going forward service risk plans have to be the subject of regular review as threats change, being either accidental or deliberate. Service risk plans were set up initially by the risk & insurance manager for each service. The plans require to be updated each year by the individual services. The risk & insurance manager is part way through checking all service registers are up to date.
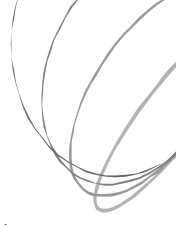
Immediate priorities and risks

- completing the guidance in respect of partnership working.

Longer term considerations

- updating the risk management policy.

Use of resources - financial management

107. Councils administer large sums of public money within a complex financial and policy environment, often as key partners in delivering central government and local policy objectives. Financial management is critical to ensuring that significant public monies and assets are applied to meet
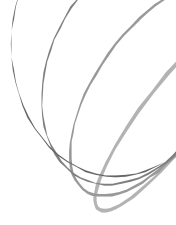
national priorities and the needs of local communities. Because of challenging constraints on resources, councils must make increasingly difficult decisions to balance demands for improvements in both the volume of services delivered and in the performance of those services.

108. Councils are reporting significant financial pressures in 2008-09 and beyond, including waste initiatives (working towards meeting the EC Landfill Directive, recycling targets and refuse collection), education pressures (including reducing class sizes, free school meals and increasing the quality of school estates), increases in costs above inflation in significant areas e.g. energy and increasing demands and pressures in relation to social care services.

109. There have been a number of events in the global economy and banking system in 2008 that will have significant medium and long term implications for councils. Challenging economic conditions may lead to tighter government funding as the economy slows down, higher demand for certain services as unemployment rises and declining revenues from commercial or charging activities as demand falls.

Budgets and budgetary control

110. The revenue budget is part of the council's joined-up approach to planning and funding of future activities, monitoring and continually improving performance. Full costing of the impact of service initiatives is undertaken and financial and management plans are aligned with budgets. For every service in the council, an activity budget links targets, finance and staff to activities. The activity budget also links resources to desired outcomes.

111. Financial pressures, including statutory pressures, are identified at the start of the 3 year budget period, for example, through discussions between finance staff and staff in services, and the head of finance's involvement in the CIPFA directors of finance section and COSLA. The high level budget is adjusted during the 3 year period for any additional pressures identified, any further service developments or changes in income.

112. The council actively monitors and assesses all aspects of the revenue budget strategy. A review was undertaken in November 2008 for 2009/10 and 2010/11 to assess the potential impact of the turbulent economic situation and of any other changes that have taken place. Based on this review several cost pressures, risks and uncertainties were identified. The cost pressures identified include:

- a further budget allowance is needed to cover the impact of the revised offer by COSLA to the trade unions of 3% in relation to non teachers pay in 2008/09 and 2.5% in 2009/10. These figures require the addition of £550K to the budget in 2009/10

- additional budget of £800K in 2009/10 for increased gas and electricity costs after extending existing contracts for electricity by 12 months and gas by 24 months

- a reduction in council tax income because projected house completions will be lower than previously anticipated. The reduction is currently estimated at £320,000 in 2009/10 and a further £380K in 2010/11, though the situation is being reviewed on an ongoing basis.

113. Additional risks and uncertainties were identified during the review which may lead to substantial additional costs to be accommodated in the 2009/10 revenue budget.

114. The capital and revenue budgets are linked and a 10 year capital investment strategy with revenue implications is in place.

115. Budgetary control has been effective within the council. A new budgetary control framework was approved by the corporate management team and implemented from April 2008. We are currently performing a review of the new system and will report on our findings in June of this year.

National influences

116. The council is party to the concordat between the Scottish Government and COSLA. The financial features of this include an agreement to freeze council tax levels for three years in return for additional Scottish Government funding and the removal of some ring fencing of grants.

117. The financial strategies for 2009/10 and 2010/11 assume a council tax freeze. The freeze for 2009/10 was recently approved by the council.

118. The head of finance has recognised that the public sector will face a tight financial situation in the future and it will be important for the council to deliver a medium term financial and efficiency strategy that achieves balanced budgets, while maintaining effective service delivery.

119. Over £6 million of efficiencies are budgeted for in 2008/09. In January of this year it was estimated that £5.778 million of the £6.086 million efficiency target would be achievable. The balance of £308,000 is due to be delivered in 2009/10 and compensating savings have been identified in the current year to deliver a balanced 2008/09 budget.

120. The Scottish Government has reduced the level of ring-fenced funding. It is therefore essential that councils have effective systems in place to prioritise expenditure according to their policy commitments. In general, the council views the removal of ring fencing as a positive step. The former ring fenced budgets have been integrated into mainstream budgets and the council will consider the range of initiatives fully to determine which ones they will continue to provide. Activity budgets will continue to be set for each initiative and performance monitored.

Joint working and shared services

121. The council signed up to the National Recruitment Portal for Scottish local authorities in October 2008. Myjobscotland.gov.uk allows participating authorities to advertise vacancies and candidates are able to search for local authority jobs across Scotland. Each council also has a dedicated mini-site where it can publish additional information for candidates, such as council and local area profiles. In addition, the council are also involved in the OneScotlandPortal designed as a public sector link, but this project is held up by technical problems at this time.

