

Notice of Meeting and Agenda

Audit, Risk and Scrutiny Board

Date	Time	Venue
Monday, 18 March 2019	10:00	Corporate Meeting Room 1, Council Headquarters, Renfrewshire House, Cotton Street, Paisley, PA1 1AN

KENNETH GRAHAM
Head of Corporate Governance

Membership

Councillor Tom Begg: Councillor Stephen Burns: Councillor Michelle Campbell: Councillor Alison Jean Dowling: Councillor Neill Graham: Councillor Jim Harte: Councillor Emma Rodden:

Councillor Bill Binks (Convener): Councillor Jim Sharkey (Depute Convener):

Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online

at <http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx>

For further information, please either email

democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

Audit

- | | | |
|----------|---|----------------|
| 1 | Training for Audit, Risk & Scrutiny Board Members | 1 - 12 |
| | Report by Chief Auditor. | |
| 2 | Annual Internal Audit Plan 2019/20 | 13 - 30 |
| | Report by Chief Auditor. | |
| 3 | Compliance with the Code of Corporate Governance | 31 - 32 |
| | Report by Chief Auditor. | |
| 4 | Audit Scotland Report - Council's Use of Arms Length Organisations | 33 - 80 |

Organisations

Report by Chief Executive.

Monitoring and Reviewing Service Delivery Performance, Polices and Practices

- | | | |
|----------|--|-----------------|
| 5 | Annual Complaints Report 2017/18 | 81 - 94 |
| | Report by Chief Executive. | |
| 6 | Local Government Benchmarking Framework Indicator Profile 2017/18 | 95 - 116 |
| | Report by Chief Executive. | |

Annual Programme

- | | | |
|----------|--|------------------|
| 7 | Audit, Risk & Scrutiny Annual Programme 2018/19 | 117 - 120 |
| | Report by Director of Finance & Resources. | |



To: Audit, Risk and Scrutiny Board

On: 18 March 2019

Report by: Chief Auditor

Heading: Training for Audit, Risk and Scrutiny Board Members

1. Summary

- 1.1 In line with national guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the implementation of Audit Committee Principles in Scottish Local Authorities, training on audit and risk related matters is being provided to members of the Audit, Risk and Scrutiny Board.
- 1.2 At the Audit, Scrutiny and Petitions Board meeting on 28 August 2017, it was agreed that a programme of training briefings for members would be provided and would continue to form part of the main agenda at every alternate meeting.
- 1.3 Attached at Appendix 1 is the agreed programme of briefings, and at Appendix 2 the current briefing on "The Role of Internal Audit".
- 1.4 The current programme of briefings is due to be completed by 18 March, members have an opportunity to shape the content of the future programme of briefings.

2. **Recommendations**

2.1 Members are asked to note the content of the current briefing.

Implications of the Report

1. **Financial** - None
2. **HR & Organisational Development** - None
3. **Community Planning –
Safer and Stronger** – an effective audit committee is an important element of good corporate governance.
4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None
7. **Equality & Human Rights** - None
8. **Health & Safety** – None
9. **Procurement** - None
10. **Risk** - training for elected members on audit and risk-related matters reflects audit committee principles
11. **Privacy Impact** – None
12. **COSLA Implications** - None

Author: Andrea McMahon – 01416187017

Appendix 1

Date	Topic
28 August 2017	The Role of the Audit Committee
6 November 2017	Cyber Security Risk and Control
19 March 2018	The Role of External Audit
27 August 2018	Understanding Financial Statements
5 November 2018	Holding to Account Guidance and National Fraud Initiative
18 March 2019	The Role of Internal Audit

Training for Scrutiny and Petitions Board Members

Role of Internal Audit

18 March 2019



Definition of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Authority and Responsibility

- The Local Authority Accounts (Scotland) Regulations 2014;
- Public Sector Internal Audit Standards;
- Internal Audit Charter – approved by Board;
- Chief Auditor reports directly to the Audit, Risk and Scrutiny Board.

Independence

- Public sector internal audit standards – including code of ethics;
- Professional duty to provide an unbiased and objective view;
- Independent from the operations being evaluated;
- Free access to senior officers and the Convenor of the Board;
- Chief Auditor reports directly to the Board.

Added Value

- Help to achieve organisational objectives;
- Combination of assurance and consulting activities;
- Assurance – Tell management and the Board how well the systems and processes are working.
- Consulting – Help to improve systems and processes where necessary.

Internal Audit Activity - What

- Critical Friend – challenge current practice, champion best practice and be a catalyst for improvement.
- Assess the management of risk.
- Evaluating risks and controls and advising on improvements.
- Evaluating governance arrangements.

Internal Audit Activity - How

- Risk based audit plan;
- Evidence based assessment;
- Audit report for management action;
- Regular reporting to the Audit Committee;
- Annual Report which informs the Annual Governance Statement.

Questions?



To: Audit, Risk and Scrutiny Board

On: 18 March 2019

Report by: Chief Auditor

Heading: Annual Internal Audit Plan 2019/2020

1. Summary

1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2019/20 has been developed. The audit plan takes into account the outcomes of the internal corporate and service risk identification and evaluation processes, and the current business environment. In addition to undertaking work which will provide assurance on the robustness on key internal controls, the plan seeks to reflect the key priorities and challenges for the council.

1.2 A number of methods have been employed to facilitate production of the risk based audit plan for 2019/20:

- Consultation with all Directors and their Senior Management Teams,
- Senior management from the associate bodies and Audit Scotland;
- Benchmarking with other Local Authorities;
- Review of corporate and service risk registers;
- Cumulative audit knowledge and experience;
- Review of key external audit and inspection reports.

1.3 The following influencing factors have been considered in our assessment of the current business environment and the priority areas of audit:

- Brexit
- Financial sustainability;
- Information Governance;
- Public Protection;

- Serious organised crime, cyber crime and corporate fraud;
- Community Empowerment; and
- Cultural Regeneration.

- 1.4 The total available resource is 1258 days, the operational audit time available for 2019/20 has been identified as 991 days (79%). The remaining 267 days relates to training, service development, administration and management. Coverage of the plan is achieved through the use of in-house staff and where relevant commissioned from other providers.
- 1.5 Operational and non-operational time has been calculated in accordance with CIPFA benchmarking criteria. Non-operational time includes provision for training, performance management and service development. In addition to the internal audit assurance function the Chief Auditor has managerial responsibility for risk management, insurance and corporate counter fraud which are excluded from the calculation of available operational audit resources.
- 1.6 Delivery of the risk based annual audit plan supports effective member scrutiny of the council's internal financial and other control mechanisms.

2. **Recommendations**

- 2.1 Members are asked to approve the content of the risk based audit plan for 2019/20.
- 2.2 Members are asked to note that the progress of the 2019/20 annual audit plan and summaries of the findings from each audit assignment will be reported to the Board on a quarterly basis.

Implications of the Report

1. **Financial** - None
2. **HR & Organisational Development** - None
3. **Community Planning –
Safer and Stronger** - effective internal audit is an important element of good corporate governance.
4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None

7. **Equality & Human Rights** - None
8. **Health & Safety** – None
9. **Procurement** - None
10. **Risk** - The subject matter of this report is the risk based Audit Plan for 2017 – 2018.
11. **Privacy Impact** – None
12. **COSLA Implications** - None

Author: Andrea McMahon – 01416187017



Annual Internal Audit Plan 2019/20



Finance & Resources Internal Audit

Date	March 2019	

Renfrewshire Council
Annual Internal Audit Plan 2019/20

Index

	Page
Audit Plan Overview	1 - 9
 Supporting Appendices	
1 Annual Council Internal Audit Plan 2019/20	10 – 11
2 Annual Other Bodies Internal Audit Plan 2019/20	12
3 Analysis of plan by service	13
4 Annual Audit Plan 2019/20 – Integration Joint Board	14

Audit Plan Overview

1. Introduction

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2019/20 has been developed. In formulating the audit plan a risk assessment has been undertaken giving consideration to the following sources of information:

Risk assessment	(1) Risk assessment and prioritisation of all auditable activities (audit universe).
	(2) Strategic and Corporate Risk Register.
	(3) Service Risk Registers.
Consultation	(4) The Chief Auditor has met with each member of the CMT and their senior management teams to ascertain any changes to operational practice and national policy and to determine their priorities and risks.
	(5) Senior Management from the associate bodies and Renfrewshire Leisure have been consulted to ascertain their priorities and risks.
	(6) The Chief Executive has been consulted on what she sees as the council's priority and risk areas for the forthcoming year.
	(7) Feedback from, and the expectations of, the Audit, Risk and Scrutiny Board are identified through the regular meetings with the members of the board.
	(8) The Chief Auditor has met with Audit Scotland to ascertain their approach to the statutory audit where assurance on key internal controls could be provided to avoid any duplication of effort.
Benchmarking	(9) Other Local Authority internal audit plans.
	(10) Discussion with other Chief Auditors through the Scottish Local Authority Chief Auditors Group.
Review of key internal reports	(11) A Better Future, A Better Council – Council's plan
	(12) The results of internal audit work in 2018/19 and in previous years.
Review of key external reports	(13) Audit Scotland: Renfrewshire Council - Report to Members and the Controller of Audit on the 2017/18 Audit.
	(14) Audit Scotland: Best Value Assurance Report – Renfrewshire Council
	(15) Audit Scotland: Best Value reports issued during 2018/19.

- 1.2 On the basis of the above, the audit engagements planned for 2019/20 are set out in Appendix 1, 2 and 4, detailing the planned engagements for the Council, Associate Bodies and the Integration Joint Board in the following categories of audit activity:

- Assurance,
- Governance,
- Contingency,
- Planning and Reporting

- 1.3 It is the responsibility of management to ensure that they have good governance, risk management and internal control arrangements over the functions they are responsible for. It is internal audit's role to provide an independent, objective assurance and consulting activity. The scope of the internal audit plan encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes; as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. Delivery of the internal audit plan supports the requirement for the Chief Auditor to provide an annual opinion which is used to inform the annual governance statement.

- 1.4 The Chief Auditor shares information and coordinates activities with other internal and external providers of assurance and consulting services, as appropriate, to ensure proper coverage and minimise duplication of effort. Internal audit may place reliance on the work of other providers of assurance and the ability to do so will be considered during each audit engagement.
- 1.5 The plan also includes provision for managing and developing the internal audit activity including audit planning, reporting, periodic quality assessments and for following up on previous recommendations and reactive investigative work. The plan includes contingency time to allow for completion of work carried forward from 2018/19 and provides for consultancy engagements to be undertaken where these can improve the council's operations, add value and improve the management of risks. Contingency time also provides for sufficient flexibility to accommodate changing risks and priorities during the course of the year. More detail on each of these elements is set out in sections 4 to 7 of this plan.
- 1.6 The internal audit service is delivered and developed in accordance with its purpose which, as set out in the Internal Audit Charter, to provide assurance by independently reviewing the council's risk management, control and governance processes.

2. The current business environment and key risk areas

- 2.1 To ensure that the audit activity supports the achievement of the council's objectives, the audit plan, detailed in Appendix 1, has been aligned with the themes contained in the council plan.
- 2.2 There are a number of significant risks, arising from the external and internal environment, which could impact on the council's ability to achieve its objectives. The most significant risks and the risk control measures to manage these risks, have been identified through the council's corporate risk management process. Subject to the overall flexibility of the Audit Plan, priority will be given to audit engagements which provide assurance in relation to the council's corporate risks. The key corporate risks taken into account in formulating this audit plan are detailed below:

(1) Brexit

The council needs to corporately and effectively prepare for Brexit and specifically a no deal Brexit, working alongside key partners, otherwise there is a risk of disruption to service provision, an increase in workforce and financial pressures and difficulty in responding effectively to impacts on the public. Given the current uncertainty on the impact of Brexit in relation to the council's internal procedures, no specific audit engagements have been identified, although the audit plan remains sufficiently flexible and will be kept under review to incorporate any new or amended statutory duties or significant risk exposures.

(2) Financial Sustainability

The council is continuing to face significant financial pressures. Consequently, the financial sustainability risk remains very high and continues to be subject to significant and regular scrutiny. The council has developed a range of projects to deliver transformational change to service delivery and savings. The 2019/20 audit plan includes time for:

- review of key financial systems which have moved over to the Business World environment, specifically the general ledger and payroll;
- review of the recently introduced online payments systems; and
- review of the quick quote procurement processes;
- contingency time to participate in internal project work which supports the better council change programme, as required.

(3) Information Governance

Legislative changes due to come into force during 2018/19 places new duties on the council in relation to the information it holds on individuals. There are significant financial penalties for organisations that do not comply with the new duties. The 2019/20 audit plan includes time for:

- compliance with payment card industry standards;
- information security within adult social care establishments.

(4) Public Protection

Public protection is a wide-ranging agenda relating to the protection of vulnerable people, communities, businesses and organisations. The 2019/20 audit plan includes:

- a review of the arrangements in place for undertaking employee disclosure checks.

(5) Serious Organised Crime, Cyber Security and Counter Fraud

The council needs to protect its business resources from the threats posed by serious and organised crime, corruption and fraud. Cyber threats have increased over the past decade and continue to rise and as a Government agency, the public sector is specifically targeted by cyber criminals. Should cyber security attacks target the council internet, IT network or data communications there is a risk of loss of control, integrity or availability of IT resources; loss of confidential data and information assets; and a failure in compliance obligations. The 2019/20 audit plan includes time for:

- review of the cyber security arrangements;
- participation in the council's integrity group;
- co-ordination of the National Fraud Initiative.

(6) Community Empowerment

Legislative changes arising from the Community Empowerment (Scotland) Act 2015, places a wide range of requirements on local authorities. The Act is intended to empower community bodies through the ownership or control of land or buildings and by strengthening the voice of communities in the planning and delivery of public services. The 2019/20 audit plan includes time for:

- review of the governance arrangements for aspects of the legislative requirements for community empowerment;
- review of the arrangements for grant administration.

(7) Cultural Regeneration

The Council has ambitious plans to develop Renfrewshire's cultural assets and investment in securing the cultural legacy with an enhanced events and marketing programme to support regeneration across the area. The 2019/20 audit plan includes time for:

- selected reviews of contract management and monitoring arrangements;
- a review of the governance arrangements for events management.

3. Allocation of Resources

- 3.1 In addition to the internal audit assurance function the Chief Auditor has managerial responsibility for risk management, insurance and counter fraud which are excluded from the calculation of available operational audit resources.
- 3.2 Operational and non-operational time has been calculated in accordance with CIPFA benchmarking criteria. The calculation of operational staff time has been based on 6 full time equivalent employees plus 60 days to be provided from other service providers. The internal audit team is appropriately resourced with 4 qualified and 2 non-qualified staff. Non-

operational time includes provision for training, performance management and service development.

- 3.3 Resources from any unfilled elements of posts and other available audit resource will be used flexibly to ensure that the audit plan commitments are met, through the engagement of temporary staff and other audit service providers where appropriate. Where engagements are undertaken by the other audit service providers, these can provide an opportunity for benchmarking and training and development. Sufficient resources are available to engage specialist contractors where necessary to address any specific risks faced by the council.
- 3.4 The total available resource is 1258 days; the operational audit time available for 2019/20 has been identified as 991 days (79%). The remaining 267 (21%) days relates to training, service development, administration and management. Resources are assessed as being sufficient to provide an evidenced based opinion.
- 3.5 The following paragraphs provide an overview of how audit time has been allocated to audit categories. A summary of the operational time by audit category is detailed in table 1 below. The analysis of non-operational audit activity is detailed in the table 2 below. The planned operational/non-operational time for 2018/19 is given for comparative purposes.

Category of audit	2018/19		2019/20	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
GOVERNANCE	163	16%	128	13%
ASSURANCE	421	40%	399	40%
CONTINGENCY <small>note 1</small>	351	33%	345	35%
AUDIT PLANNING / REPORTING	111	11%	119	12%
TOTAL OPERATIONAL TIME	1046	100%	991	100%

Table 1

Notes

1. This category includes time for the finalisation of the previous year's audits, corporate exercises and groups, investigations, significant project consultancy activities and emerging priorities.

Activity	2018/19		2019/20	
	Planned Days	% of Non - operational Time	Planned Days	% of Non - operational Time
TRAINING	89	31%	74	28%
STRATEGIC MANAGEMENT	28	10%	30	11%
TEAM ADMINISTRATION	97	34%	94	35%
DEVELOPMENT <small>note 1</small>	70	25%	69	26%
TOTAL NON-OPERATIONAL TIME	284	100%	267	100%

Table 2

Notes

1. This category includes time allocated to development activities to support continuous improvement activities.

4. Governance (13% of operational time)

- 4.1 Internal Audit must evaluate the risk exposures relating to the council's and associate bodies governance arrangements including the arrangements for the prevention and detection of fraud and corruption. The engagements within this category form the basis for the Chief Auditor's annual audit opinions and support the annual governance statements.
- 4.2 The results of the risk assessment are detailed at Appendix 1 and 2, Part A in respect of the current year, with a total of 128 days being allocated to these engagements for 2019/20.