122. Financial planning and decision making is co-ordinated with partner providers and supports partnership working through the CPP.

123. The National Customer Relationship Management (CRM) Programme is co-ordinated by the improvement service, and West Lothian Council is the lead council. The programme exists to

increase the intensity of collaboration around CRM across Scottish Local Government that will result in demonstrable improvement in customer and organisation outcomes.

Long term planning

124. The council's corporate asset management plan and a ten year capital investment strategy for 2008/09 to 2017/18 were approved by the council executive in November 2007. These were prepared as part of a fully integrated and corporate process designed to comply with the Prudential Code and secure Best Value in use of resources. The asset management plan provides the framework for management of all the council's assets while the capital investment strategy will enable assets to support service delivery.

125. The current economic climate is considered to impact significantly on the council's financial position and long term plans. The head of finance has highlighted that the impact will be most significant regarding the following:

- the council's ability to achieve its ten year investment strategy

- uncertainties which may pose a threat to the council being able to deliver a balanced budget

- pressures on the potential sources of funding

- the council's treasury strategy

- the revenue budget ten year horizon scan

- the local plan & development plan.

126. The credit crunch has had a particularly severe impact on the housing market with a sudden and dramatic fall in new build activity across the sector. This has, in turn, meant that interest from companies in acquiring development land has virtually ceased. This has major implications for the council, as the funding for the ten year capital plan was heavily dependent on capital receipts in the early years of the programme.

127. Officers from property services and finance services have undertaken a detailed review of how they should address the revised markets conditions. Land values have fallen significantly and land transactions have virtually ceased. The head of property services is strongly recommending that it would not represent Best Value to attempt to sell council owned land in these circumstances. Accordingly, it is anticipated that the number of sites sold and therefore the projected value of capital receipts will substantially reduce in 2009/10 and 2010/11.

128. While it is very difficult to make any accurate prediction, the council considers that housing market conditions will not improve for at least 24 months from now and, based on this consideration, the revised projected position is that receipts over the six year period are still projected at the budgeted level of £55.3 million. However the phasing has radically changed and for the first three years 2008/09 to 2010/11 capital receipts are now projected to be over £33 million lower than the budgeted position. This clearly presents a major challenge in terms of delivering the approved ten year capital programme and means that action has to be taken to ensure the capital strategy remains affordable, prudent and sustainable in accordance with the requirements of the CIPFA Prudential Code. The council's priority is to protect the existing ten year capital strategy as far as

possible, and expenditure will be deferred in 2009/10 and 2010/11 and borrowing accelerated to compensate for the reduction in resources during this two year period.

129. The council has a reserves strategy which is presented to the council every year with the revenue budget. Usable reserves and balances are held for a clear purpose in support of the overall financial strategy. The council's strategy is to maintain a minimum unallocated general fund balance of £2 million. As at 31 March 2008 the uncommitted general fund balance was £2.374 million which exceeded the councils target balance. This level fell by £300,000 during the financial year following a council decision to meet one-off education expenditure from the general fund balance.

130. Taking into account the challenging planned efficiencies, the uncertainty over future payments following tribunal appeals, the financial pressures facing the council, and the current economic volatility the council should keep its target level of unallocated general fund under review to ensure it remains adequate for the council's future needs.

Introduction of international financial reporting standards

131. The introduction of IFRS to the local government is expected in 2010/11, although elements of this, for example PFI accounting and completion of whole of government accounts, could be introduced earlier. Audit Scotland's recent experience in other sectors indicates that implementation has been problematic.

132. The head of finance is fully aware of the requirements of IFRS and will ensure a project plan is in place by summer 2009 and that appropriate preparations and training will start thereafter.

133. Currently there is over-reliance on one key officer to prepare and finalise the financial statements each year and to manage technical issues as they arise. The financial management unit has started a review of the future operation of the unit, which will be complete by June 2009 and which will specifically address this issue.

Local authority sundry trusts

134. West Lothian Council has 39 trusts funds which hold charitable status. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006 which means that a full set of financial statements is expected for each trust fund. The date of full implementation is 2010/11.

Immediate priorities and risks

- continuing to have in place robust financial planning, budgeting and monitoring arrangements so that cost pressures are managed effectively

- delivering a balanced budget for 2008/09

- ensuring that financial planning and decision making is effectively co-ordinated with partners and financial information systems in place are not able to support joint working

- completing the review of the financial management unit

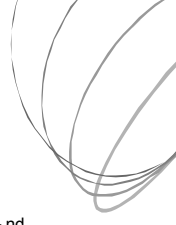- preparing systems and developing staff for the introduction of IFRS.

- reviewing the agreed level of unallocated general fund balance (this is not in the narrative above)

- delivery of the capital plan

- ensuring a full set of financial statements is available for all charitable trust funds in 2010/11.