5. Assurance (40% of operational time)

- 5.1 A risk based assessment has been undertaken of all auditable areas taking into account the risk management framework and the expectation of senior management and the Audit, Risk and Scrutiny Board. The engagements within this category also form the basis for the Chief Auditor's annual opinions and support the annual governance statements. For each engagement internal audit will consider whether there are any available external sources of assurance can be relied upon to deliver the plan. Time is also allocated to following up on the implementation of prior year audit recommendations.
- 5.2 The results of the risk assessment are detailed at Appendix 1 and 2, Part B in respect of the current year, with a total of 399 days being allocated to these engagements for 2019/20.

6. Contingency (35% of operational time)

- 6.1 This category includes time allocations for finalisation of the 2018/19 audit plan, undertaking reactive investigations of theft, fraud or other malpractice and provides for post-report work which includes attending disciplinary or appeal hearings, employment tribunals and court, as required.
- 6.2 The council is also undergoing a significant period of change and although these changes represent significant priorities and risks for the council, the arrangements may not be sufficiently well established to be suitable for evidence based audit reviews. In recognition of this, the 2019/20 audit plan includes provision for the on-going and anticipated involvement in significant project consultancy activities, including implementation of the Business World product, participation in corporate groups, as well as smaller scale internal control reassessment by services.
- 6.3 The allocation of time for this category is an estimate based on prior experience and available resources. However, this will be monitored during the course of the year to ensure that internal audit continue to be in a position to respond to other priority areas which emerge during the course of the year, and, if necessary, revise the audit plan accordingly. Appendix 1 and 2, Part C details the indicative time of 345 days allocated across the contingency heading.

7. Audit Planning / Reporting 12% of operational time)

- 7.1 This category includes annual planning activity and reporting arrangements to the Corporate Management Team and the Audit, Risk and Scrutiny Board, the Integration Joint Board Audit Committee and the Boards of the other bodies we provide internal audit services to under a service level agreement. Appendix 1 and 2, Part D details the time of 119 days allocated to planning and reporting activities.

8. Analysis of Plan by Service

- 8.1 Appendix 3 shows the amount of operational audit time allocated to individual services in 2019/20 and compares it to the planned days for 2018/19.

- 8.2 The planned days allocated to all services relates to work which is cross-cutting rather than service specific as well as time which is allocated out to services as the year progresses, such as contingency and investigations.

9. Conclusion

- 9.1 The annual internal audit plan for 2019/20, based on the strategic risk assessment, reflects the current priorities and challenges for the council, and demonstrates that the internal audit service continues to deliver added value while continuing to improve the service in line with best practice.
- 9.2 The allocation of internal audit resources is sufficient to allow for flexibility to deal with emerging priorities and provide adequate coverage of governance, risk management and internal control to inform the annual assurance statement.
- 9.3 The plan may be subject to amendment during the course of the year due to the emergence of issues of greater priority, or other unforeseen circumstances. The Chief Auditor will report changes to the CMT and the Audit, Risk and Scrutiny Board.

Chief Auditor
March 2019

Council Internal Audit Annual Plan 2019/20

Entity	Engagement Title	Service	Council Plan Theme ¹	Days Allocated	Strategic & Corp Risk
Part A – Governance				123	
Corporate Governance	Corporate Governance Framework	Corporate - All Services	5	23	No
Legislation Management	Community Empowerment – Community Asset Transfers	Corporate - All Services	2	20	Yes
Administration of Grants	Governance Arrangements	Corporate - All Services	5	20	Yes
Disclosure Checks - All Services	Disclosure Checks - Review Arrangements	Corporate - All Services	2	20	Yes
ICT Monitoring	Payment Card Industry Standards	FAR	5	20	Yes
Information Governance	Information Security	Adult Services	5	20	Yes
Part B – Assurance				320	
Follow Up	Follow Up	Corporate - All Services	5	40	No
Supporting Attendance - All Services	Supporting Attendance	Corporate - All Services	5	15	No
Contract Audit	Contract Management	Corporate - All Services	1	20	Yes
Procurement – Service Controls	Quick Quote Processes	Corporate - All Services	5	20	Yes
External Funding Arrangements	Leader	CE	1	15	No
Marketing	Events Management	CE	1	20	Yes
Roads Operations	Compliance Processes	E & I	1	20	No
School Meals income Monitoring	On Line Payments (Catering)	E & I	5	20	Yes
School Procedures	On Line Payments (School Funds)	Children's Services & FAR	3	20	Yes
Fostering, Adoption, Community Parents & Link Carers	Payments	Children's Services	2	20	No
General Ledger	General Ledger Processes	FAR	5	20	Yes
Payroll	Payroll	FAR	5	20	No
Registration System	Registration System	FAR	5	20	No

¹ 1: Reshaping our place, our economy and our future, 2: Building strong, safe and resilient Communities, 3: Tackling equality, ensuring opportunities for all, 4: Creating a sustainable Renfrewshire for all to enjoy, 5: Working together to improve outcomes.

Entity	Engagement Title	Service	Council Plan Theme ¹	Days Allocated	Strategic & Corp Risk
ICT Planning & Organisation	Cyber Security	FAR	2	20	Yes
Non Domestic Rates	Non Domestic Rates	FAR	5	15	No
Community Learning Service	Community Learning Service	CHAPS	3	15	No
Part C – Contingency				335	
Contingency	Contingency	Corporate - All Services	N/A	140	N/A
Contingency	Corporate Groups	Corporate - All Services	N/A	65	N/A
Contingency	Investigations	Corporate - All Services	N/A	130	N/A
Part D – Planning & Reporting				100	
Planning & Reporting	Planning & Reporting	Corporate - All Services	N/A	100	N/A

Appendix 2

Other Bodies Internal Audit Annual Plan 2018/19

Entity	Engagement Title	Service	Days Allocated
Part A – Governance			5
Corporate Governance	Corporate Governance Framework	IJB	5
Part B – Assurance			79
Integration Joint Board – Other Systems	Integration of Services	IJB	18
SE - Contracts	Contract Strategy Arrangements	Associate Bodies - SE	20
RVJB – Budgetary Control	RVJB – Budget Monitoring Arrangements	Associate Bodies - RVJB	18
RLL - Establishments	Cash Collection & Banking Arrangements	RLL	23
Part C – Contingency			10
Contingency	Contingency	Associate Bodies	10
Part D – Planning & Reporting			19
Planning & Reporting	Planning & Reporting	Associate Bodies	19

Appendix 3

Analysis by Service

Service	2018/19		2019/20	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
All Services ^{note 1}	625	60%	613	62%
Chief Executive's Service	0	0%	35	4%
Finance & Resources	160	15%	115	12%
Children's Services	20	2%	40	4%
Adult Services	20	2%	20	2%
Environment & Infrastructure	65	6%	40	4%
Community, Housing & Planning	45	4%	15	2%
COUNCIL TOTAL	935	89%	878	89%
Scotland Excel	23	2%	24	2%
Clyde Muirshiel Park Authority	3	0%	3	0%
Clydeplan	3	0%	3	0%
Renfrewshire Valuation Joint Board	21	2%	22	2%
Renfrewshire Health & Social Care Integration Joint Board (Appendix 4)	35	4%	35	4%
Renfrewshire Leisure Limited	26	3%	26	3%
TOTAL	1046	100%	991	100%

Notes

- 1 Planned time includes Follow up Audit, Contingency, Planning and Reporting and an element of Cross cutting Assurance and Governance Audits and is allocated against services during the course of the year

Appendix 4

Annual Audit Plan 2019/20 – Integration Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Integration of Services	18	The purpose of the audit was to review the arrangements in place for the integration of specific services and provide assurances on the actions taken and on the model used to enable lessons learned to be taken account of.
Governance	Local Code of Corporate Governance	5	Annual review of the adequacy and compliance with the Local Code of Corporate Governance to inform the governance statement.
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting & Training	7	The Chief Internal Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the control environment of the IJB.
Contingency	Ad-hoc advice and Consultancy	5	Time for advice and consultancy on relevant priorities and risks or change related projects.



To: Audit, Risk and Scrutiny Board

On: 18 March 2019

**Report
By
Chief Auditor**

Compliance with the Code of Corporate Governance

1. Summary

- 1.1. Corporate governance is the name given to the system by which Councils direct and control their functions. It is about ensuring that councils do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2. The Director of Finance and Resources has responsibility for reporting annually to the Audit, Risk and Scrutiny Board on compliance with the Code and any changes to the Code that may be necessary to maintain it and ensure its effectiveness in practice. In addition, the Council's Chief Auditor has responsibility to review independently and report to the Audit, Risk and Scrutiny Board annually, to provide assurance on the adequacy and effectiveness of the Code and the extent of compliance with it.
- 1.3. Internal Audit has reviewed the adequacy and effectiveness of the revised Code which was operational during 2018/19. Based on our sample check of the evidence used to demonstrate compliance, we would confirm that the Council complies with the requirements of the Local Code of Corporate Governance. In addition, it is evident that the Local Code has been subject to regular review and updating in line with developments in best practice and any revised Council Policies.
- 1.4. The Director of Finance and Resources endorses the Chief Auditor's recommendation that the Local Code should continue to be subject to an annual review to ensure that it continues to reflect developments in best practice in governance. The next review is scheduled to be completed and presented to this Board during 2019.

2. Recommendations

- 2.1. Members are invited to note the contents of this report.

3. Background

- 3.1. *Delivering Good Governance in Local Government: Framework*, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016. This framework places greater emphasis on relationship and behaviours between elected members and senior management; performance reporting; and council and service level plans.
- 3.2. The Council's Local Code of Corporate Governance has been developed in line with this framework and is subject to regular review to take into account, developments in best practice in governance and any updated Council policies.

Implications of this report

- 1 **Financial** – None.
- 2 **HR and Organisational Development** - None.
- 3 **Community Planning** – None.
- 4 **Legal** - None.
- 5 **Property/Assets** - None.
- 6 **Information Technology** - None.
- 7 **Equality & Human Rights** – None.
8. **Health & Safety** – None.
9. **Procurement** – None.
10. **Risk** - None
11. **Privacy Impact** – None
12. **COSLA Implications**– None

Author: Karen Campbell - 01416187016



To: Audit, Risk and Scrutiny Board

On: 18 March 2019

Report by: Chief Executive

Heading: Audit Scotland Report - 'Councils' use of arms-length organisations'

1. Summary

1.1 On 17 May 2018, Audit Scotland published its report on 'Council's use of arms length organisations' in Scotland. This report was intended to build on a previous report published in 2011 by the Accounts Commission, by considering:

- Councils' reasons for using ALEOs.
- How councils oversee and govern ALEOs.
- What ALEOs have achieved.

1.2 Elected members will recall that governance arrangements in relation to the Council's relationship with Renfrewshire Leisure Limited were highlighted within the Best Value Assurance Report for Renfrewshire Council, which was produced by Audit Scotland and published by the Accounts Commission in August 2017. Specifically a recommendation was made that:

"The council should review its governance arrangements to ensure they provide for a relationship with Renfrewshire Leisure Limited (RLL) that is clear, independent, and more easily understood by the public".

1.3 Officers were aware that this national review report was due to be published during 2018, and in the intervening period took forward a number of targeted actions to respond to the recommendation made by Audit Scotland at that time. These are highlighted within the report at Section 5. In the recent Annual Audit Report published by Audit Scotland, no further scrutiny of governance arrangements was noted as being required at this time.

1.4 The 'Councils use of arms length organisations' report has been reviewed by senior officers, and provides a number of very helpful points for consideration

by the Council as part of the ongoing review of its relationship with Renfrewshire Leisure. In particular, these will inform ongoing work being lead by the Head of Policy and Commissioning to enhance the level and nature of performance information which is publicly available in relation to the RLL.

2. Recommendations

2.1 It is recommended that members note:

- the key messages contained in Audit Scotland's - '**Councils' use of arms-length organisations**' report which is attached as Appendix 1; and
- Renfrewshire's position in relation to the key messages and recommendations set out in the Audit Scotland report, as detailed at Section 5.

3. Background

- 3.1 On 17 May 2018, Audit Scotland published its report on 'Council's use of arms length organisations'. The purpose of the report was effectively to review how councils are using the estimated 130 ALEOs (arms-length organisations) in Scotland, which have an annual spend of more than £1.3 billion, and the impact they are making.
- 3.2 In the report, Audit Scotland note that ALEOs are now very well established as a feature of local government in Scotland, initially being introduced in relation to areas such as leisure and now broadening put to encompass other areas of activity such as care and urban regeneration. In practice these ALEOs may have different structures, which are summarised in Figure 1 below:

Exhibit 1

What is an ALEO?



Arm's-length external organisation



An arm's-length external organisation (ALEO) is a term used to describe an organisation that is formally separate from the council but is subject to its control or influence. The level of control or influence can vary.



ALEOs can take many forms including companies, community enterprises, charitable organisations and trusts. Services they deliver include leisure, transportation, property development, and care services.



The council might own the ALEO. It might have representatives on the ALEO board. It might be the main funder or shareholder of an ALEO.



ALEOs can be set up as non-profit-making organisations and as charities to promote public benefit in areas such as health, education, recreation and equal opportunities.

Source: Audit Scotland

- 3.3 The report notes that the Accounts Commission previously published a report in 2011 which examined councils' use of ALEOs. The report was entitled: "How councils work: Arm's-length external organisations (ALEOs): are you getting it right?". This set out good practice and highlighted the risks and opportunities of using ALEOs. Review of ALEO activity is also considered through the best value audit process at an individual local authority level.
- 3.4 In terms of the May 2018 report, Audit Scotland examined practice across a sample of councils to highlight messages for all councils. This did not include Renfrewshire Council, however the Council's use of ALEOs was a feature of the best value assurance process conducted by Audit Scotland in 2017. The audit did not focus specifically on any individual council or ALEO and focused on the following key areas:
- Councils' reasons for using ALEOs.
 - How councils oversee and govern ALEOs.
 - What ALEOs have achieved.

4. Key findings and recommendations

- 4.1 The Audit Scotland report highlights 7 key messages which are set out below:
1. Arm's-length external organisations (ALEOs) are separate organisations used by councils to deliver services. They can bring both financial and operational benefits.
 2. Councils should consider the risks associated with ALEOs at the outset. Oversight, accountability and good management are essential. In managing ALEOs, councils should continue to apply the principles in the Following the Public Pound Code (FtPP).
 3. Councils have improved and strengthened their oversight of ALEOs. They need to set clearer criteria for how councillors and officers are involved with ALEOs, and demonstrate more clearly how ALEOs secure Best Value.
 4. Councils show improving practice in evaluating ALEOs as an option for delivering services. They could do more to involve the public and other stakeholders in the process.
 5. Taxation advantages for registered charities have been a strong driver for councils establishing ALEOs. Following a Scottish Government review, these benefits are now less certain and some councils are exploring other options.
 6. ALEOs have brought benefits including reduced service costs, increased uptake in sports and leisure, and improved standards of care. Councils need to better demonstrate how their use of ALEOs improves outcomes for people (by outcomes we mean the local improvements councils and their partners seek to make such as people's health and wellbeing, and a better-quality environment).
 7. The context in which ALEOs operate is changing and cost pressures remain. Councils must have clear reasons for establishing ALEOs and consider alternatives. In doing so they should be clear on the risks involved, and work closely with local communities and businesses.

4.2 In addition, to these key messages, Audit Scotland make a number of recommendations to the Accounts Commission in the report, which should be addressed by Councils:

- In deciding whether an ALEO is the best way to provide services over the longer term, while providing value for money, councils should:
 - examine wider options that can bring similar benefits to ALEOs such as reorganising an existing service, sharing services with other councils, or involving the local community.
 - demonstrate how ALEOs help the council meet its objectives and improve outcomes for their communities.
 - set clear criteria for reviewing an ALEO, considering risks, performance and how it fits with council priorities.
- Councils should continue to apply the Following the Public Pound (FtPP) principles ensuring that they:
 - oversee the performance, financial position, and associated risks of ALEOs.
 - have clear reasons for appointing councillors and officers to ALEO boards, recognising the responsibilities and requirements of the role, and the risks of conflicts of interest.
 - provide training, support and advice from both the perspective of the council and the ALEO. This should include legal responsibilities, scrutiny and oversight, and conflicts of interest.
 - have processes in place to manage any potential conflict of interest of elected members and officers involved in the operation of ALEOs.
 - take an active role in managing their relationship with ALEOs, including their compliance to service level agreements, contracts and other obligations.
 - make information about ALEO funding and performance clear and publicly available.

5. Renfrewshire position

5.1 In 2017, Renfrewshire Council was the second of six councils selected to receive a Best Value Assurance Report under the new best value arrangements introduced that year. Governance arrangements in place in relation to ALEOs was one of the areas considered through the best value audit assurance process. Within the report Audit Scotland recommended that:

“The council should review its governance arrangements to ensure they provide for a relationship with Renfrewshire Leisure Limited (RLL) that is clear, independent, and more easily understood by the public”.

5.2 Senior officers were aware from discussions with Audit Scotland that a national review report on Council’s use of ALEOs was planned for publication in 2018 and were keen for any recommendations flowing from this national report to be reflected locally in terms of any proposed local changes made to existing ALEO governance arrangements in Renfrewshire. In advance of the publication of the report, an initial review of ALEO governance arrangements was undertaken. A number of actions were subsequently undertaken as follows:

- A summary of Renfrewshire Leisure’s Business Plan 2018/19 was reported to the Leadership Board in February 2018. Previously the Business Plan was considered by the Board as an exempt paper.
 - In February 2018 the Leadership Board approved proposals to change the composition of the membership of the Renfrewshire Leisure Board. The two places held by officers from Renfrewshire Council were filled by community representatives, with one vacancy recently arising.
 - Two officers from Renfrewshire Council were subsequently appointed as observers to Renfrewshire Leisure Board meetings in September 2018 by the Leadership Board. The two officers are the Head of Policy and Commissioning and the Head of Finance.
 - Regular monitoring meetings are held between Renfrewshire Leisure and the Head of Policy and Commissioning. Work is underway to further enhance the reporting of performance information relating to Renfrewshire Leisure. Six monthly internal scrutiny sessions also form part of the monitoring relationship with Renfrewshire Leisure.
- 5.3 Each year Audit Scotland publish an Annual Audit Report which reflects the findings from the annual financial audit, and also in relation to best value. Within the report, Audit Scotland specifically refer to the progress that has been achieved by the Council in terms of implementing the improvement plan which was developed following the publication of the Best Value Improvement Plan. In the report Audit Scotland noted that the “governance arrangements within the Council are operating effectively and support good governance and accountability”. There are therefore no further actions required by Audit Scotland at this time in terms of the national report.

6. Next steps

- 6.1 Whilst very positive progress has been made in terms of addressing the recommendations made by Audit Scotland in relation to the Council’s relationship with RLL in 2017, arrangements will remain subject to ongoing review. In particular work is ongoing to enhance the level and nature of performance reporting currently in place between Renfrewshire Leisure and Renfrewshire Council, as lead by the Head of Policy and Commissioning as the Council’s lead officer for Renfrewshire Leisure. The national ALEO report will provide useful direction for this exercise.

Implications of the Report

1. **Financial - none.**
2. **HR & Organisational Development - none**
3. **Community/Council Planning – none**
4. **Legal – none.**
5. **Property/Assets – none**

6. **Information Technology – none**

7. **Equality & Human Rights**

The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety – none**

9. **Procurement – none**

10. **Risk – none**

11. **Privacy Impact – none**

12. **Cosla Policy Position – none.**

List of Background Papers

None

Author Laura McIntyre, Head of Policy and Commissioning Tel 0141 618 6807

Councils' use of arm's-length organisations



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
May 2018




The Accounts Commission

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

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

Our work includes:

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

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

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents



Key facts	4
Summary	5
Part 1. How councils use arm's-length external organisations	9
Part 2. How councils oversee ALEOs	17
Part 3: What ALEOs are achieving	27
Part 4. The future direction of ALEOs	35
Endnotes	38
Appendix 1. Audit approach	39
Appendix 2. The common forms of ALEO	40
Appendix 3. Factors for councils to consider	41

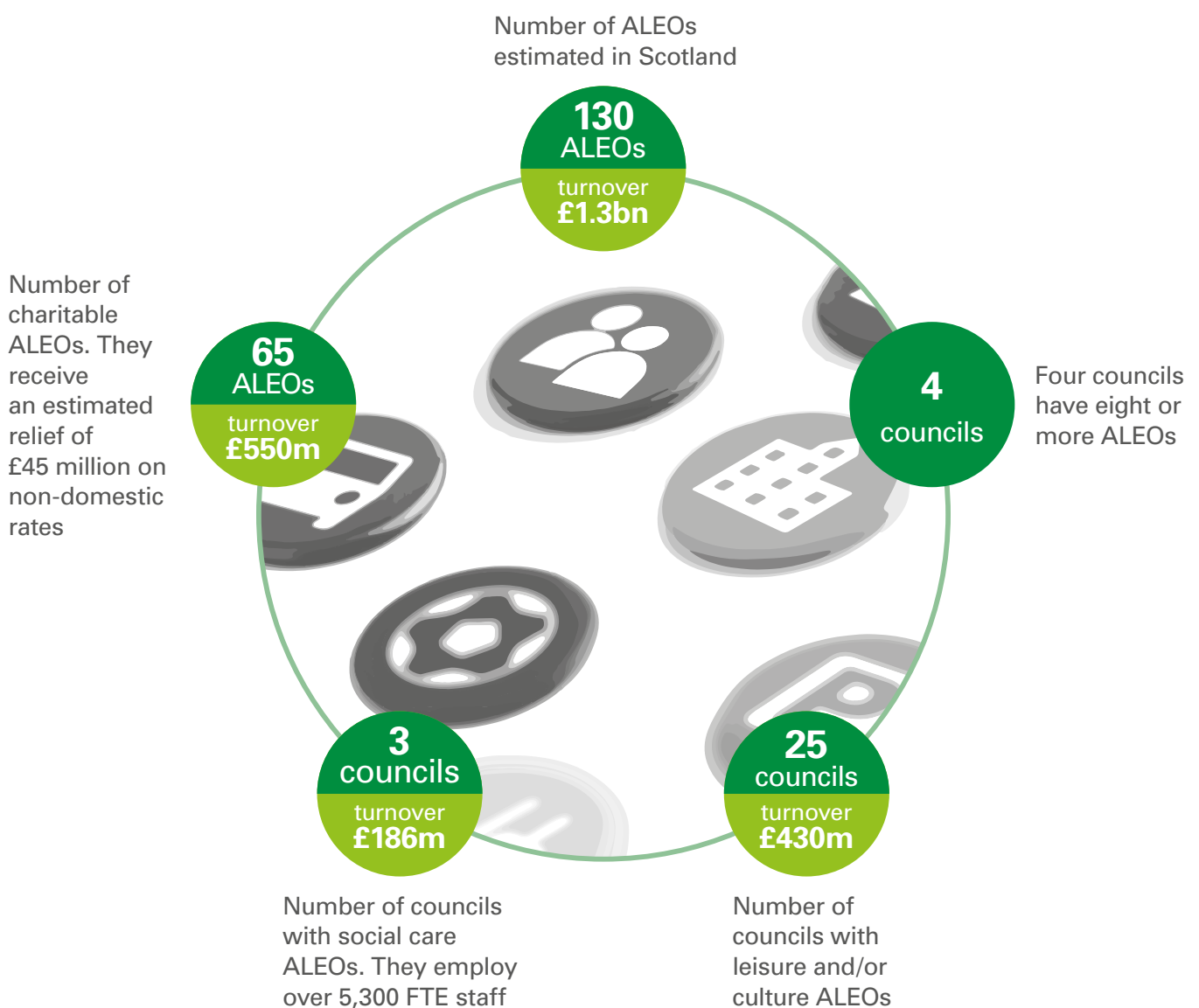
Audit team

The core audit team consisted of: Carol Calder, Peter Worsdale and Derek Hoy, with support from other colleagues and under the direction of Ronnie Nicol.

Links

-  PDF download
-  Web link

Key facts



Summary



Key messages

- 1** Arm's-length external organisations (ALEOs) are separate organisations used by councils to deliver services. They can bring both financial and operational benefits.
- 2** Councils should consider the risks associated with ALEOs at the outset. Oversight, accountability and good management are essential. In managing ALEOs, councils should continue to apply the principles in the Following the Public Pound Code (FtPP).¹
- 3** Councils have improved and strengthened their oversight of ALEOs. They need to set clearer criteria for how councillors and officers are involved with ALEOs, and demonstrate more clearly how ALEOs secure Best Value.
- 4** Councils show improving practice in evaluating ALEOs as an option for delivering services. They could do more to involve the public and other stakeholders in the process.
- 5** Taxation advantages for registered charities have been a strong driver for councils establishing ALEOs. Following a Scottish Government review, these benefits are now less certain and some councils are exploring other options.
- 6** ALEOs have brought benefits including reduced service costs, increased uptake in sports and leisure, and improved standards of care. Councils need to better demonstrate how their use of ALEOs improves outcomes for people (by outcomes we mean the local improvements councils and their partners seek to make such as people's health and wellbeing, and a better-quality environment).
- 7** The context in which ALEOs operate is changing and cost pressures remain. Councils must have clear reasons for establishing ALEOs and consider alternatives. In doing so they should be clear on the risks involved, and work closely with local communities and businesses.

ALEOs have brought benefits but need to be managed carefully

Recommendations

We have identified the following recommendations for councils:

In deciding whether an ALEO is the best way to provide services over the longer term, while providing value for money, councils should:

- examine wider options that can bring similar benefits to ALEOs such as reorganising an existing service, sharing services with other councils, or involving the local community
- demonstrate how ALEOs help the council meet its objectives and improve outcomes for their communities
- set clear criteria for reviewing an ALEO, considering risks, performance and how it fits with council priorities.

Councils should continue to apply the Following the Public Pound (FtPP) principles ensuring that they:

- oversee the performance, financial position, and associated risks of ALEOs
 - have clear reasons for appointing councillors and officers to ALEO boards, recognising the responsibilities and requirements of the role, and the risks of conflicts of interest
 - provide training, support and advice from both the perspective of the council and the ALEO. This should include legal responsibilities, scrutiny and oversight, and conflicts of interest
 - have processes in place to manage any potential conflict of interest of elected members and officers involved in the operation of ALEOs
 - take an active role in managing their relationship with ALEOs, including their compliance to service level agreements, contracts and other obligations
 - make information about ALEO funding and performance clear and publicly available.
-

Background

1. In local government, services can be delivered in a variety of ways. In Scotland the term arm's-length external organisation or ALEO, has come to be used where a separate body with its own legal identity is set up by a council to deliver services. Local government services are also delivered through community planning partnerships, integrated health and social care boards, valuation joint boards, and regional transport partnerships. Unlike these statutory arrangements, ALEOs can be created at the discretion of the council, within the boundaries set by local government legislation.

2. ALEO is a descriptive term for a delivery approach that can take many forms. It is not a legal definition. We describe an ALEO in [Exhibit 1](#).

Exhibit 1

What is an ALEO?



Arm's-length external organisation



An arm's-length external organisation (ALEO) is a term used to describe an organisation that is formally separate from the council but is subject to its control or influence. The level of control or influence can vary.



ALEOs can take many forms including companies, community enterprises, charitable organisations and trusts. Services they deliver include leisure, transportation, property development, and care services.



The council might own the ALEO. It might have representatives on the ALEO board. It might be the main funder or shareholder of an ALEO.



ALEOs can be set up as non-profit-making organisations and as charities to promote public benefit in areas such as health, education, recreation and equal opportunities.

Source: Audit Scotland

3. ALEOs are an established feature of local government in Scotland. Their use grew throughout the 1990s in areas such as sports and leisure and urban regeneration, and they are now used by most councils to provide a range of activities. Arm's-length organisations are also long established in England and Wales and are used in areas such as buildings management, social care, housing and children's services. Depending upon their form and functions they may be referred to as arm's-length organisations (ALEOs); local authority trading companies (LATCs); and arm's-length management operations (ALMOs).

The Accounts Commission has a continuing interest in ALEOs

4. The Accounts Commission has a strong and continued interest in how councils use ALEOs. This performance audit builds on the good governance messages of our earlier work. It also examines further the reasons councils use ALEOs, and the extent to which they are improving services and meeting their intended objectives. We will continue to examine councils' use of ALEOs in our audit work in councils.


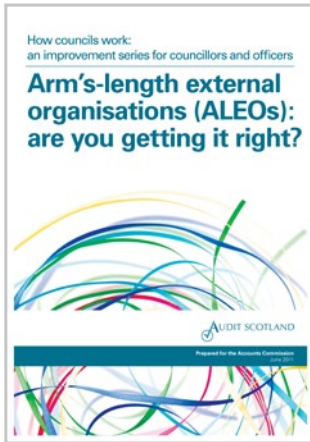
- In June 2011, the Accounts Commission published its [How councils work: Arm's-length external organisations \(ALEOs\): are you getting it right?](#) . This set out good practice and highlighted the risks and opportunities of using ALEOs ([Exhibit 2, page 8](#)). The report provided checklists and a self-assessment tool to highlight good practice for councillors and officers.

Exhibit 2

2011 How councils work ALEOs headline messages



- The Following the Public Pound principles provide the basis for sound governance
- Decisions to use ALEOs should be based on an options appraisal and sound business case
- Sound governance is needed from the outset
- Conditions attached to the use of public funds should be clear
- Clarity on roles and responsibilities is vital
- Councillors and officers require ongoing advice and training

Source: Audit Scotland

- The How councils work (HCW) report built on the principles set out in the FtPP code. This sets out how councils should manage their relationships and be accountable for ALEOs and other external bodies they are involved with. It is based on the premise that, to ensure public money is used properly, it must be possible to 'follow the public pound' across organisational boundaries.
- In March 2015, the Accounts Commission carried out follow-up work on its HCW report. This identified some improvements in councils' governance of ALEOs, and found that the standard of practice varied. The Commission wrote to all council leaders and chief executives to emphasise the need for good governance, including monitoring and reviewing the performance, costs and risks of ALEOs.

About this report

5. We have examined practice across a sample of councils to highlight messages for all councils. The audit did not focus specifically on any individual council or ALEO. We also drew on findings from our audit activity across all councils. Our audit approach is set out in [Appendix 1 \(page 39\)](#), and our audit examined the following:

- Councils' reasons for using ALEOs.
- How councils oversee and govern ALEOs.
- What ALEOs have achieved.

6. This report has four parts:

- [Part 1 \(page 9\)](#) gives an overview of ALEOs and why councils use them.
- [Part 2 \(page 17\)](#) considers councils' oversight and governance of ALEOs.
- [Part 3 \(page 27\)](#) examines what ALEOs have achieved.
- [Part 4 \(page 35\)](#) considers the future direction of ALEOs.

Part 1

How councils use arm's-length external organisations



Key messages

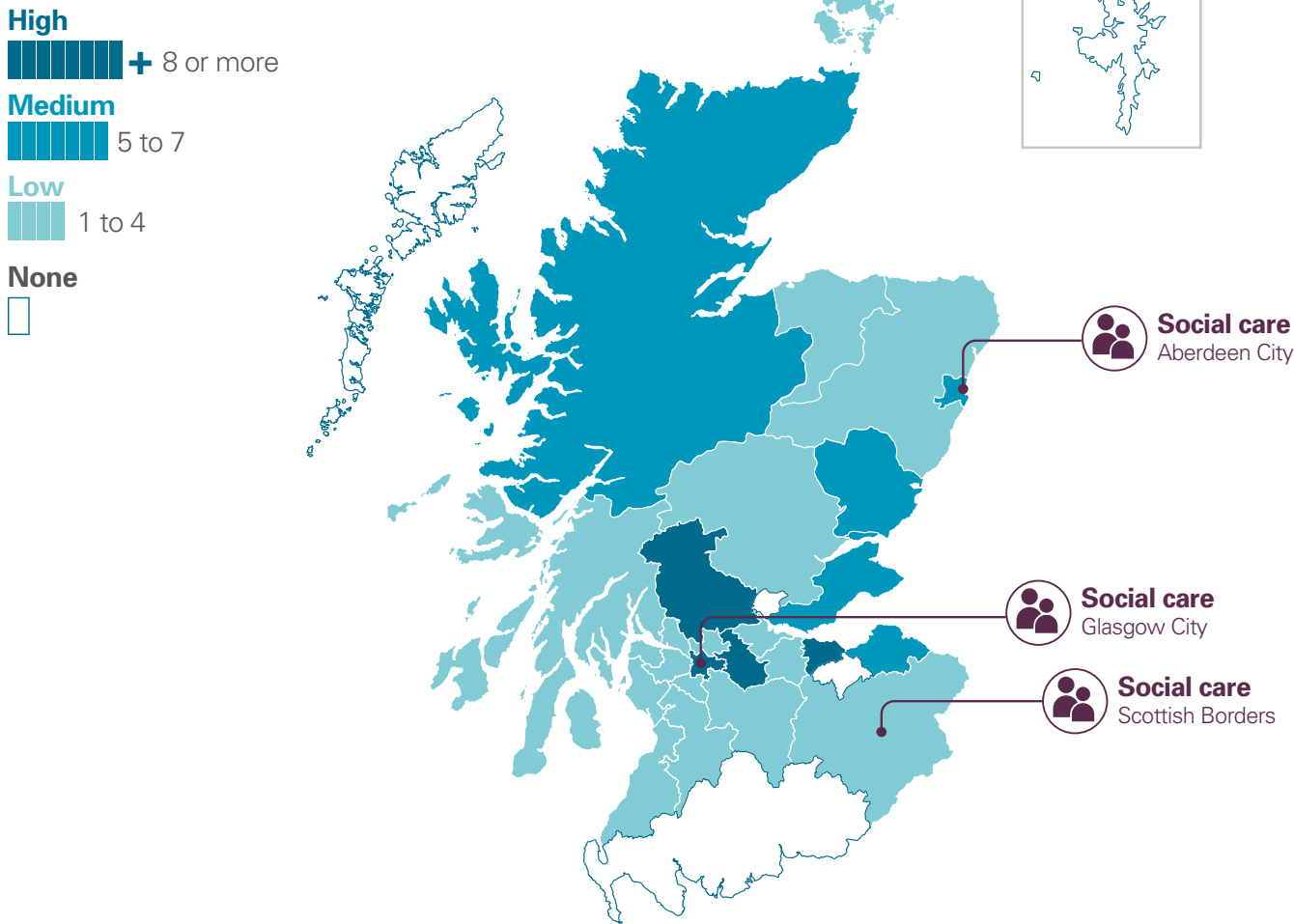
- 1** ALEO is not a legal definition but is a term that applies to separate organisations used by councils to deliver services. ALEOs provide many different services and can take many forms. Most councils use them to varying degrees. Around half are registered charities.
- 2** Councils need to examine a wide range of options to deliver the best outcomes for their communities. ALEOs bring the benefits of a more independent organisation, while allowing councils to retain some control or influence.
- 3** Councils show improving practice in how they plan to use ALEOs including detailed business cases. However, few have an overall policy for how they should consider options. Councils could do more to involve public and other stakeholders in the process.
- 4** Taxation advantages of charitable ALEOs have been a strong driver for their use. These are now subject to change and councils are considering other options.
- 5** ALEOs bring further benefits through their ability to trade more widely and attract new funding. They also provide a responsive and more focused operating model under the direction of a dedicated board.