Use of resources - people management

135. Workforce related issues are currently at the forefront of local government business, as councils continue to deal with outstanding equal pay claims including those at industrial tribunal. In addition, a number of councils have yet to implement the single status agreement. Councils also need to implement the age discrimination legislation that was introduced in October 2006 and consider the proposed changes to the local government pension scheme. The financial implications of these matters are significant and will affect employer/employee relationships.
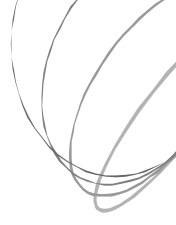
Single status and equal pay

136. The council implemented its new pay and grade structure on 1 October 2007 and is now nearing the final stages of the appeals process for employees who consider their job has been wrongly evaluated and graded under the single status process. The appeals process is scheduled for completion by the end of the financial year.

137. The council reviewed actual and potential claims in relation to equal pay legislation and included a provision of £1.313 million in the 2007/08 financial statements, as the best estimate of the expenditure likely to be required to settle present obligation at the balance sheet date. The estimate for 2008/09 is £1.009 million.

138. There remain uncertainties over the actual costs that will be incurred to settle these cases, and any future unquantifiable claims that may be made. The council has sought to limit its exposure to the financial risk associated with equal pay claims by paying equal pay compensation payments to specific groups of employees as part of a compensation package. The majority of equal pay claims have been settled with compromise agreements. Only 120-130 claims are outstanding. These are either historical pay claims, members of staff that didn't accept the offer and others that have been delayed through the courts. Over and above these claims there are around 40 claims seeking equal pay after the new pay structure has been introduced. The council is scheduled to re-offer previous compromise agreements to the remaining equal pay claimants by the end of the financial year.

139. All relevant costs have been included in appropriate budgets with the financial implications fully considered. In addition the council conducted a job quality impact assessment through the process of an evaluation exercise to ensure that the pay and reward system in place met legislative requirements under the equal pay act.

140. In implementing the single status agreement the council took the opportunity to review and redesign services and modernise working practices in some areas. In the 1st phase the pay in single status was restructured and new generic job descriptions were introduced to make the transition easier.

Interchangeable jobs including switching to shift working practices and adopting a continental shift pattern for example in refuse collection has also had an effect on modernising the workforce. The 2nd phase that has just started, in partnership with the trade unions, involves the rationalisation of terms & conditions with regard to stand-by and overtime payments and changing working practices. It is thought that this will be more challenging than the 1st phase due to the negotiation with trade unions and the current economic climate.

Workforce management

141. A small working group has prepared a draft outline of a workforce strategy and will work with service areas to analyse the current workforce capacity against the future demands of the council. Workforce plans will assist managers to take decisions on rationalising posts and services in order to achieve the required efficiencies.

142. As part of the workforce planning strategy reports have been introduced for the Heads of service. This is to enable more engagement with services and the identification of actions and action plans to move forward. The reports contain information on workforce requirements and cover areas including age, gender and sickness/absence. These reports will be used to engage with services and find solutions for any potential problems that may arise.

143. West Lothian Council is also developing an updated people's strategy in relation to workforce matters which cover issues to do with health & safety, equalities, business continuity and succession planning. This should be completed within the next few months with the view to it being rolled out in 2009/10.

144. The council consider that employees are treated fairly and consistently through the application of a wide range of policies and procedures developed in conjunction with trade unions. A small section within the human resource service specialises in keeping track of legislation and works closely with legal services on all aspects of employment law. Their remit is to check existing policies to ensure they are up-to-date. The human resource service is also developing a case management system, for consistency of application, for different themes and how they are applied (e.g. the lease policy and sickness absence).

145. Succession planning for professionals has been historically difficult for the council. Last year the council had problems in the recruitment of planners and have experienced the same difficulties in previous years when trying to recruit and retain social workers and solicitors. This year, however, has had little problem finding solicitors but there have been difficulties in recruiting staff in the catering section.

146. The council has developed a performance review and personal development planning (PRPDP) tool which helps to ensure that all staff are regularly assessed and supported in developing and improving their skills. The managers' development program is currently under review in order to identify the key skills required and to source and provide training to enhance the skills managers already have.

147. The council intends to carry out staff surveys which will be incorporated in to the West Lothian Assessment Model. The surveys will be small surveys and will help drive forward the council's improvement agenda.

Efficient use of resources

148. West Lothian Council has historically linked work force management to the budget and financial strategy to deliver efficiencies wherever possible. The council actively monitor the efficiencies made and each service department can identify their relevant efficiencies.

Absence management

149. The council has agreed procedures in place to manage sickness absence. Information is provided to managers on sickness absence for each service area and comparisons are included against the council target of 4%. The council's overall sickness absence level for 2006/07 was 5.31% against a Scottish average of 5.30% and in 2007/08 the level reported was 5.78% (at this period in time the Scottish average figures are not available).

150. At the start of November 2008, West Lothian Council began a 6-month sickness absence pilot project with an external provider the Active Health Partnership (AHP). The pilot project is aimed at specific groups of non-teaching employees, around 650, within the service areas experiencing the highest levels of sickness absence. AHP provide a nurse led call centre, which offers an integrated approach to the management of sickness absence. The pilot exercise will operate in parallel to existing sickness absence policies and procedures, and it is anticipated that following a successful pilot the council may consider extending the service areas covered with an eventual roll out to all service areas.

Immediate priorities and risks

- ensuring there is adequate provision in the budget for the equal pay cases which are outstanding.

Longer term considerations

- completion of the workforce strategy

- completion of the people strategy

- continuing to reduce sickness absence levels across the council.

Use of resources - asset management

151. Best value requires councils to demonstrate the sound use of resources, covering physical assets as well as financial resources and human resources. Definitions of assets vary, with the focus traditionally being on capital assets such as land and buildings, but the principles of good asset management also extend to other assets such as vehicle fleets, stock and IT equipment. We have not reviewed this area as a separate topic this year, but have made reference to asset management in paragraph 124 of this report.
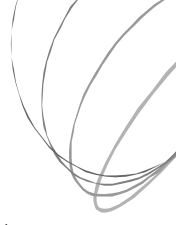
Use of resources - procurement

152. In March 2006, the McClelland Report concluded that the main public sector procurement processes still had weaknesses in resources, skills, organisational structures and practices. The report stated that these issues constrained the ability of public sector organisations, including local authorities, to secure Best Value and cost savings from their procurement activities.

153. In December 2007, the Scottish Local Authorities Chief Internal Auditors' Group published the results of a national review of local authority compliance with best practice procurement arrangements set out following the McClelland Report which reported the council's overall compliance at 50 percent.

154. We have not reviewed this area as a separate topic this year, but note that the council approved the 3 year Procurement strategy for the period 2008-2011 in April 2008. We will review this area next year.

Use of resources - information management

155. Information regarding citizens is a key resource for local authorities to be able to manage services effectively. There is pressure from government to modernise and integrate service support systems to increase efficiency. In the last few years, local authorities have invested in e-procurement, contact centres and better web-sites, as well as improved ICT infrastructure.

156. The Data Protection Act 1998 (DPA), Freedom of Information (Scotland Act) 2002 (FOISA) and other pieces of legislation increase the requirements for effective information management across all aspects of local government. The public and other stakeholders have a need for easy but secure access to information. They also have a higher awareness of data protection and information issues.

Data handling & security

157. The council has embarked upon a programme to improve information governance by reviewing information security which has resulted in the issue of the Information Security Policy (ISP), although it is acknowledged this requires to be reviewed annually.

158. The Information Management Working Group (IMWG) is establishing its role for reviewing and ensuring consistency for all matters relating to information management and is currently looking at Data Handling Guidelines.

159. The council has also embarked on an Electronic Records Document Management System (ERDMS) project which will radically change how all documents are recorded and stored and how they can be accessed. The new EDRM system has identified that the council aim to clearly demonstrate £100,000 of saving each year for the 5 year duration of the project.

160. There remains scope for improvement in the availability of the security procedures and guidelines and in the training material being provided. These issues, together with matters relating to the secure encryption of data, are currently being addressed by officers and will be followed–up during our 2008/09 review.

161. The council has a number of Business Continuity Plans (BCPs) including an ICT Business Continuity Plan in place, but it was found from a recent Internal audit report that the majority are out of date. With the planned move to the Civic Centre which will involve some radical changes to working arrangements and the provision of IT services it is essential that all service area BCP plans are reviewed and made current. This is needed to ensure the council is able to respond if service is interrupted, and to feed the process of developing a corporate BCP, underpinned by the IT Service continuity plan.

Citizen information

162. The council also has a customer services strategy covering 2006-2009 to help bring focus to the use of information management in service delivery. The council are aware that proper consent from the citizen will be required for the use of information and especially if it is to be used for a purpose other than it was originally obtained.

163. West Lothian Council does not use multi-function cards other than the Entitlement Card, although there are a few single purpose smartcards used e.g. cashless catering. National guidance is available for the usage of the Entitlement Card, and the council follows this in all matters regarding issue and renewal.

ICT investment

164. The council has a draft IT strategy being developed to consolidate on the major changes underway and with the greater demands being placed on the council's IT infrastructure, both from local and national initiatives, it is essential that the IT Strategy being developed covers the medium to longer term in line with the corporate plan. It must also ensure IT services are delivered in a consistent manner and are linked to the council's capital programme, which draws together all major ICT investment.

165. To support the delivery of the vision and projects to be detailed in the strategy the council uses a formal project management methodology, PRINCE. This is used to ensure all activities are the subject of authorisation by the ICT Programme Board and expected costs and benefits are documented.

166. The ICT investment in PCs and Laptops is currently delivered under a contract with Dell, but this is due to expire in September 2009 at which time new arrangements will have to be put in place. The ICT investment in PCs and Laptops will be based round a five year replacement programme. The new arrangements will have to be closely monitored to ensure best value is delivered.

Legislative environment

167. The council has corporate policies in place with regard to fulfilling its legal and statutory responsibility for data protection and freedom of information. In addition there is an ISP, approved in December 2008, to provide a framework and guidance covering operating policies and procedures. The policy also draws attention to other legislation that relates to ICT. Furthermore the Council has delegated officers to manage its responsibilities to DPA and FOI.