tax benefits have been a driver for ALEOs but these may change

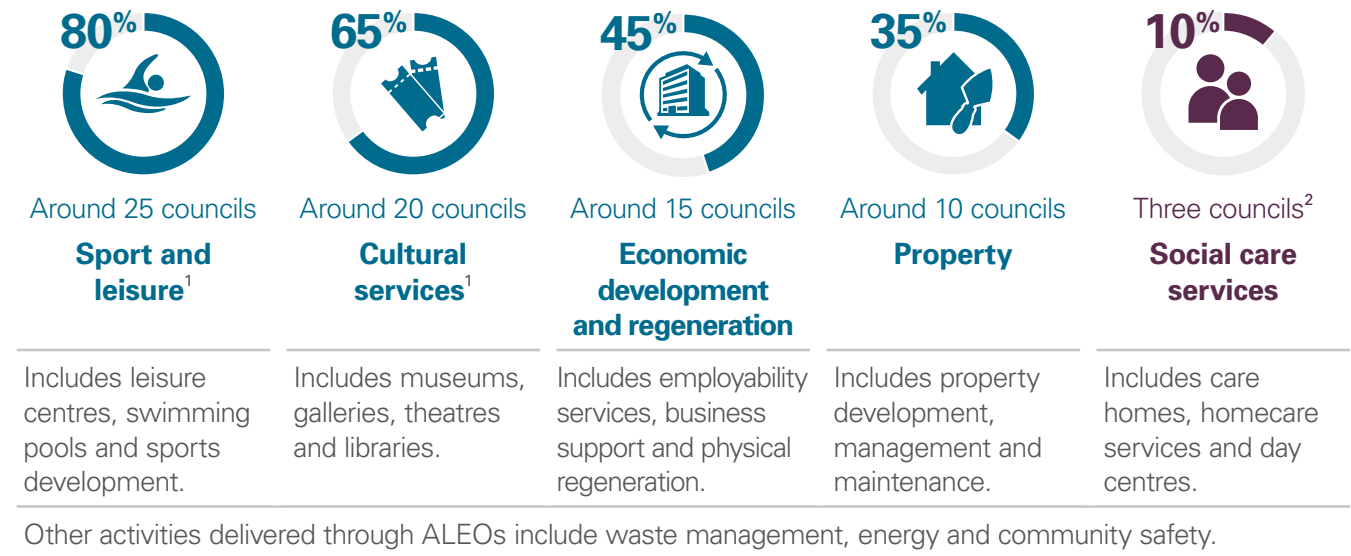
Most councils use ALEOs and their use continues to evolve

- 7.** The range of ALEOs in Scotland is extremely diverse in size, function, and structure. Almost all Scottish councils use ALEOs to varying degrees. Larger urban councils are more likely to have a higher number of ALEOs. They are also more likely to have ALEOs that have been set up to achieve more commercial objectives, such as property development, conference facilities and marketing.
- 8.** There are inconsistencies in how councils identify ALEOs and make information about them available. Indeed, there is little consensus even on what an ALEO is. This together with ongoing changes in their use, makes it difficult to quantify the number of ALEOs. [Exhibit 3 \(page 10\)](#) shows the use of ALEOs across councils and the functions they provide. This is based on information available to us from our 2015 follow-up work on ALEOs, councils' annual accounts, and ongoing changes we are aware of across councils, the most significant of which are summarised in [Exhibit 4 \(page 11\)](#).

Exhibit 3
ALEO use across Scottish councils



Approximate numbers of councils using ALEOs to deliver the following services:



Notes:
1. Thirteen councils have joint leisure and culture ALEOs.
2. The three councils are Glasgow City, Aberdeen City and Scottish Borders.

Source: Audit Scotland

Exhibit 4

Recent changes with ALEOs



Recent and ongoing changes in the use of ALEOs

- The City of Edinburgh Council had consolidated its property development companies under one body – Edinburgh Development Initiative (EDI). It is now disbanding EDI to bring its property functions back into the council.
- Glasgow City Council has entered into a joint venture with the Wheatley Group to share ownership of its property maintenance ALEO, City Building.
- Glasgow City Council has wound up its city marketing ALEO and transferred its functions to its leisure and culture ALEO, Glasgow Life. It is bringing its social care and facilities management ALEO, Cordia, and its community safety ALEO back into the council.
- Some councils including Dundee and Scottish Borders have merged cultural and leisure services into a single ALEO.
- Some smaller ALEOs have been wound up, and their functions transferred to larger ALEOs, eg Dundee Ice Arena was transferred to Leisure and Culture Dundee.
- Some ALEOs are set up for a limited duration. For example, Steadfast Homes LLP is a partnership between Stirling Council and Scottish Futures Trust to provide mid-market rent properties, anticipated to operate for up to ten years.

Source: Audit Scotland

9. The diversity of financial arrangements across ALEOs makes it difficult to give a meaningful financial overview of them. In 2015, we estimated that spending through ALEOs was over £1.3 billion, with ALEOs accounting for around a quarter of the total spending for Glasgow City Council, their largest user.

ALEOs can be set up in many ways and take different legal forms

10. ALEOs are legally separate bodies from the council and can take different forms ([Appendix 2, page 40](#)) There are many possible variations within these, for example charities can operate trading subsidiaries such as a café in a museum or leisure centre.

11. Most ALEOs across our sample group of councils take the form of limited companies or limited liability partnerships and are wholly owned by the council. This means that the council is the ultimate decision-maker, with powers to wind up the ALEO or to determine board membership. It also sets the ALEO's objectives and powers. In the case of joint venture companies, third parties can also hold a stake in the ALEO, an example being property joint ventures with the council and private sector as partners.

12. We estimate that around half of ALEOs are registered charities. The majority of these provide leisure and cultural services, other examples include urban regeneration and tourism. ALEOs that have charitable status are regulated by the Office of the Scottish Charity Regulator (OSCR).² Charities must have a defined charitable purpose, for example in the areas of health, education, recreation or equal opportunities. Charities are non-profit making and are required to reinvest any surpluses to further their activities. The trustees of charitable ALEOs have duties over and above those of the directors of non-charitable ALEOs.

Councils' reasons for using ALEOs

13. We examined councils' reasons for using ALEOs, including the effectiveness of their use of options appraisal and business cases to reach decisions. The statutory duty of Best Value, within the Local Government in Scotland Act 2003 (LGISA), requires councils to secure the best options for providing services to their communities. It requires them to demonstrate continuous improvement and deliver good-quality services at reasonable cost. The legislation aims to remove barriers to innovation, but put in place safeguards that make councils accountable for how they use public money.³ The main options open to councils include:

- reorganising the way the council itself provides services
- 'outsourcing' or contracting services to private providers or the third sector such as voluntary groups and charities
- entering into partnerships with other councils or providers
- establishing 'arm's-length' bodies to deliver services
- any combination or hybrid of the above.

14. Implementing an ALEO or any other new delivery option is a complex and expensive process. It involves thoroughly appraising the options available and a sound business case. Councils must consider many detailed operational, legal, financial and commercial factors, and the risks involved. Set-up costs can be several hundred thousand pounds, and the time from the initial appraisal through to implementation can be more than a year. It follows that councils must proceed with caution when pursuing any new approach.

15. We found that councils have consistent reasons for using ALEOs. Generally, where councils provide services themselves they see direct control as an advantage. Contracting services to the private sector can save money, but reduces a council's control and influence. Councils see ALEOs as a good compromise between these two options. Though not without risk, the council can retain a degree of control or influence, and the ALEO can bring the benefits of a separate and more independent organisation. Business cases we examined identified these potential benefits of ALEOs:

- Taxation benefits of a charitable organisation including relief on non-domestic rates.
- Ability to generate income from additional services, and attract new income from funding, donations, sponsorship or loans.
- Strong service or commercial focus as a smaller more independent organisation under the direction of a dedicated board.
- Ability to involve public stakeholders in the management and direction of their services.
- Ability to foster a positive working relationship with an ALEO as a 'trusted partner'.

16. Councils saw the dedicated board of an ALEO as a strength. These can involve community and industry representatives and bring wider experience and new opportunities.

Business case assumptions may change over time

17. Many councils had established charitable ALEOs such as those for leisure and culture to benefit from relief on non-domestic rates (NDR). Some business cases we examined identified this as a way for councils to meet their savings targets without having to cut services. Business cases identify NDR relief as a specific benefit provided that the ALEO meets the requirements for charitable status. While NDR relief can bring benefits locally, it offers no net financial gain to the public sector.

18. The ALEO model is also seen to bring a more commercial focus to generate income and attract new funding. In the case of charities, their charitable status is also seen as a safeguard against an overly commercial approach. Another unique benefit of charities is their ability to attract specific funding and donations.

19. In 2017, the Barclay Review into non-domestic rates brought the availability of NDR relief into question ([Exhibit 5](#)). It estimated that overall, charitable council ALEOs save £45 million annually through relief on NDR. Had the recommendation been accepted by the Scottish Government, the impact on the viability of leisure and other charitable ALEOs would have been significant. As things now stand, the policy changes make charitable ALEOs a less attractive option for councils. We are aware of at least one council that is reconsidering its proposal to form a culture and leisure ALEO following this development.

Exhibit 5

The Barclay Review



The Barclay Review

was set up in 2017 to examine and recommend reforms to the business rates system in Scotland.

One of the Barclay Review recommendations was to end the rates relief offered to ALEOs as this was seen to be an unfair advantage in a competitive market. In its response to the review, the Scottish Government announced in November 2017 that rates relief will remain in place for qualifying facilities already operated by councils. However it indicated it would offset any further charity relief benefit for future ALEO expansion by councils, for example by limiting their grant funding.

Source: Audit Scotland

20. Councils can make a stronger business case where the benefits are clearly linked to improved outcomes for citizens and communities. That is, the choice is not based on a narrow financial advantage that may be subject to change.

21. The more recent business cases we examined do consider a wide range of financial and operational factors. Financial considerations, of NDR relief and the treatment of VAT were the most prominent features in the earlier business cases we looked at.

22. Business case assumptions may change and need to be reconsidered during the design and set-up of an ALEO. We found more effective practice where councils identified risks, and re-evaluated business case assumptions before taking a final decision.

Councils are improving how they plan for and appraise ALEOs

23. Our sample group of councils have significant experience in contracting, options appraisal and implementing change. The options appraisal and business cases we examined were comprehensive and detailed. Councils use external consultancy expertise in more complex legal and financial matters. They also draw on evidence from similar organisations that have been set up elsewhere. [Exhibit 6](#) summarises good practice we identified and highlights areas where councils could improve.

Exhibit 6

Options appraisal and business case

Effective practice



- Clearly specifying service quality, financial, operational, accountability and other factors, on which to base decisions.
- Objective process to evaluate factors for example using scoring.
- Using external expertise for more technical, legal, financial, and other operational matters.
- Including all set-up and implementation costs in the appraisal.
- Using a third party expert to verify the process and assumptions.
- Revisiting assumptions throughout the process.
- Incorporating risk management from the outset through to implementation.

Where things can improve



- Setting clear corporate guidelines for how options are to be considered.
- Being clear why the council identified its chosen range of options, and which options it may have excluded.
- Involving the public and interested communities, such as local businesses.
- Assessing the impact on local interested communities.
- Including contingency planning at the outset.

24. Councillors must provide strategic direction and understand the range of options the council is considering. Options appraisals should clearly set out the alternatives along with their respective benefits and risks. This is important as part of open and transparent decision-making and public scrutiny. We saw evidence of improving practice in this area. More recent options appraisals presented councillors with a good level of information across a range of options including contracting with private sector, or using community enterprises. However, we also found options appraisals that considered only a narrower set of options, and did not explain why options such as outsourcing had not been included.

25. Councils should also consider the risks of various options, and be clear what happens if an ALEO fails to meet its objectives. Such contingency planning should be considered at the outset. We found that while business cases tended to consider these factors in some detail, there was less evidence of contingency planning featuring at the initial options appraisal stages.

Few councils have guidelines for making service delivery choices

26. Most of our sample councils undertook options appraisals on a case-by-case basis. Few have guidelines in place to set out the council's overall approach, for example the trigger points for reviewing a service and the criteria to apply when looking at options.

27. The Highland Council has introduced its redesign review process to examine delivery options across all services. This aims to strengthen councillors' and officers' understanding of options, including ALEOs, as part of all service reviews. North Lanarkshire Council has introduced an ongoing review process to cover all its significant ALEOs over a three-year cycle. These reviews consider how the ALEO contributes to the council's priorities and offers value for money.

28. One council from our sample had expressed 'a presumption of in-house provision unless there are service performance issues' within one of its organisational change programmes. This contrasts with another council that had expressed the presumption of 'using third sector parties or ALEOs where services can be delivered safely, more cost effectively and efficiently.'

29. What is important is that councils can demonstrate that any policy position enables them to secure Best Value. This means making an objective assessment of cost, quality and other service benefits. Otherwise there is a risk the council will miss the best options to sustain or improve a service.

Councils could do more to involve communities in their choice of options

30. Councils could do more to involve local communities and businesses in their choice of options. Giving communities more say in their services is an area of growing national interest and the Community Empowerment (Scotland) Act 2015 brings new duties to public bodies. This is an area where councils are developing their practice.

31. We saw limited evidence of public opinion shaping options appraisals. The choice of option is treated mainly as a technical issue, but we would expect councils to show how they have considered the views of the public. This could include their expectations over service quality and the standard of facilities. Such dialogue can also make councils aware of options they may not have otherwise considered. [Part 4 \(page 35\)](#) of this report considers this topic further.

Some benefits may not be unique to the ALEO model itself

32. Some of the benefits associated with ALEOs may not be unique to the ALEO model itself. Councils should explore all options and understand the associated risks and alternatives. Ultimately, good management and staff commitment are key factors for success. [Appendix 3 \(page 41\)](#) outlines some of the benefits associated with ALEOs, along with alternative points to bear in mind. This provides a context for [Part 3 \(page 27\)](#) of this report which examines evidence of what ALEOs are achieving.

Part 2

How councils oversee ALEOs



Key messages

- 1** Oversight, accountability and good management are essential to deliver effective public services however councils choose to deliver them. Councils should continue to apply the principles in our Following the Public Pound Code (FtPP).
- 2** Councils have improved and strengthened their oversight of ALEOs. This includes clear roles, scrutiny that is proportionate to risk, and officers taking a stronger liaison role with ALEOs.
- 3** Councils should put in place more formal processes to demonstrate that their use of an ALEO provides Best Value. They should take steps to be more transparent about their use of ALEOs.
- 4** Councils need to set clearer criteria for councillor or officer involvement with ALEOs. These should consider the associated risks and how conflicts of interest should be dealt with. Alternative arrangements can be made to reduce the risks of conflicts of interest.
- 5** Where councils appoint representatives to ALEO boards, they should foremost consider the skills, background and experience required of the role. Training and development is important both from the perspective of the council and the ALEO.

councils have strengthened their oversight of ALEOs, but they are not without risk

Councils must apply the Following the Public Pound Code

33. Councils are ultimately accountable for how they spend public money, including the services they commission through ALEOs. This means having clear oversight and appropriate governance arrangements in place. The Following the Public Pound Code sets out the principles for how councils should do this ([Exhibit 7, page 18](#)). The Code states that having council representatives on a board as trustees or directors does not in itself achieve effective governance. Regardless of any representation on boards, councils should monitor ALEOs and insist on regular reporting from them.

Exhibit 7

Following the Public Pound



Following the Public Pound principles and ALEOs

The principles of openness, integrity and accountability apply to councils in their decisions on spending public money. These apply equally to funds or other resources which are transferred to ALEOs.

The Code sets out six principles that require councils to:

- have a clear purpose in funding an ALEO
- set out a suitable financial regime
- monitor the ALEO's financial and service performance
- carefully consider representation on the ALEO board
- establish limits to involvement in the ALEO
- maintain audit access to support accountability.

Source: Following the Public Pound Code

34. An ALEO board needs to act independently to decide how it meets its objectives including its obligations to the council. For a registered charity this means acting in the interest of the charity and promoting charitable purpose. In practice the FtPP principles require a range of measures to be in place:

- Governance documents setting out the ALEO objectives and powers, along with contractual or service agreements between the ALEO and the council.
- Ongoing performance, financial and contract monitoring; and periodic review of the ALEO's business plans and objectives by the council.
- Assurance from internal audit over the council's governance and control processes for ALEOs. ALEOs may also have their own audit or finance subcommittees.