Government initiatives

168. The council has an appreciation of the main government initiatives currently being pursued in relation to the efficient use of ICT and information, and will comply with national initiatives for matters relating to e-Government when this coincides with local objectives. By way of example, the council signed up to the National Recruitment Portal for Scottish local authorities in October 2008. Myjobscotland.gov.uk allows participating authorities to advertise vacancies and candidates are able to search for local authority jobs across Scotland. Each council also has a dedicated mini-site where it can publish additional information for candidates, such as council and local area profiles. In addition, the council are also involved in the One Scotland Portal designed as a link to the wider public sector. This project is held up by technical problems at this time, but will be kept under review.

169. The (SOA) is another initiative where IT systems may be able to provide support by way of making information available and by the provision of more effective service for example through mobile devices. This has been recognised by the council and SOA requirements will be considered in the IT Strategy and IT planning such as the capital programme.

170. 'Green ICT' is a government priority and the council plan to include this agenda as part of the IT strategy. Although the council does not have a specific policy in place it has adopted a number of 'green' initiatives and practices including virtualisation technology to better use its servers as one measure to reduce power consumption.

Infrastructure

171. The council is about to make major changes to its back and processing up capability. This will involve a transfer from Lindsay House to a shared service contract at the Caird Centre, managed by South Lanarkshire Council. This change is also likely to have a significant impact on service BCPs.

172. With regard to the Civil Contingencies Act communications will feature as a priority and in this context the IT service will have responsibility for the council's telephony with the introduction of the new telephony system. The telephony system will be located in both the Civic Centre and at the Caird Centre as part of the shared service contract. The system will be running live from both locations and the load will be shared. After initial testing prior to implementation a process of systematic and regular testing will be required to ensure these new arrangements can fulfil there requirements.

Immediate priorities and risks

- ensuring business continuity when the council moves to the new civic centre

- ensuring security measures such as data encryption are utilised based on risk, and staff awareness regarding such measures and information security is maintained

- full testing of the back-up site provided by shared service at South Lanarkshire council

- reviewing and revising business continuity plans across all services

- developing an IT Strategy to provide the focus and vision for delivering IT service, and the provision of equipment and infrastructure.

- ensure effective implementation of the electronic records data management (ERDM) system.
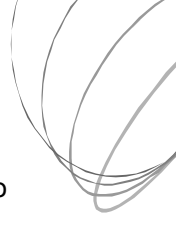
Cross Cutting Issues

Diversity and equality

173. Equality and diversity are widely recognised as fundamentally important factors in the sound management of a modern, effective organisation.

174. In November 2008 the Accounts Commission published a report titled 'The impact of the race equality duty on council services'. The report found that while councils have developed policies on race equality they now need to ensure that these have a positive impact on people from minority ethnic communities, through the design and delivery of services. The report concludes that councils need to build a better understanding of the needs of their minority ethnic communities; mainstream their approach to race equality; and give more priority to race equality in delivering services.

175. In West Lothian Council diversity is seen as part of the equalities approach and some aspects are covered by the council's people strategy, for example a commitment to "recognise the worth" of employees and to celebrate success.

176. West Lothian Council has an equality policy and action plans are required for 3 Key schemes: the Disability Discrimination Act, Employment Act and Race Relations Act.

177. There also exists a policy statement on equal pay, gender equality scheme, equality impact assessment toolkit, policy on equality, disability equality scheme, and a disability equality policy.

178. We will be reviewing the council's procedures for addressing race equality and diversity later in the year.

Sustainability

179. Best Value audit work highlights that the primary focus of councils on sustainability has been on waste and energy management. There is a real risk that progress towards the government's wider sustainability agenda and targets will be insufficient. At present the majority of local authorities are unable to demonstrate their contribution to sustainability. There remains scope to strengthen arrangements by developing performance management systems and quality of life indicators.

180. West Lothian Council is looking at developing policies to take forward the sustainability agenda and is about to appoint a sustainability officer. Once the government develops high level policies to support the sustainability agenda the council will then be in a position to define its own policies ensuring they align with those of the government.

181. In the meantime, the council has adopted a number of 'green' initiatives and practices including virtualisation technology to better use its servers as one measure to reduce power consumption. The council is also looking at ways of reducing its carbon footprint and is currently seeking external advice on definitions of success measures on carbon footprint reduction.

182. Local authorities play a pivotal role in helping achieve the Scottish Government's overall purpose to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Our approach to auditing their contribution to this and their impact on climate change is developing and will be shaped in the near future by the introduction of climate change legislation.

Service priorities and risks

183. The Scottish Government emphasis on streamlined, better co-ordinated scrutiny means that it is important that audit and inspection agencies understand each others' businesses, be aware of the risks in each others' sectors, and share intelligence to avoid overlap and duplication of scrutiny activity. We have reviewed reports published by other audit and inspection agencies and summarise the conclusions below. We will review progress made on any recommendations identified in the reports.

Education

184. The HMIE inspection report published on 19 June 2007 on West Lothian Council identified a number of key strengths and areas for continued improvement. Key strengths identified were:

- clarity of the corporate vision for education and the strong sense of shared purpose amongst staff at all levels

- high expectations of school performance and robust quality improvement procedures

- strong encouragement for schools to innovate to meet their particular needs

- development of leadership at all levels and support for a collegiate approach to school improvement

- effective mechanisms for sharing of good practice across the school sector

- effectiveness of integrated working, particularly in relation to the early years, and vulnerable groups of learners including pupils with additional support needs.

185. The authority recognised the need to better integrate the work of Community Learning and Development into the overall activity of Education and Cultural Services so as to maximise the impact of joint-working.

186. The council should also continue to ensure that all children and young people maximise their potential, especially those at risk of not proceeding to education, employment and training.

Social Work

187. SWIA published a Performance Inspection Summary in March 2007. The report identified that at the time of the inspection most people were receiving very good services from West Lothian social policy. A number of areas of improvement were identified. These included:

- reducing the number of moves experienced by looked after and accommodated children and young people

- improving outcomes for young people leaving care

- better outcomes for people with learning disabilities

- changes to the way some cases in adult and older peoples services were being reviewed

- strengthening some areas of service planning.

188. Overall, however the report gives a very positive account of social work services in West Lothian. This is reflected in the evaluations made by SWIA, which in the 10 areas evaluated, include one 'excellent' grade, and six 'very good' grades. No area of evaluation was found to be functioning below a 'good' standard.

Landfill

189. The EC Landfill Directive sets limits on the disposal of biodegradable waste to landfill and requires the pre-treatment of waste prior to landfill. There are technical and financial challenges facing the council in delivering solutions and the implications of landfill penalties could be significant. From 2008/09 onwards, Scottish councils will be allowed to trade landfill allowances. If one council performs better than its targets, it can sell its excess allowances to other councils.

190. The council is currently responsible for collecting, treating and disposing of approximately 114,000 tonnes of waste each year, of which around 78,000 tonnes is taken to landfill. The council's landfill allowance will reduce from 44,257 tonnes in 2007/08 to 40,405 tonnes by 2009/10.

Longer term considerations

- to better integrate the work of community learning and development into the overall activity of education and cultural services so as to maximise the impact of joint-working.

- continuing to ensure that all children and young people maximise their potential, especially those at risk of not proceeding to education, employment and training.

- developing solutions which reduce the amount of waste sent to landfill.

Strategic risk plan

191. This report summarises the key risks facing the council. At appendix A, in our strategic risk plan, we set out the audit work that we propose to undertake in 2008/09 and future years on these risk areas. As the risks included in this report are high level and strategic in nature, they will continue to be relevant to the council for a number of years. Therefore, although our risk analysis will be updated annually, many risks will remain from year to year and the risk analysis will cover a rolling three year period.

192. Our plan reflects:

- the council's local risks and priorities

- current national risks relevant to the council's circumstances

- our responsibilities under the Code of Audit Practice as approved by the Accounts Commission (our annual audit plan 2008/09 sets out more detailed information on our responsibilities, approach, quality control and fees)

- issues brought forward from last year's audit.

193. The strategic risk themes mirror the topics identified in the Priorities and Risks Framework. In many cases actions are either planned or already underway within the council to manage key risks. Details of the management assurances that we have received against each of the risks and the audit work to be undertaken on identified residual risks are also set out in the plan.

194. Where risks have a possible impact on the financial statements of the council they may have already been reported in our Annual Audit Plan.

195. It is in the nature of risk that the likelihood of occurrence and potential impact are variable – the absence of assurance arrangements does not necessarily mean that identified risks are statements of fact. Councils may also choose to accept, or be unable to mitigate, certain risks.

Monitoring and reporting arrangements

196. Our risk assessment work has confirmed that the council has action plans in place to address many of the risks identified. In these areas we will monitor the progress of the management assurances we have received as specified in the strategic risk plan. Any significant matters which arise from our monitoring activity will be reported on an exception basis and may be included in our annual report on the audit.

Appendix A

West Lothian Council – strategic risk plan

Strategic risk plan - *In this section we identify a wide range of strategic risks facing the council, the related management assurances received and the audit work we propose to undertake in the coming years to secure additional assurance. The management of risk is the responsibility of the council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks. In some instances planned audit work will include ongoing monitoring of risks throughout our audit appointment.*

Partnership working and community leadership

Councils work with a range of other agencies and groups, including the community themselves. Many council services are planned and delivered in partnership with other public, private and voluntary organisations, community groups and forums. These partnerships are of particular importance in tackling complex or cross-cutting issues such as inequality.

No	Risk	Management assurances	Planned audit action
1	Currently, there is an acting Director of the CHCP and there have been some tensions in the relationship between the NHS and the Council. In addition, the partnership agreement between the council and the CHCP has not yet been finalised. *There is a risk that ineffective governance arrangements may reduce the extent to which partnership structures are empowered to make decisions. This may impact on their ability to drive forward change at a strategic level and to deliver better or additional outcomes as a result of acting together.*	Representatives from the council and NHS are working together to resolve issues surrounding the operation of the partnership. This is aimed at securing delivery of the outcomes of the two organisations working together. The partnership agreement has been drafted and both parties are working together to finalise it.	Provide an update in our 2008/09 annual audit report.