Councils have better oversight of ALEOs, but issues can still occur

35. Councils need to understand how well ALEOs are performing, and be aware of risks and difficulties that may arise. All our sample councils had appropriate governance processes for overseeing ALEOs. More effective practice included scrutiny proportionate to the risks involved, and clear roles and responsibilities for councillor and officer oversight ([Exhibit 8, page 19](#)).

Exhibit 8

Improving practice in governance

Councils have developed governance frameworks to achieve a more proportionate level of scrutiny for ALEOs



Glasgow City Council's framework for councillor and officer oversight

Glasgow has a diverse portfolio of ALEOs. Its governance framework for ALEOs differentiates between democratic, strategic, and operational scrutiny as follows:

- Political decision-making and scrutiny: councillors oversee ALEOs through the Operational Performance and Delivery Scrutiny Committee and the Finance and Audit Scrutiny Committee.
- Strategic oversight and scrutiny: a Governance Management Group of senior officers meets with ALEO representatives on a six-monthly basis to review and discuss their financial and operational performance, business plans, and issues arising.
- There is regular liaison and monitoring between the council and ALEOs over operational issues: corporate teams within the council help to maintain the relationship between ALEOs and their client departments in the council.



Aberdeen City Council's ALEOs Assurance Hub

Aberdeen introduced a new ALEOs Assurance Hub in 2017. This draws on expertise from CIPFA and the Good Governance Institute. The Assurance Hub has a clear focus on risk management, financial management and governance.

- The council has split its ALEOs into tiers based on the level of funding they receive and the level of control the council has over them. The Hub assesses the level of oversight required for individual ALEOs and reports to the council's Audit Risk and Scrutiny Committee.
- Service directorates and committees are responsible for monitoring performance and contractual compliance.
- An ALEO Strategic Partnership Group provides advice and support to the council's ALEOs including strategic planning and resource sharing. The group comprises ALEO chief executives, and council finance, legal, and procurement officers.



North Lanarkshire Council's dedicated ALEOs committee

North Lanarkshire Council introduced a dedicated ALEOs and External Organisations Monitoring Committee in 2016. It meets in public and considers the financial management, performance, risks and governance of ALEOs.

- The frequency of ALEO monitoring reports to the committee is proportionate to risk and ranges from quarterly to annually. More detailed performance information is scrutinised by the relevant council service committee.
- Client officer roles are being reviewed, and a Monitoring Officer Working Group established to bring about consistency of approach across all areas of ALEO service delivery.

Source: Audit Scotland

36. Councils must oversee and manage many factors and be aware of the risks associated with ALEOs. Despite evidence of improving governance, we are aware of governance or operational issues that have arisen:

- Glasgow City Council's employability ALEO faced financial pressures in 2015/16 resulting from it having been required to repay European funding. As a result, it reduced its activities significantly and shed 150 posts through voluntary severance. The body has since restructured.
- East Lothian Council and the Lothians Racing Syndicate Ltd (LRS) jointly commissioned an independent governance review to evaluate the structure, composition and constitution of the Musselburgh Joint Racing Committee, and operational matters relating to the conduct of business at the racecourse. This identified options which are being considered by the council in consultation with the LRS.
- The creation of a subsidiary in 2011 by the council's ALEO, North Lanarkshire Leisure, had not been reported to a council committee. Also, the need for, and circumstances surrounding the setting up of, the company was not approved by, or reported to, the ALEO Board. There have since been a number of changes within the ALEO and North Lanarkshire Council has significantly strengthened its approach to the governance of ALEOs.
- In Stirling Council, a tender evaluation carried out in February 2017 following an options appraisal for the provision of sports and leisure services recommended the award of the contract to an external company. However, councillors decided that neither of the two bids submitted as part of the extensive tender process met the best value criteria and, as a result, the contract award was rejected. The council is now pursuing an alternative option involving reconstituting its existing sports and leisure ALEO.

Councils must have clear reasons for their appointments to ALEO boards

37. It is up to councils to decide on the most appropriate governance arrangements. They must consider very carefully the question of council representation on the ALEO board. The main consideration is what skills or experience are required of the board and who is best placed to meet these. Where councillors or officers take such positions, they should be clear about the responsibilities and requirements of the role.

38. There are risks of conflicts of interest where councillors or council officers take board positions. The Accounts Commission has highlighted that such conflicts can become starker if an ALEO encounters difficulties. The Companies Act and Charities and Trustee Investment (Scotland) Act require board members or trustees to act in the best interests of the company or trust on which they serve, and to put these interests first ([Exhibit 9, page 21](#)). But there may be times where this requirement may conflict with councillor or officer duties in the council. This can be a difficult balance where council representatives may be privy to certain information, but are prohibited from sharing or acting on it because of their role. As a small council with fewer councillors, Stirling Council told us that it can be much more difficult to manage potential conflicts.

Exhibit 9

Duties within companies and charities law



Companies Act requirements for directors include:

- act within powers
- promote the success of the company
- exercise independent judgement
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not accept benefits from third parties
- declare any interest in a proposed transaction or arrangement.

Charities and Trustee Investment (Scotland) Act requirements for trustees include:

- act in a manner consistent with the charity's purpose
- act with the care and diligence expected of someone managing another person's affairs
- put the interest of the charity before those of any person or organisation who appoints trustees where there is a conflict of interest, or withdraw from the decision-making involved.

Source: The Companies Act (2006); Charities and Trustee Investment (Scotland) Act 2005

39. The Councillors' Code of Conduct sets out principles that councillors must follow where they take a role on outside bodies including ALEOs.⁴ The Standards Commission's Advice Note for Councillors on ALEOs provides supplementary guidance to help clarify this area of the Code. This sets out the practice required of councillors who are also board members or trustees:⁵

- Councillors who are also ALEO board members can participate in council committees, but they must declare interests.
- The Code prohibits councillors from taking 'quasi-judicial' decisions in the council that may affect any ALEO they are involved with, for example planning or licensing decisions.
- It is considered good practice for councillors not to participate in scrutiny or funding decisions within the council that may affect the ALEO they are involved with.

40. There is an ongoing debate about the advantages and disadvantages of using councillors as board members. Councillors bring their experience as elected community representatives and their knowledge of the council and its services; however, there are potential conflicts of interest between their roles on the council and the ALEO. [Exhibit 10](#) outlines some of the main advantages and disadvantages identified by our sample group of councils.

Exhibit 10

Pros and cons of councillors or officers acting as trustees or directors

Potential advantages of council nominees as board directors or trustees



- Can improve the relationship between the ALEO and the council.
- Can bring an insight into the council and its objectives and the broader community.
- Council representatives can gain valuable first-hand experience of service issues and different sectors.

Potential disadvantages of council nominees as board directors or trustees



- Can bring additional demands to their already diverse role.
- Representatives may lack the background, skills or understanding required of the role.
- Risk of conflict of interest between their role on the ALEO and their role on the council.
- Negative impact on council decision-making where councillors withdraw from committees owing to conflicts of interest.
- Exposure to legal risks and personal liability.
- Risk to continuity if councillors lose their position if not re-elected.

Source: Audit Scotland

41. We found a range of practice for councillors and officers taking trustee and director roles across our sample group:

- Across most of our sample councils, councillors and officers can take board positions on ALEOs. However, it is becoming less common to involve officers, and in Stirling and Edinburgh, for example, council officers no longer take director positions.
- Practice varied in social care ALEOs. Councillors and council officers are appointed as board directors in Glasgow's Cordia; this contrasts with the care ALEOs in Aberdeen City and Scottish Borders where councillors are not appointed as directors. In the Scottish Borders, councillors oversee the care ALEO through a dedicated Strategic Governance Group.
- OSCR recommends that the majority of trustees in a charitable ALEO should be independent of the council; we observed this to be the case across our sample group.

42. Officers and councillors holding director positions felt they could balance their dual roles, and saw this as very much part of their job. We are not aware of any significant breaches to the Councillors Code of Conduct regarding councillors' involvement with ALEOs. Our audit work in councils has emphasised the need for clear roles and responsibilities in relation to ALEOs to risk of conflicts of interest arising.

43. The City of Edinburgh Council highlighted a previous situation where an officer had been in a difficult position concerning the sale of assets from an ALEO back to the council. As an ALEO director, his aim was to achieve the best price for the company; but as the council's chief financial officer he had a duty to achieve value for money for the council. Council officer posts are no longer nominated as directors of that company.

44. We found that few councils have policies or guidelines setting out how councillors or officers should be involved with ALEOs. Stirling Council has guidelines that aim to focus councillors on their strategic role of providing direction, oversight and challenge over ALEOs. The policy restricts councillors from participating as directors on more commercial ALEOs, but allows them to be involved if the ALEO has a clear community benefit purpose that is in line with the council's objectives. [Case study 1](#) illustrates how the council applied these guidelines in the case of a joint venture company.

Case study 1

Board representation on a joint venture (JV)



The council recognised that the board of a property development JV had an imbalance of expertise: it comprised councillors and a council officer, and property professionals from the council's private sector partner. In a governance review, the council replaced the councillors and officer with independent experts with knowledge of the commercial property market. This was to reduce the risk of conflicts of interest and to improve the knowledge and experience of the board for the benefit of both the council and its JV partner.

Source: Audit Scotland

Councils should consider other approaches to limit conflicts of interest

45. Some councils have chosen not to use council representatives as board members because of the risk of conflicts of interests. Having council nominees on boards was seen to blur the relationship between the council and the ALEO. It also brings personal liabilities to those taking such roles. Councils can achieve a much clearer separation by using secondments to ALEOs.

46. Councils need to put safeguards in place where they decide to involve a council representative in a decision-making position on an ALEO. These include procedures for dealing with conflicts of interest, making training and advice available, and personal liability insurance to protect board members in their role. Employment contracts can also be used to specify an officer's responsibilities if a conflict of interest arises, however we did not hear of this being used in practice.

47. Council representatives can take a monitoring and liaison role as an alternative to taking a board position. This allows them to oversee and advise the ALEO without taking a decision-making role on the ALEO. Most of our sample group of councils had strengthened the role of such officers to give them greater seniority and influence. Their role involves managing the relationship between the council and the ALEO, and monitoring the performance of the ALEO and its compliance with its contracts or service agreements with the council. Fife Council explained how the expertise and close involvement of its officers helps it to understand local opportunities and encourage the ALEO to improve its performance.

Council appointments to ALEOs should be driven by the requirements of the role

48. We found that councillor appointments to ALEO boards tended to reflect the political balance of the council. This differs from the approach taken by ALEOs for their other board members. These appointments tend to be made through an appointments committee based on the skills, experience and other criteria required of the role. Councils should ensure that they consider the skills or background required of the role. More effective practice in this area included The City of Edinburgh Council where officers provide political groups with guidance on making appointments.

Councils and ALEOs should provide training and support to board members

49. It is important that board members have the necessary training to perform their role effectively and understand what is required of them. Councillors we spoke to recognise that training is important from both the perspective of the council and the ALEO. All the councils we spoke to provide training, for example as part of the induction for new councillors, and more bespoke training in relation to their roles on ALEOs. In Glasgow, training is mandatory for elected members appointed to ALEO boards. OSCR provides guidance on the role of charity trustees.⁶

50. We saw good examples of training for board members, reflecting the growing maturity of councils' experience in this area. Our HCW report on roles and working relationships highlights both training and appropriate behaviours as essential to good governance.⁷ It urges councils to provide councillors with training in the essential areas of scrutiny, audit, and financial decision-making. Indeed, some councillors we spoke to felt that in the case of ALEOs, training should also cover company accounts. More effective practice is described in [Exhibit 11 \(page 25\)](#).

Councils need to provide a systematic test of Best Value

51. It is possible under certain conditions for councils to procure services directly from a third party such as an ALEO without a competitive public procurement exercise.⁸ Generally, this requires the relationship between the council and the ALEO to be the same as that between the council and one of its own directorates. The ALEO must also provide most of its core activities on behalf of the council. Councils must also continue to observe procurement and competition law as part of any changes in their relationship with ALEOs, be it through contract renewal, or changes or diversification in the ALEO's activities.

Exhibit 11

Training and development for ALEOs



Provided by the council

- ✓ The council specifies advice and any necessary training for all councillors and officers who are decision-makers, advisers or observers of an external body.
- ✓ Training explores conflict scenarios, companies and charities law, and the Councillors' Code of Conduct.
- ✓ Training involves external expertise.
- ✓ All councillors are trained in essential aspects of their role in relation to scrutiny, audit and finance.



Provided by the ALEO

- ✓ Induction workshops for all board members.
- ✓ Directors' manual setting out the ALEO's aims, and the activities, responsibilities and duties of directors or trustees.
- ✓ Development programme for board directors including corporate governance standards.
- ✓ Appraising board members, and publishing their attendance record.
- ✓ Specialist training in companies and charities law.

Source: Audit Scotland

52. Councils should be able to demonstrate that their contracts or service agreements with an ALEO offer Best Value. Councils tend to do this by assessing the annual performance of the ALEO, along with its annual report and business plan. There is scope for some councils to put stronger arrangements in place for the interim review of contract performance. For example, one council we spoke to had introduced clearer performance objectives and formal review points in its contract with a joint venture ALEO. In another example, a council had revised its service agreement with a leisure trust to set out its social benefit objectives more clearly.

Councils should take steps to make ALEOs more accountable

53. Services provided directly by councils are often seen as more accountable than services contracted with external providers such as ALEOs. Councillors direct and oversee council-provided services through council committees. Where services are delivered by ALEOs this relationship becomes less direct. The council will oversee the contract or service agreement with the ALEO, but will have less day-to-day influence over the service.

54. ALEOs bring a different kind of accountability. They are, foremost, accountable to their own boards. These can include wider stakeholders including business leaders, community and service users, and employee and trade union representatives. This can allow for a more 'user-driven' form of governance, as opposed to the more representative role that councillors take on a council committee.

55. Some councillors we spoke to felt that the council relationship with ALEOs was different from relationships with a fully outsourced service. As trusted partners they felt they could contact ALEO managers for information, and call ALEO management to committee to present evidence.

56. Making information publicly available is another important aspect of accountability. Measures we identified that can improve transparency include the following:

- ALEO websites making annual reports, board minutes, and governance documents publicly available.
- ALEOs proactively publishing as much information as possible, for example covering the categories of information identified in the Model Publication Scheme.⁹
- ALEOs acting in accordance with the Freedom of Information Act that applies to councils, by responding promptly to information requests, providing information where possible and explaining why information cannot be provided.
- ALEOs adopting customer feedback and complaints-handling standards such as the Scottish Public Services Ombudsman (SPSO) guidelines.

57. Most of the leisure ALEOs across our sample group gave useful service and pricing information. However, not all included performance or user satisfaction information or minutes of board meetings. This is an area that councils should improve and specify in their service agreements with ALEOs. We found that:

- all the ALEOs included information on pricing and concessions
- all included information on Freedom of Information
- most had clear information on how to make complaints or suggestions
- only around half made board minutes available
- only around half made annual and performance reports available.

58. A council's annual accounts are a further source of public information. The governance and financial relationship between a council and its ALEOs can be complex. The Code of Practice on Local Authority Accounting encourages councils to 'tell the story' of their activities and financial performance during the year. This should cover not only the council itself, but also other third parties it is involved with, including ALEOs where they are significant to a council in terms of their risks or their financial implications.

59. The extent to which councils provided a clear commentary on their use of ALEOs varied significantly, with some councils providing only limited information. More effective practice is for councils to give a fuller overview of the ALEOs they are involved with. This could include their purpose, the extent of council ownership if any, and the financial contribution to and from the council. Most of the accounts we reviewed did not provide this level of detail. Glasgow and Fife councils had more effective practice and provided a clearer breakdown of their interests with useful supporting commentary.

Part 3

What ALEOs are achieving



Key messages

- 1** ALEOs are diverse in their range and the services they offer. Councils have used ALEOs to sustain existing services and offer additional services through reducing costs and generating income. However, financial and market pressures remain that can impact on their performance.
- 2** ALEOs have reduced the costs of sports and leisure services to councils through taxation benefits, new funding, and increased participation. Social care ALEOs have improved their care standards and reduced the costs of these services to councils. Financial pressures remain and not all social care ALEOs are achieving their financial targets. Performance in other areas such as property development has been more mixed.
- 3** We found many good examples of ALEOs providing innovation and benefit to communities. Councils need to better demonstrate how their use of ALEOs contributes to the council's priorities and improves outcomes for people.

ALEOs have brought benefits but cost pressures remain

60. The diversity of services provided by ALEOs and their individual circumstances makes it almost impossible to draw clear patterns of performance that apply in all cases. We have examined how ALEOs have contributed to improving services across a sample of ALEO services. This includes sports and leisure services where most councils use ALEOs; and social care, a service that vulnerable people and their families rely on. Our sample also includes examples from more commercial ALEOs.

61. We have based our assessment on the following sources of information:

- The Local Government Benchmarking Framework (LGBF) performance information for leisure services that applies across all Scottish councils. We have extracted data specifically for councils that operate sports and leisure ALEOs.
- Financial returns made by ALEOs to OSCR to identify broad sources of income.
- Care Inspectorate assessments to identify the quality of care for care homes, day centres and homecare services in relation to the three social care ALEOs.
- ALEO performance information and examples from across our sample councils. These include areas of service quality, efficiencies and financial performance.