Governance and accountability

Governance is about direction and control of organisations. It is concerned with structures and processes for decision-making and accountability. Good governance means that the way local authorities operate is based on sound decision-making and an effective process to support it.

No	Risk	Management assurances	Planned audit action
2	The working group on corporate governance within West Lothian Council completed a mapping exercise comparing the council's code of corporate governance with the new framework. The only area not covered in the council's current code is guidance for members and officers in partnership working. *There is a risk that partnership working is not fully effective and members and officers are unclear of governance arrangements which apply to partnership working.*	The adoption of the CIPFA framework is planned for 2009/10 following approval by the council executive in June 2009.	Provide an update in our 2008/09 annual audit report.
3	Member training and development needs to address specific objectives or lead to improvements in performance to be effective. It also needs to address competency areas which are becoming increasingly important for the future, such as partnership working. *There is a risk that member training and development does not address issues which are important and that members do not take full advantage of training opportunities available to them.*	The council is currently undertaking a review of training arrangements for members.	Monitor the provision and uptake of training for members on an ongoing basis. Provide an update in our 2008/09 annual audit report.

Performance management and improvement

Effective performance management at both service and corporate levels is essential to achieve intended objectives, and to assist elected members and senior managers to form an overall view of how their council is performing across all areas of activity. Councils need to know how their services are performing before they can demonstrate that they are improving, offer value for money, are competitive and are of high quality.

No	Risk	Management assurances	Planned audit action
4	Service areas do not have published service plans for 2008/09. *There is a risk that relying on simply the activity budget and corporate indicators and initiatives for each service does not fulfil the corporate governance and communication functions of a service plan.*	Service plans for all services are being re-introduced for April 2009.	Provide an update in our 2008/09 annual audit report.
5	Some of the data on Covalent has been found to be out of date or inaccurate. *There is a risk that performance assessments and decisions are taken on the basis of inaccurate data.*	The Chief Executive has issued a reminder to officers regarding the accuracy of data on corporate systems and Internal Audit is working with the Best Value manager on the audit of data.	Monitor any follow up work performed by Internal audit. Provide an update in our 2008/09 annual audit report.

Use of resources - financial management

Good financial management is about efficiency, effectiveness, best value and tight financial control. Councils need to oversee budgets, monitoring should be ongoing and financial performance reviewed regularly.

No	Risk	Management assurances	Planned audit action
6	The local government sector faces a tight financial situation in the period 2008/09 to 2010/11 including a requirement to freeze council tax levels, develop asset management, continue to deliver efficiency savings and to manage pressures from the current economic climate. It will be challenging for the council to deliver a medium term financial and efficiency strategy that achieves balanced budgets while maintaining effective service delivery. *There is a risk that if efficiencies are not delivered the budget could be overspent and the council may not be able to maintain its target minimum unallocated general fund balance of £2 million. In turn this could lead to future cuts in services.*	The projected general fund balance at 31 March 2009 is £2.1m and the council will manage its finances and associated risk to minimise the demands on the General Fund Balance and maintain it at least at the minimum level.	Provide an update in our 2008/09 annual audit report. Review again in 2009/10.
7	From 2009/10 all Single Outcome Agreements will be between the Scottish Government and community planning partnerships. *There is a risk that financial planning and decision making is not effectively co-ordinated with partners and financial information systems in place are not able to support joint working.*	Financial systems and arrangements will be geared to supporting the delivery of the outcomes agreed by the Council and its partners in the Single Outcome Agreement.	Monitor the council's financial position and the achievement of efficiencies and achievement of the SOA. Provide an update in our 2008/09 annual audit report.
8	Currently there is over-reliance on one key officer to prepare and finalise the financial statements each year and to manage technical issues as they arise. *There is a risk that the council may not be able to deliver the year end financial statements because of over-reliance on one key officer.*	A project plan is currently being drafted to ensure delivery of the draft financial statements by 8 June 2009. The requirement for cover and succession planning for this task will be a key output of a review of the Financial Management Unit that will be complete by June 2009.	Review the project plan and meet with key officers to discuss delivery of the financial statements by 8 June 2009.

No	Risk	Management assurances	Planned audit action
9	The introduction of IFRS to the local government is expected in 2010/11, although elements of this, for example PFI accounting and completion of whole of government accounts, could be introduced earlier. *There is a risk that the council will not comply with International Financial Reporting Standards and this could result in audit qualification or missed deadlines for accounts submission.*	The Head of Finance is fully aware of the requirements of IFRS and will ensure a project plan is in place by summer 2009 and that appropriate preparations and training will start from that point.	Review the council's IFRS arrangements. Provide an update in our 2008/09 annual audit report.

Use of resources – people management

The successful achievement of council objectives and the delivery of high quality services, whether directly by council staff or by others who are monitored by council staff, depends on the capacity, capability, competency and motivation of the workforce

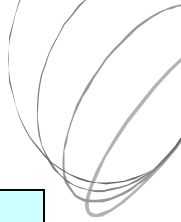| No	Risk	Management assurances	Planned audit action
10	There remain uncertainties over the actual costs that will be incurred to settle the equal pay claims, and any future unquantifiable claims that may be made. *There is a risk that councils incur extremely high legal costs in defending some equal pay cases. They should review their position on outstanding cases at regular intervals.*	The council maintains sufficient budgetary provision for outstanding equal pay claims and in conjunction with external legal advisers continues to monitor case law developments at regular intervals. The council is also scheduled to re-offer the previous compromise agreements to the remaining equal pay claimants, and is due to be undertaken prior to the end of the financial year.	Provide an update in our 2008/09 annual audit report.

No	Risk	Management assurances	Planned audit action
11	The high level workforce strategy and people management strategy's are yet to be finalised. *Until the finalisation of the workforce strategy and People Management Strategy there is a risk that health and safety, equalities, business continuity and succession planning issues are not fully addressed. With respect to succession planning there is a risk that the council are unable to fill key vacancies in the future which could affect service delivery.*	In finalising the workforce planning strategy and revising the people strategy the council will undertake a detailed analysis of its workforce requirements. A key feature of this will be in ensuring that the workforce planning strategy and people strategy take full account of the council's modernising agenda and the associated service redesign and changes in working practices as the council moves greater mobile and flexible working through the use of technology. As part of the workforce planning strategy the council has introduced Head of Service reports which provide senior managers with quarterly statements on a wide range of people management issues including but not limited to: • employment status (permanent, fixed term or casual) • working hours • salary grades • ethnic origin • gender • disability • age profile and succession planning • recruitment and retention • sickness absence • discipline, grievance, and fair treatment at work • health and safety. At the same time the Human Resources service will engage with senior managers to develop action plans and to review performance.	Provide an update in our 2008/09 annual audit report.

No	Risk	Management assurances	Planned audit action
12	The council operates procedures in respect of sickness absence as approved by council and trade unions however sickness absence levels remained high at 5.78% in 2007/08. *There is a risk that arrangements for managing absence may not be effective in tackling abuse and work-related causes of ill-health and in supporting staff so that they can return to work.*	The council's 6-month pilot project with AHP has progressed well and the council is undertaking a review of the pilot at the midpoint of the period. At the same time the council is undertaking a review of existing sickness absence policies and procedures and comparing against other local authorities with significantly lower sickness absence SPIs. In addition to the sickness absence pilot the council provides all employees with access to an Occupational Health Service. The service is provided by Sterling Healthcare and is available to employees through manager referral or self-referral. Early referral and intervention by the Occupational Health Services is a key management action in addressing sickness absence and in particular long-term absences.	Provide an update in our 2008/09 annual audit report.

Use of resources - information management

Information regarding citizens is a key resource for local authorities to be able to manage services effectively. There is pressure from government to modernise and integrate service support systems to increase efficiency.

No	Risk	Management assurances	Planned audit action
13	The council is set to move to the new Civic Centre in July this year. *There is a risk of disruption to council business if information and communication technology is not installed and tested prior to the move.*	The council has a programme of defined projects scoped and are providing resources to deliver the ICT migration to the Civic Centre.	We will monitor progress on a continuing basis.
14	The council as part of its records management policy will be implementing an Electronic Records Data Management (ERDM) system. *Risk: There is a risk a poorly implemented project will not deliver the cash and operational benefits that have been identified.*	The council have initiated a project and have developed a benefits realisation plan to manage EDRM. The project will be managed under PRINCE2 principles.	We will monitor progress and report as part of annual audit report.
15	The council needs to ensure security measures such as data encryption are utilised based on risk, and staff awareness regarding such measures and information security is maintained. *There is a risk that security may not be adequate if appropriate technology is not deployed and procedures are not readily available.*	The council is rolling out a comprehensive training programme which includes the use of materials on DVD to enhance the learning process. Security measures such as the use of encryption remain under review.	Review the measures taken during audit of data management arrangements in 2008/09.
16	The council does not have a current IT Strategy to provide the focus and vision for delivering IT services and provision of equipment and infrastructure. *There is a risk that IT services will not be delivered in a coherent and consistent manner.*	Much of the current delivery of IT services and projects is based round the Civic Centre and resulting changes, but it has been recognised that a strategy is needed going forward.	We will monitor progress and report as part of annual audit report.

No	Risk	Management assurances	Planned audit action
17	The council is contracted to use a shared service back up site for its telephony and other systems utilising the Caird Centre managed by South Lanarkshire council. This has still to be fully tested. *There is a risk that disaster recovery and business continuity plans will not function as expected if they are not the subject of regular testing.*	It is the council's intention to carry out a desk based test to assess their recovery and continuity capability. The new arrangements will be included in such testing.	We will monitor progress and report as part of annual audit report.
18	The council services require to review and revise their Business Continuity Plans. This is made more urgent based on the major infrastructure changes currently underway with the development of the Civic Centre and the new back up arrangements at the Caird Centre. *There is a risk that current BCP expectations will not be achieved if services do not fully review current requirements.*	• All services are being tasked with reviewing their BCPs. • A corporate BCP will also be agreed. • An IT Service continuity plan will be developed.	We will monitor progress and report as part of annual audit report.