Sports and leisure ALEOs have increased uptake and reduced costs

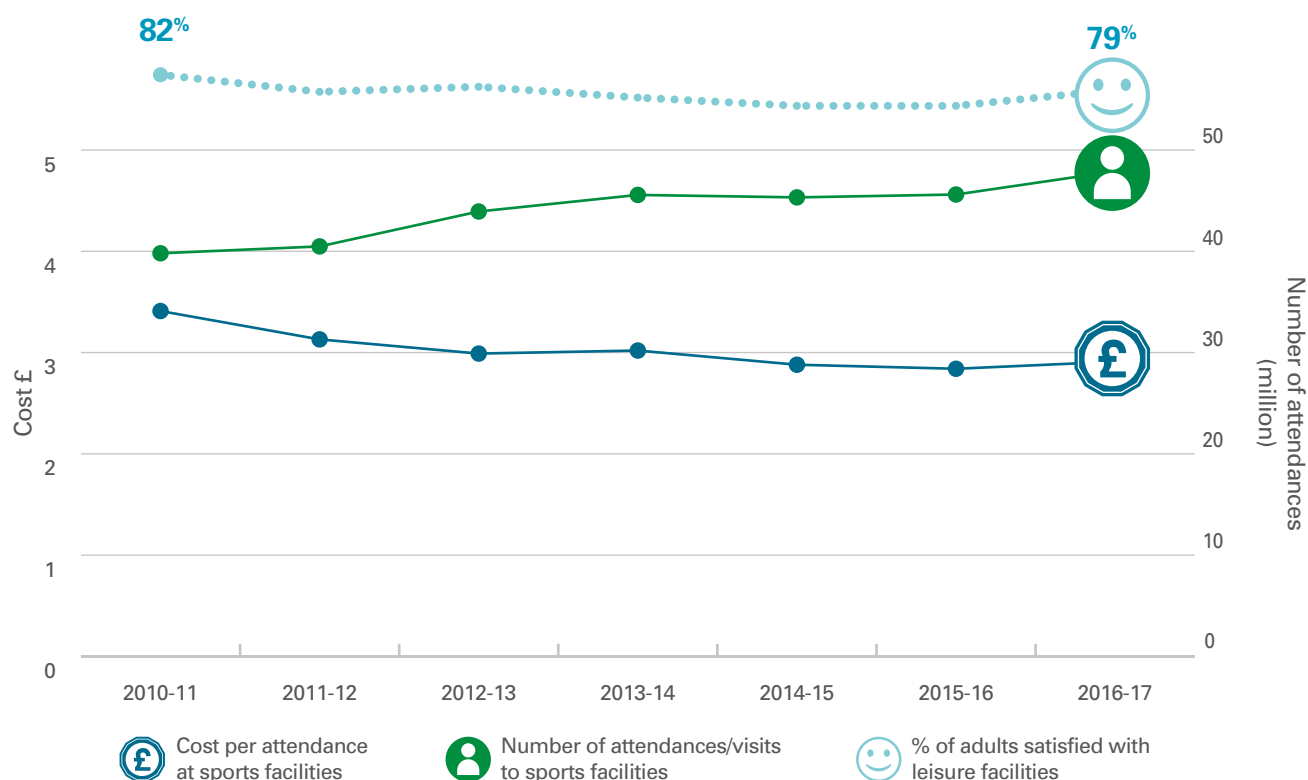
62. In Scotland over three-quarters of councils provide sports and leisure services through an ALEO. Sports and leisure services aim to encourage sports development, physical activity and wellbeing. These are provided through facilities including sports centres, swimming pools, and outdoor sports facilities. We estimate the total turnover of leisure and culture trusts to be approximately £430 million in 2016/17. Glasgow Life is a joint leisure and culture ALEO and operates on a significantly larger scale than other ALEOs in the sector, with total turnover of around £127 million.

63. Exhibit 12 shows LGBF indicators for how the 25 ALEOs that provide sports and leisure services across Scotland have performed. This shows that from 2010/11 to 2016/17 the cost per visit to leisure facilities has fallen, while service uptake has increased. Public perceptions of the service show a slight decline:

- Net costs per visit have decreased from £3.41 to £2.91.
- Visits (per year) to sports facilities increased from 39.8 million to 47.9 million, although uptake has declined in recent years in some council areas.
- Satisfaction with sports facilities fell from around 82 per cent to 79 per cent.¹⁰

Exhibit 12

The performance of sports and leisure ALEOs



Source: Local Government Benchmarking Framework 2016/17

64. This equates to a reduction in net costs of around 15 per cent, and an increase in service uptake by 20 per cent. The trend in these broad indicators was less marked for the seven councils that directly provide sports and leisure services without using ALEOs. Here there has been a reduction in costs of nine per cent, and an increase in uptake of ten per cent; user satisfaction is lower at 66 per cent and has declined by two per cent. These councils tend to be smaller or more rural councils.

Financial benefits have been a major reason for establishing leisure ALEOs

65. Financial benefits have been a major reason for setting up charitable leisure ALEOs. This includes both taxation through NDR relief and VAT, and additional income through service uptake and new funding. We estimate that leisure and culture ALEOs generate around £61 million annually through donations, grants, fund-raising, investments, and other commercial activity.¹¹ This is equivalent to around 14 per cent of their overall income. Below are some examples of how ALEOs have reduced the costs of providing leisure services to councils include:

- The Glasgow City Council's service fee for Glasgow Life at £73 million is equivalent to around 57 per cent of the ALEO income in 2016/17, compared to around 71 per cent of income in 2008 (£69 million service fee).
- Leisure and Culture Dundee has made a cumulative saving of £15 million (2011 to 2017) allowing it to remove a £3.5 million funding gap and invest £1.2 million. Income generated by the ALEO now exceeds the funding paid by the council.
- High Life Highland has realised a saving of £9.1 million in its first five years of operation; with rates and VAT savings making up around 56 per cent of the savings, and the remainder being achieved through income and efficiencies.
- From 2008–16, Fife Council saw a 50 per cent reduction in costs, and a 50 per cent increase in service uptake for sports and leisure. The annual costs to the council fell by over £3 million, from 60 per cent of turnover to only 20 per cent.

66. Fife Council's capital investment programme has contributed to its improved performance. The council works in partnership with Fife Sports and Leisure Trust to plan and project manage this programme. This has led to £18 million of investment being targeted across sports centres and swimming pools, including easy-access changing rooms. The programme aims to ensure the investment continues to deliver financial benefits by increasing revenue as well as benefiting communities.

Councils need to improve how they measure the outcomes achieved by ALEOs

67. Measuring the impact services have on improving health, wellbeing and other outcomes is an area where the public sector is still developing its practice. It is difficult to identify the contribution of ALEOs to wider outcomes. We have therefore limited our assessment in this area to more qualitative examples of how ALEOs contribute to their social or community benefit aims.

68. As charities, ALEOs have a charitable purpose in areas such as participation in sport, health and wellbeing and encouraging volunteering. Most of our sample group of leisure or culture ALEOs were also involved in their local community planning partnership, either through subgroups or as an additional or non-statutory partner. High Life Highland (HLH) has participated as a member of the Highland Community Planning Partnership since 2015, helping to find new opportunities, for example through partnership working with the NHS. We found many good examples of ALEO initiatives to meet their wider social or community benefit aims:

- Edinburgh Leisure worked alongside a GP practice in Leith to set up referrals to a physical activity programme run by the local swimming pool, targeted at men over 50 at risk of heart disease, stroke and diabetes.
- Linking leisure and wellbeing: High Life Highland working in partnership with NHS provides physiotherapy and rehabilitation services from community leisure facilities. HLH has encouraged participation of teenage girls in exercise through its dance programme, training 300 students to lead weekly sessions involving almost 2,600 participants.
- Fife Sports and Leisure Trust introduced summer free swimming and 'Quid a Kid', an initiative which enables juniors to play racket sports for just £1.
- Leisure and Culture Dundee secured private sector sponsorship for their Park Lives outdoor activities initiative.

69. Like councils and other providers, ALEOs operate concessionary schemes. These include low-cost leisure access schemes and activities for groups such as children or older people. Some councils saw ALEOs as helping to sustain services, such as affordable swimming for school-age children, that may otherwise not be provided.

70. The ALEO model has brought benefits but challenges remain. Financial constraints are impacting on the ability of councils to fund ALEOs. In the culture sector, for example, reduced council funding has led to library closures in some communities. One leisure ALEO from our sample group was also consulting the public over the impact of reduced funding from the council. Other councils indicated that they may need to limit their funding to areas of most need. Factors we have noted that can impact on ALEOs include:

- uncertainty over future taxation and NDR benefits
- impact of reduced funding from councils on the ability of ALEOs to generate income
- need for investment in leisure facilities and their ongoing maintaining costs
- increasing competition for what are limited charitable funding opportunities.

Social care ALEOs have improved standards of care; cost pressures remain

71. The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform. This aims to bring health and social care services closer together, with Integration Joint Boards (IJBs) being introduced to plan and commission services in their areas. Our audit focused on the contribution of the ALEO model itself to social care services. We did not look at the wider partnership context of IJBs. Our performance audit, *Health and social care integration: Part 2*¹² will examine progress in this major reform programme including strategic planning and governance.

72. Three councils now deliver adult social care services through an ALEO. Services include older people's care, rehabilitation, and enablement to help people regain abilities they may have lost through poor health or disability:

- **Glasgow:** Cordia LLP, established 2008, about 4,000 full-time equivalent (FTE) staff.
- **Aberdeen:** Bon Accord Care Ltd, (BAC), established 2013, about 800 FTE staff.
- **Scottish Borders:** SB Cares LLP, (SBC), established 2015, about 500 FTE staff.

73. Cordia combines facilities management and catering services, along with Cordia Cares, its social care arm. Glasgow City Council has decided to bring the activities provided through Cordia back into the council. Aberdeen City and Scottish Borders councils both operate similar models for their social care ALEOs. These aim to sustain the level and quality of care services service through:

- achieving greater efficiency and flexibility through a more commercial management approach under a specialist board
- generating income through providing additional services.

74. The business cases for social care ALEOs identified potential new sources of income including providing care services as part of self-directed support (SDS), offering accredited training, and supplying aids and equipment. SDS allows clients more choice over their care services and providers, including the option to manage their own care budget.

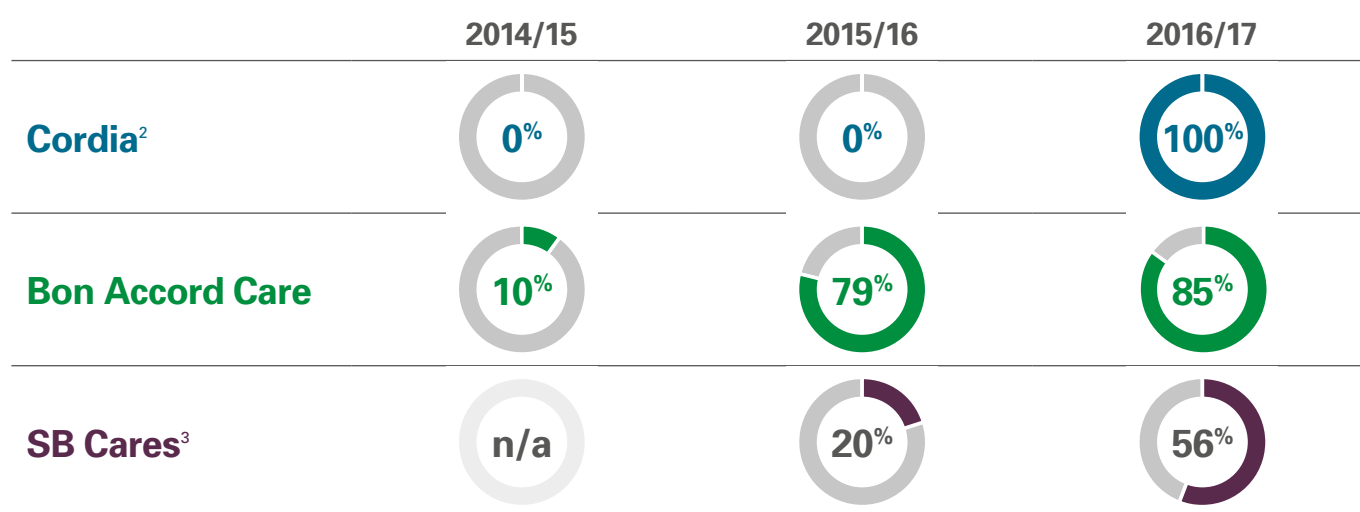
75. The councils' contracts with social care ALEOs allow for a financial contribution from the ALEO, with the ALEO setting out to achieve this through efficiencies and income generation. BAC and SBC are performing inline with their anticipated budgets. Cordia has not realised its planned contribution in recent years. This is mainly because savings from the council's transformation programme have taken longer to deliver than anticipated.

76. The social care ALEOs have increased income by offering additional services, but this is a small proportion of their total income. Social care ALEOs have not yet realised the anticipated levels of additional income from SDS.

77. The social care ALEOs have upheld and improved the quality of the services they provide. **Exhibit 13** gives an overview of Care Inspectorate (CI) grading assessments for services delivered by social care ALEOs in areas including care at home, residential care and day centres.¹³ The table summarises overall movements in the proportions of these gradings rated as good or better over the three-year period from 2014/15 to 2016/17. There has been an improving trend across the three social care ALEOs. Within this, the improvement in care at home, and care home services, is consistent with, or better than, the trend across Scotland.

Exhibit 13

Percentage of ALEO services graded as good or better across all four inspection themes.¹



Notes:

1. The CI grades registered services on four themes: Care and Support; Environment; Staffing; Management and Leadership.

2. Cordia has multiple services grouped into three area-based inspections.

3. SB Cares had no registered services until 2015/16.

Source: Care Inspectorate Datastore

78. The Scottish Health and Care Experience Survey measures user satisfaction for the parent council for the percentage of adults who:

- receive any care or support who rate it as excellent or good.
- are supported at home who agree that their services and support had an impact in improving or maintaining their quality of life.

79. The data is currently only available over two years (2014/15 and 2015/16). It shows that satisfaction levels at around 80 per cent are broadly comparable between councils that use care ALEOs and other councils.

80. We also found examples of innovative and responsive working practices across the social care ALEOs:

- Cordia worked in partnership with Glasgow City Council's education service to develop a new food policy for Glasgow schools encouraging pupils to avoid local fast food outlets.

- BAC's enablement service has trained 187 care staff to encourage greater independence among older people and reduced demand for planned care.
- SB Cares and BAC each stepped in at short notice to take on clients from independent care providers that had failed to deliver the services required of them by the partnership.
- BAC reduced its agency staff hours by 35 per cent in 2015/16 by operating an internal staff pool arrangement to allow its staff to provide cover at short notice.

81. Councils we spoke to said they see a role for social care ALEOs to help regulate a market where low profit margins can impact on the service and its staff. They saw a role for ALEOs to stimulate the market to help meet future demands. By offering accredited training ALEOs were also seen to help uphold service quality and develop employees.

82. The ALEO operating model aims to use the workforce more flexibly to develop the services they offer. This can lead to employee terms and conditions being negotiated that differ from those of the council. We found that ALEOs do put assurances in place, for example over payment of the living wage, adopting council terms and conditions and allowing employees to access local government pension schemes.

83. It is important, however, that councils continue to oversee staffing issues, including how ALEOs comply with equal opportunities and good employment practice. They should also understand how future funding pressures may impact on the workforce. Even where services are provided through an ALEO, the council can be ultimately accountable for the treatment of staff. For example, it was ruled by a Scottish court that the employees of Cordia could compare their pay packages with employees of Glasgow City Council for the purposes of equal pay claims.

84. Healthcare Improvement Scotland (HIS) and The Care Inspectorate (CI) carry out joint inspections across Scottish local authorities of older people's health and social care services. Some recent reports have highlighted concerns over service quality, leadership and governance as some health and social care partnerships adapt to the ongoing changes in how health and social care is provided.

85. The role of social care ALEOs in the context of integrated care services is continuing to evolve. Health and social care partnerships, along with their service providers, must continue to adapt and innovate. And, as we said in our report on social work services, financial and demand pressures remain a major issue.¹⁴

Other more commercial ALEO activities

86. It is difficult to comment generally on the effectiveness of the diverse range of commercial activities that ALEOs provide. We have seen both successes and areas that have not met their objectives across our sample.

87. Councils have used more commercial arrangements, including ALEOs and joint ventures for property development and buildings maintenance activities. The downturn in the commercial property market around 2012 has reduced opportunities for property development activity. Councils across our sample group have responded to these market pressures in different ways.

88. Stirling Council is reviewing its current joint venture ALEO to bring some development sites back within the council's control and align them more closely with its City Regions Deal programme. The ALEO will focus on other more commercial development opportunities. The City of Edinburgh Council has decided to wind up Edinburgh Development Initiative, its property development ALEO, and bring its activities in-house to be closer to the council's planning and development functions.

89. Examples of the activities and contribution from what is a diverse range of other commercial ALEOs are set out below. These include both financial benefits and contributions towards council and partner priorities:

- Glasgow City Building took on 70 new apprentices in 2016/17 and employs 324 apprentices in total with over 90 per cent completing their apprenticeship. Almost three-quarters of their expenditure goes to Glasgow-based small to medium enterprises. Around 100 school pupils benefited from work experience opportunities.
- Energy and waste ALEOs in Aberdeen and Fife have reduced fuel poverty for council housing residents, with Fife Resource Solutions ALEO generating renewable power equivalent to the demands of 1,250 households.

90. Business planning is an important feature of ALEOs for them to meet their objectives and contractual obligations. ALEOs need to be commercially viable in the longer term. As an example of longer-term planning, Fife Council and its waste ALEO are working together to deliver a long-term residual waste treatment solution for post-2020. This is a critical project for both parties since landfilling municipal solid waste will be prohibited from 1 January 2021.

Part 4

The future direction of ALEOs



Key messages

- 1** Councils value ALEOs as an option to help them to sustain services and innovate. Their use of ALEOs continues to change and evolve: ALEOs are being merged, disbanded, or created in new areas such as affordable energy. There is only limited use of ALEOs to deliver shared services between councils.
- 2** Some councils are exploring alternatives to ALEOs following the Scottish Government's announcement that it would limit non-domestic rates relief for any new council charitable ALEOs. In doing so, councils should work closely with local communities and businesses.
- 3** Councils need to ensure ALEOs are sustainable in the longer term. At a time of financial constraints, market uncertainty and policy reform it is even more important that councils have clear reasons for establishing new ALEOs. They should continue to review how existing ALEOs are performing and how they fit with council and communities' priorities.

**councils
must keep
ALEOs under
review and
consider
alternatives**

ALEOs remain an important option for councils

91. Councils see arm's-length bodies as an important option that gives them room to manoeuvre in what are challenging times for local government. ALEOs can help to sustain services and bring innovation, but financial and demand pressures remain.

92. However, ALEOs are falling out of favour with some councils. Glasgow City Council has decided to bring both Cordia and its community safety ALEO back in-house. This has resulted from the council's ongoing transformation programme across all activities, and its response to wider legislative changes in community planning, community empowerment, and the integration of health and social care.

Councils are exploring new ways to realise the benefits of ALEOs


93. Any decision to continue or discontinue with an ALEO must be objective and consistent with the requirements of Best Value. It should focus on outcomes not the method of delivering the service. We have emphasised that good management is a key factor for success, whatever way services are delivered.

94. The context within which any ALEO operates can and will change with time. The Barclay Review of non-domestic rates is already changing how councils think about different options. Aberdeenshire Council has found that its grant funding

would be reduced to offset NDR relief awarded, and so its proposal to create a culture and leisure ALEO is no longer viable. It is now looking at other ways to realise some of the benefits of the ALEO model to bring:

- closer involvement from businesses and communities
- innovation and faster decision-making to realise commercial or service opportunities
- expertise in service-specific areas such as marketing.

95. Possible alternatives include enhancing existing council services by creating a separate business unit, or alternatively using a different form of social enterprise to generate and reinvest income.

96. This example highlights that councils need to continue to work closely with businesses and local communities as they develop options. [Community Empowerment \(Scotland\) Act 2015](#)  brings a much stronger impetus for communities to play a stronger part in delivering services. Indeed, councils' experience with ALEOs brings lessons that could be applied to organisations that are more closely linked to communities, for example to:

- include community, business and service user representatives on boards
- protect assets by keeping them within public ownership
- allow limited liability protection for representatives taking director roles.

97. We found that some more recent options appraisals have considered community enterprises. We also saw examples where councils are involving communities more closely. Fife Council purchased a disused military site and leased it at nominal cost to a community organisation for use as a football venue. The arrangement enables community activity to take place and is self-sufficient with no revenue cost to the council. The council has also used planning contributions paid by developers to build a community sports hub. In another example, High Life Highland ALEO took a positive role in supporting community-run organisations that were facing financial difficulties.

98. Councils have also used the ALEO model to innovate and offer new services. As an example, Aberdeen City Council's Aberdeen Heat & Power ALEO has provided district heating schemes since 2002. The council is considering creating a new Energy Services Company (ESCO) to provide a wider range of energy services across Aberdeen as a whole.¹⁵

There is limited use of ALEOs to achieve shared benefits between councils

99. Councils have made limited progress in working together to provide services jointly, and we saw limited evidence of ALEOs being used in this way. Lothian Buses is the most significant example we identified ([Case study 2, page 37](#)). Others include: Dundee Energy Recycling Limited which provides service on behalf of both Dundee and Angus councils; Cordia's social care equipment service trades with neighbouring councils; and Stirling and Falkirk jointly own an ALEO that provides Geographical Information Services (GIS).

Case study 2

Lothian Buses Limited



Lothian Buses Limited is the largest municipal bus company in the UK. It carries about 120 million passengers per year, and contributes to wider transport objectives to deliver a healthy, inclusive, safe transport system.

It is owned 91 per cent by City of Edinburgh Council; and East Lothian, Mid Lothian and West Lothian councils own the remainder. Transport for Edinburgh is the holding company for Lothian Buses Limited and Edinburgh Trams Limited.

The company operates in the main a low fare, high passenger volume inclusive fares policy with a single flat fare across much of the network. As in the rest of Scotland, senior citizens travel free through a concessionary policy operated and funded by the Scottish Government.

Lothian Buses operates about 700 buses and has a vehicle replacement programme that procures vehicles that minimise emissions including hybrid and all electric vehicles. All buses are low floor and wheel chair accessible.

The company is profitable and makes a dividend payment to its constituent councils. For Edinburgh, the principle shareholder, annual dividends have risen from around £2 million in 2010 to over £6 million in 2017. The council has no restrictions on its use of the dividends; they are currently being used in part to fund the infrastructure costs of the Edinburgh Trams Project.

Source: Audit Scotland





Councils will need to consider the benefits and risks as ALEOs evolve

100. Financial constraints may reduce the funding councils provide to ALEOs. ALEO representatives have argued that funding cuts can be double edged as they reduce their ability to generate income and achieve the benefits that setting up an ALEO was meant to make possible.

101. We have seen examples of ALEOs merging to bring related services together and save costs. Mergers between leisure and culture ALEOs are an example. As ALEOs evolve and adapt, councils will need to carefully consider their viability including their ability to operate more independently. There is also a risk that 'super-ALEOs' become so large they lose the focus and flexibility that is seen to be one of their success factors. It is important that councils keep ALEOs under review and consider alternatives where they no longer meet their intended objectives.

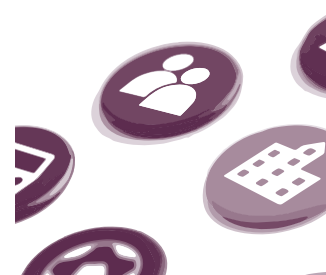
Endnotes



- 1 [Code of guidance on funding external bodies and following the public pound](#) , Accounts Commission and Convention of Scottish Local Authorities (CoSLA), 1996. In 2005, the Code was given statutory backing in the form of a Ministerial Direction under s51(1) and (2) of the Local Government (Scotland) Act 2003 which required every local authority to comply with the FtPP Code when entering into any arrangement or agreement with a body corporate or implementing such an arrangement.
- 2 OSCR's 2015 report *Arm's-Length External Organisations* lists the charitable ALEOs identified at that time.
- 3 The LGiSA 2003, and the provisions around Best Value, Community Planning, and the power to advance wellbeing.
- 4 *The Councillors' Code of Conduct*, Scottish Government, 2010. The Standards Commission publishes guidance for councillors on how to interpret the provisions within the Code of Conduct.
- 5 *Advice for Councillors on Arm's-Length External Organisations*, The Standards Commission, September 2016.
- 6 www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees 
- 7 [How councils work: Roles and working relationships in councils: are you still getting it right?](#) , Accounts Commission, November 2016.
- 8 Under what is known as the Teckal Exemption, codified in regulation 12 of the Public Contracts Regulations (PCR) 2015.
- 9 *Model Publication Scheme*, produced and approved by the Scottish Information Commissioner on 31 May 2017.
- 10 Scottish Household Survey data.
- 11 Financial returns submitted by charitable ALEOs to OSCR.
- 12 *Health and social care integration: Part 2*. To be published autumn 2018 on behalf of the Auditor General and the Accounts Commission.
- 13 Care Inspectorate (CI) grading assessments for registered services: care homes; support services; and housing support services (from The Care Inspectorate Datastore). The CI grades registered services on four themes: Care and Support; Environment; Staffing; Management and Leadership.
- 14 [Social work in Scotland](#) , Accounts Commission, September 2016.
- 15 The Scottish Government Scottish Futures Trust identifies Energy Services Companies (ESCOs) as a model for district heating schemes and other initiatives.

Appendix 1

Audit approach



Our audit work included a sample group of nine councils that make significant use of ALEOs, covering both urban and rural areas. We included the three councils that currently operate social care ALEOs.

Sample councils and ALEOs of interest

Aberdeen <ul style="list-style-type: none"> Bon Accord, delivers social care Aberdeen Heat & Power 	The City of Edinburgh Council <ul style="list-style-type: none"> Edinburgh Leisure CEC Holdings, a range of property companies 	Dundee City Council <ul style="list-style-type: none"> Leisure and Culture Dundee Dundee Energy Recycling Ltd
Fife Council <ul style="list-style-type: none"> Fife Sports & Leisure Trust Fife Resource Solutions (waste management) Fife Cultural Trust 	Glasgow City Council <ul style="list-style-type: none"> Cordia (social care) Glasgow Life (leisure and culture) Jobs and Business Glasgow City Building 	The Highland Council <ul style="list-style-type: none"> High Life Highland (leisure and culture) Beinn Tharsuinn Windfarm Community Limited
North Lanarkshire Council <ul style="list-style-type: none"> Culture North Lanarkshire North Lanarkshire Leisure Ltd Mears Scotland LLP (property) 	Scottish Borders Council <ul style="list-style-type: none"> SB Cares Borders Sport and Leisure Trust 	Stirling Council <ul style="list-style-type: none"> Active Stirling Ltd (sports and leisure) Stirling Development Agency Ltd

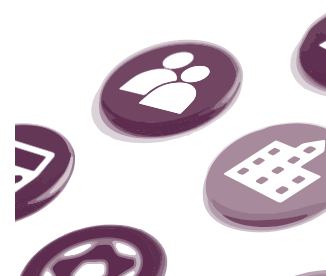
The audit work comprised document review, research and interviews with representatives from the sample group. These included officers, ALEO representatives and focus groups with elected members. Much of our on-site and research work was undertaken in late 2017.

We looked at a cross-section of ALEOs from this sample group. We did not look at:



- housing associations
- public-private partnerships, private finance initiatives or other financial partnerships
- councils' funding of the numerous smaller-scale activities delivered through the third sector and other external parties
- trading operations within councils or other partnership arrangements.

Appendix 2

The common forms of ALEO

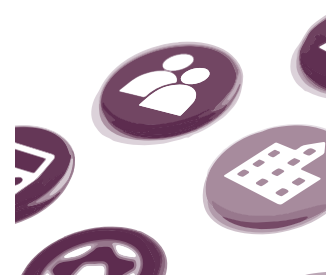





Key features

	Limited company	Can be a company limited by shares (CLS) or guarantee (CLG). The 'articles of association' set out the rules for decisions, ownership and control between the company and its 'members' who formed the company (typically the council).
	Limited Liability Partnerships (LLP)	As with a company, it is a separate legal identity that offers limited liability to its members. Governed by a partnership agreement, it offers greater flexibility than a company over internal arrangements, eg for taking decisions and the treatment of profits.
	Scottish Charitable Incorporated Organisation (SCIO)	A bespoke legal form for registered Scottish charities that has been available since 2011. SCIOs need only register with the Office of the Scottish Charity Regulator (OSCR). Limited companies can also be charities but must register with both OSCR and Companies House.
	Community Interest Company (CIC)	<p>A form of company (limited either by shares or by guarantee) created as a 'social enterprise' to use its profits and assets to benefit the community.</p> <p>Related forms are community benefit societies (CBS) and cooperative societies that serve the interests of their members.</p>
	Joint Venture (JV)	A general term for a commercial venture between partners, typically the council and the private sector. Can take different forms, eg CLS, LLP. Public-private partnerships, and private finance initiatives are also forms of JV partnerships.
	Trust	A body governed by 'trustees' through a trust deed. Unlike companies, they are not registered with a regulatory body and do not offer limited liability.

Appendix 3


Factors for councils to consider



Business case assumption	Factors for councils to consider
<p>ALEOs bring financial benefits through tax advantages, commercial trading and new funding opportunities</p> 	<p>ALEOs bring financial benefits through NDR relief, new funding and wider commercial trading.</p> <p>Charitable status encourages donations and volunteering.</p> <p>The ALEO model safeguards against contract over-pricing as any surpluses can be retained in the public sector.</p> <p>However, points to bear in mind:</p> <p>There are uncertainties about whether new sources of income will continue over the longer term. For example:</p> <ul style="list-style-type: none"> • Taxation benefits, eg NDR and VAT are subject to change. • Future income is affected by market forces. • Grants and new funding tend to be one-off, time limited or project specific; and there is increasing competition for them.
<p>ALEOs bring strong identity, focus and responsiveness</p> 	<p>Direction through an ALEO board can be more immediate and responsive than through a larger council body that has competing demands for attention. An ALEO's defined purpose, separate identity, and contractual obligations give a clear focus on performance. ALEO boards bring greater diversity and specialist expertise; ALEOs can compete to attract workforce talent.</p> <p>However, points to bear in mind:</p> <p>Councils can achieve similar benefits when ALEOs are not involved:</p> <ul style="list-style-type: none"> • Councils can create a service identity and focus, for example through setting up separate business units with a distinct brand. • Councils already attract external expertise, eg through partnership working, and joint boards or committees. • Outsourcing can also bring expertise and specialisms to the benefit of the service.
<p>ALEOs can bring workforce flexibility and efficiencies</p> 	<p>ALEOs have brought new and improved practice in areas of workforce deployment. They have negotiated more flexible employment terms, for example to extend opening hours; and make use of casual staff and volunteers.</p> <p>However, points to bear in mind:</p> <ul style="list-style-type: none"> • The best performing councils also demonstrate good workforce management and practice. These features are not unique to ALEOs. • Planned changes in an ALEO may be limited by expectations over workforce terms and conditions. • Financial pressures in an ALEO may impact on its ability to uphold terms and conditions including access to pensions. • If an ALEO is brought back into the council any differences in terms will need to be harmonised.

Councils' use of arm's-length organisations

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk 

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk 

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk 
www.audit-scotland.gov.uk 

ISBN 978 1 911494 54 6

This publication is printed on 100% recycled, uncoated paper





To: Audit, Risk and Scrutiny Board

On: 18 March 2019

Report by: Chief Executive

Heading: Annual Complaints Report 2017/18

1. Summary and Key Messages

- 1.1. Renfrewshire Council's complaint handling procedure (CHP) ensures that the Council knows how well it is delivering its services and shows its commitment to using the issues raised in complaints to improve services.
- 1.2. Introduced in 2013, the procedure complies with the Scottish Public Services Ombudsman's (SPSO) guidance and model complaints handling procedure, and aims to help 'get it right first time'. The aim is to have quicker, simpler and more streamlined complaints handling with local, early resolution by capable, well-trained staff. As part of the procedure, all complaints resolved at the frontline are also now recorded and monitored.
- 1.3. This report provides information on the external complaints Renfrewshire Council received in 2017/18 from members of the public and shows how this information has been used to ensure that the Council delivers high quality, efficient and responsive services to meet people's needs.
- 1.4. The key messages highlighted in the report are as follows:
- 6,098 complaints were received in 2017/18, which is a reduction from 6,364 in 2016/17.
 - The number of complaints received in relation to the size of the local population is also small, with 6.5 complaints received per 1000 population; this has decreased since 2016/17 from 6.75 per 1000 population.

- 95% (4,826) of complaints were handled at the frontline stage demonstrating that the Council is highly responsive to initial reports of dissatisfaction from customers.
- Overall, 75.8% of frontline complaints were closed within target timescales. The average time taken to respond to frontline complaints received was 5.3 days, this is a slight increase from 2016/17 where it was 5.2 days and is slightly above the SPSO target of 5 days.
- Overall 94.8% of investigation complaints were completed within target timescales. The average time taken to respond to an investigation complaint received was 12.5 days, which is lower than in 2016/17 when it was 13.2 days and is well within the target set by the SPSO of 20 working days.
- 44% of complaints received at the investigation stage were upheld, compared to 36% in 2016/17.
- Only a very small number of complaints received are escalated to the Scottish Public Services Ombudsman for investigation. In 2017/18, 48 complaints were received by the SPSO in relation to Renfrewshire, out of a total of 5,029 nationally. Of these 48, four were investigated, and of these three were partially upheld and one was not upheld. The SPSO indicates that a low uphold rate suggests a robustness in the authority's handling of complaints.
- The breakdown of complaints received by services is broadly reflective of the nature and volume of service provided. For example, a significant proportion of complaints are handled by Environment & Infrastructure. Over 11 million waste and recycling collections are made by the service each year, however complaints about this service delivery account for only 0.1% of the service delivered reflecting very high levels of general satisfaction.
- As it has been five years since the CHP was introduced, a review of complaints took place during spring/summer 2018 which will continue to drive improvement in practice and complaints performance. The recommendations from the review are currently being implemented.

2. Recommendations

- 2.1 It is recommended that members of the Audit, Risk and Scrutiny Board:
- note the content of this report.
-

3. Background

- 3.1. Renfrewshire Council's complaint handling procedure was implemented in 2013, and complies with the model Complaints Handling procedure for local authorities introduced by the Scottish Public Services Ombudsman (SPSO) at that time.
- 3.2. The Complaints Handling Procedure (CHP) reflects Renfrewshire Council's ongoing commitment to the provision of high quality complaints handling. The CHP operates to ensure that complaints are processed and responded to consistently within targeted timescales, with a particular focus on working to resolve customer dissatisfaction as close as possible to the point of contact or service delivery.
- 3.3. Services record, analyse and monitor complaints performance and use the information gathered through the CHP to improve service delivery wherever possible.
- 3.4. In April 2017, a new complaints handling procedure for Social Work complaints was brought into effect. It brings social work complaints largely in line with the complaints handling arrangements in place across the wider public sector. However the main difference relates to timescales, the extension for frontline complaints for Social Work complaints is 15 days, whereas for the model CHP it is only 10 days. Therefore, the complaints handling performance information detailed within this report does not include social work complaints which are covered separately within Section 8 of this report.
- 3.5. In line with the model SPSO complaints handling procedure, Renfrewshire Council's CHP uses a two stage process: Frontline Resolution and Investigation stage. These are outlined below:

Stage 1: Frontline Resolution

The frontline resolution stage aims to quickly resolve straightforward customer complaints that require little or no investigation. Any member of staff may deal with complaints at this stage.

The main principle is to seek early resolution, resolving complaints at the earliest opportunity and as close to the point of service delivery as possible. This may mean a face-to-face discussion with the customer, or asking an appropriate member of staff to deal directly with the complaint. **The Council has 5 days to respond to these complaints.**

An example of a complaint which may be addressed at the frontline resolution stage is where a tenant has been waiting in for an appointment

and the workmen failed to turn up. When this is reported the service would apologise and arrange a new suitable appointment.

Stage 2: Investigation

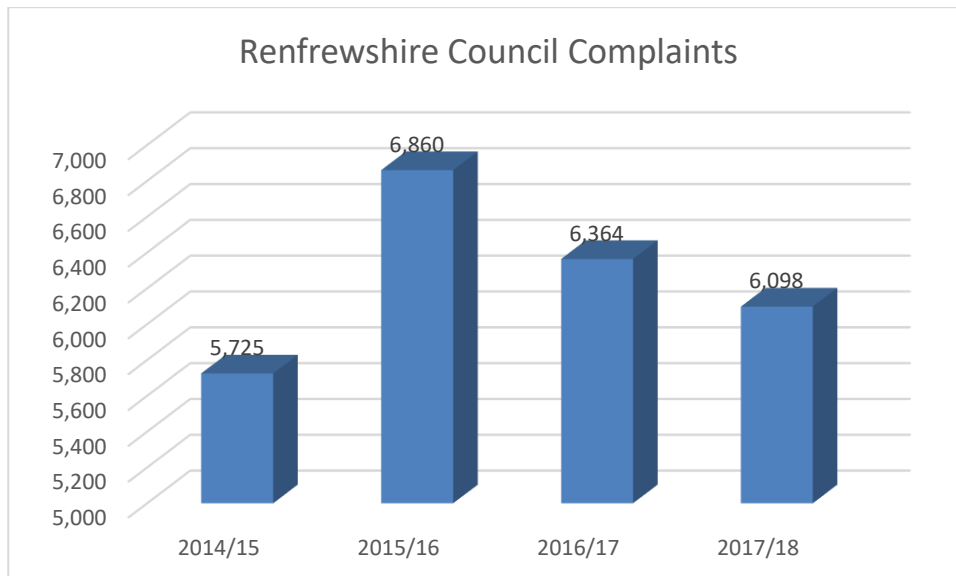
Not all complaints are suitable for frontline resolution and not all complaints will be satisfactorily resolved at this stage. Complaints handled at the Investigation stage of the complaints handling procedure are typically complex or require a detailed examination before the Council can state its position. These complaints may already have been considered at the frontline resolution stage, or they may have been identified from the start as needing immediate investigation.

An investigation aims to establish all the facts relevant to the points made in the complaint and to give the customer a full, objective and proportionate response that represents the final position. **The Council has 20 days to respond to these complaints.**

An example of an investigation may relate to the standard or nature of a repair within a council property which requires an inspection or visit to investigate.

4. Overall Council-wide Performance

- 4.1. Councils are required to report their complaints handling performance against a range of high-level performance indicators related to the SPSO complaints handling procedure. Appendix 1 details Renfrewshire Council's complaints performance for 2017/18 against these key SPSO performance indicators.
- 4.2. Renfrewshire Council has experienced a decline in the number of complaints received this year, from 6,364 to 6,098. The number of complaints received in relation to the size of the local population is also small, with 6.5 complaints received per 1,000 population; this has decreased slightly since 2016/17 from 6.75 per 1,000 population.



4.3. Complaints handling performance remains strong in Renfrewshire Council. 76% of frontline complaints and 95% of investigation complaints received were completed within target timescales. The average time to respond to a frontline complaint was 5.3 days, which is slightly higher than the 2016/17 figure where it was 5.2 days. The average time to respond to an investigation complaint was 12.5 days, which is within the SPSO target of 20 days.

4.4. In January 2018, the Audit, Risk and Scrutiny Board considered a report relating to the SPSO annual report for 2016/17. The SPSO will not generally consider a complaint in relation to a local authority unless the complainer has gone through the Council's complaints procedure. During the period of the report the SPSO determined 48 complaints relative to Renfrewshire Council (out of a total of 5,029 received) compared with 49 in 2016/17 and 52 in 2015/16. Of the 48 complaints determined by the SPSO during 2017/18, four were investigated, three were partly upheld and one was not upheld. The SPSO indicates that a low uphold rate suggests a robustness in the authority's handling of complaints.

5. **Service-level analysis of complaints**

5.1. As outlined in Section 3 above, complaints relating to Social Work services are not included within the SPSO model CHP, and SPSO performance indicators relating to complaints do not include complaints about these services.

5.2. Analysis of all complaints received indicates that the proportion of complaints received by each service area is broadly reflective of the nature and volume of service provided by each service. For example, as is illustrated in the table below, Environment & Infrastructure responded to 77% of complaints received, in relation to service areas such as:

- refuse bin collections;
- special uplift services;
- repairs not completed within timescales; and
- street lighting.

Table 2 – Proportion of complaints received by the Council broken down by service

Service	Proportion and number of complaints received in 2017/18	Proportion and number of Frontline Complaints received	Proportion and number of Investigation Complaints received
Chief Executives	0.01%	-	1%
Children's Services	1%	1%	-
Communities, Housing & Planning	10%	10%	6%
Environment & Infrastructure	77%	79%	11%
Finance & Resources	12%	10%	82%

- 5.3. Environment & Infrastructure delivers the highest volume of frontline council services, which includes: refuse collection, roads maintenance, streetscene and land services, parks and cemeteries, street lighting and housing repairs. It is to be expected therefore that Environment & Infrastructure will receive the highest level of customer feedback which is often resolved at the frontline stage. When put into context, the number of complaints received in relation to the level of service provided continues to be low. For example, the number of complaints about missed waste collections is less than 0.1% of the total number of collections made.
- 5.4. Finance and Resources respond to 82% of all Investigation complaints. This is due to the fact that the complaints this service receive are more complex in nature, such as complaints regarding Benefits and Legal & Licensing complaints.
- 5.5 The number of complaints for Children's Services, listed in table 2, does not include those provided by social work services (these are noted in section eight of this paper) or complaints received by education establishments relating to allegations of bullying. Renfrewshire Council's bullying policy makes it clear that reports of alleged bullying will be treated as bullying incidents, not complaints, and therefore, the school will aim to complete an investigation and implement any remedial action within 3 working days. The bullying policy has

differing timescales than our complaints policy and schools are required to communicate the outcome to affected children, young people and their parents. If a parent or other affected person is dissatisfied with the way the school or Council has *handled* the bullying incident, this will be considered under the Council's complaints handling procedure and be included in the service's data.

6. Using complaints handling data to improve service delivery

- 6.1. As part of the council's commitment to using issues raised to improve service delivery where possible, below provides some examples of how we are using feedback from the CHP to improve services.
- 6.2. In response to feedback from complaints relating to information on the council website regarding care provider discounts for council tax and unoccupied and unfurnished exemptions for council tax, the Charging and Payments Team updated wording on the web pages to clarify the levels of reduction available for different circumstances and the exemption periods.
- 6.3. The Charging and Payments Team within Finance and Resources recognised a trend from complaints regarding the appeals process for Housing Benefit revisions. Training for staff has been developed in response to these complaints to ensure staff have a clearer understanding of the appeal process and are able to advise customers on their appeal rights.
- 6.4. Within Communities, Housing and Planning Services, a detailed analysis of quarter one's complaints was carried out, with each complaint audited to understand the root cause and monitor the complainant's journey. The Director of Communities, Housing and Planning and the Head of Planning and Housing held a meeting with senior managers to discuss the findings and discuss the potential ways to reduce complaints. A follow-up audit will be carried out in 2019/20 to map across any common themes and identify any possible service improvements.

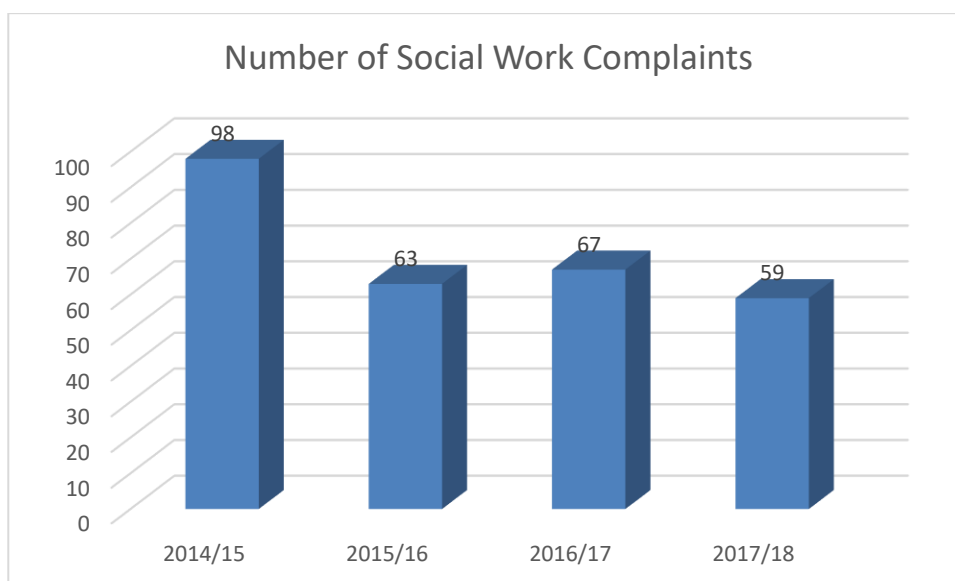
7. Continuous improvement of the complaints handling process

- 7.1. During 2018, the Strategic Planning and Policy section undertook a council-wide review of the complaints handling procedure to ensure the policy was still fit for purpose and that there was a consistent approach to complaints handling across all council services.
- 7.2. A Complaints Review and Development Group (CRDG) was established comprising of officers from across council services to ensure the review considered specific service requirements as well as the overarching complaints handling policy.

- 7.3. The recommendations of the review and the refreshed complaints handling procedure will be reported to the Finance, Resources and Customer Services Policy Board on 27 March for approval.

8. Social Work Complaints

- 8.1. From 1 April 2017, the process for handling Social Work complaints was brought into line with the council-wide complaints process, with the two-stage process of frontline and investigation complaints being introduced. There is still a minor difference between the 2 procedures, in terms of the ability under the social work procedure for frontline resolution complaints to be extended by up to 10 working days in agreement with the customer.
- 8.2. The new social work CHP represents an opportunity to reconfigure how complaints are handled, improve the knowledge of staff at all levels on dealing with complaints and using complaints to drive continuous improvement.
- 8.3. All 2017/18 Social Work complaints were handled under the new system. The graph below shows the number of complaints received by social work in the last four years.



- 8.4. Social Work services received a total of 59 complaints in 2017/18, of these 38 complaints (64%) were processed on time. The 59 complaints across the social work services can be broken down between services provided by Children's Services and the Health and Social Care Partnership (HSCP). Social work's Children's Services received 22 complaints and processed 13 on time (59%) whilst the HSCP received 37 complaints and 25 (68%) were completed on time.
- 8.5. The complaints received in relation to Children's Services Social Work covered the following four issues; contact plans between children and their parents; the

standard of care provided for individual children; the standard of service in terms of policies and procedures; and the attitude of staff. Most of the complaints received relate to a parent disagreeing with the professional assessment of the social worker involved with their family. These assessments are provided as recommendations to children's hearings or interagency meetings and are therefore subject to scrutiny.

- 8.6. The HSCP are currently reviewing the paperwork used for recording Adult Services complaints and going forward will include an action plan section for each complaint. This will enable more robust learning from complaints to be undertaken for the service.

Implications of the Report

1. **Financial** – none
2. **HR & Organisational Development** - none
3. **Community/Council Planning** –
We consider our services performance against a number of strategic outcomes to measure how we are delivering better outcomes for our local communities:
 - *Our Renfrewshire is thriving* - none
 - *Our Renfrewshire is well* - none
 - *Our Renfrewshire is fair* - none
 - *Our Renfrewshire is safe* - none
 - *Reshaping our place, our economy and our future* - none
 - *Building strong, safe and resilient communities* - none
 - *Tackling inequality, ensuring opportunities for all* - none
 - *Creating a sustainable Renfrewshire for all to enjoy* - none
 - *Working together to improve outcomes* - none
4. **Legal** - none.
5. **Property/Assets** - none
6. **Information Technology** - none.
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** – none
9. **Procurement** – none

- 10. **Risk** – none
- 11. **Privacy Impact** – none
- 12. **Cosla Policy Position** – none

Author: Gemma Wilson, Planning and Policy Development Officer, 5796

Appendix 1

Renfrewshire Council Annual Complaints Report SPSO Indicators 2016/17






Priority 01. The total number of complaints received per thousand population









Short Name	Long Term Trend Arrow	2015/16	2016/17	2017/18
		Value	Value	Value
Total number of complaints received	↓	6,860	6,364	6,098
Total number of complaints received per 1000 population	↓	7	6.75	6.5


Priority 02. Complaints closed at stage 1 and stage 2 as a percentage of all complaints closed

Short Name	Long Term Trend Arrow	2015/16	2016/17	2017/18
		Value	Value	Value
Number of complaints closed at stage 1	↓	5,077	6,184	4,826
Number of complaints closed at stage 1 as a percentage of all complaints	↓	96.62%	97.16%	95.45%
Number of complaints closed at stage 2	↓	178	179	116




Number of complaints closed at stage 2 as a percentage of all complaints		3.4%	2.84%	4.55%
Number of complaints closed at stage 2 after escalation		5	1	1
Number of complaints closed at stage 2 after escalation as a percentage of all complaints		0.1%	0.02%	0.05%

Priority 03. The number of complaints upheld/partially upheld/not upheld at each stage as a percentage of complaints closed at each stage




Short Name	Long Term Trend Arrow	2015/16	2016/17	2017/18
		Value	Value	Value
Number of complaints upheld at stage 1 as a percentage of all complaints closed at stage 1		85.46%	91.24%	82.47%
Number of complaints not upheld at stage 1 as percentage of all complaints closed at stage 1		8.99%	4.95%	9.28%
Number of complaints partially upheld at stage 1 as percentage of all complaints closed at stage1		5.55%	3.82%	8.28%
Number of complaints upheld at stage 2 as percentage of all complaints closed at stage 2		24.84%	35.91%	43.8%
Number of complaints not upheld at stage 2 as percentage of all complaints closed at stage 2		61.08%	54.14%	45.1%
Number of complaints partially upheld at stage 2 as percentage of all complaints closed at stage 2		14.07%	9.94%	11.11%
Number of escalated complaints upheld at stage 2 as percentage of all complaints at stage 2		0.93%	0.52%	0.58%
Number of escalated complaints not upheld at stage 2 as percentage of all complaints closed at stage 2		1.05%	0%	0%

Number of escalated complaints partially upheld at stage 2 as percentage of all complaints closed at stage 2		0.65%	0%	0%
--	---	-------	----	----



Priority 04. The average time in working days for a full response to complaints at each stage

Short Name	Long Term Trend Arrow	2015/16	2016/17	2017/18
		Value	Value	Value
Average time in working days to respond to complaints at stage 1		3.9	5.2	5.33
Average time in working days to respond to complaints at stage 2		12.6	13.28	12.47
Average time in working days to respond to complaints after escalation		1.9	18	5

Priority 05. The number and percentage of complaints at each stage which were responded to in full within the set timescales of 5 and 20 working days

Short Name	Long Term Trend Arrow	2015/16	2016/17	2017/18
		Value	Value	Value
Number of complaints closed at stage one within 5 working days as a percentage of the total number of stage one complaints		81.5%	81.5%	75.83%
Number of complaints closed at stage 2 within 20 working days as a percentage of total number of stage 2 complaints		93.85%	93.85%	94.77%
Number of escalated complaints closed within 20 working days as a percentage of total number of stage 2 complaints		1.98%	1.98%	0.58%

Priority 06. The number and percentage of complaints at each state where an extension to the 5 or 20 working day timeline has been authorised

Short Name	Long Term Trend Arrow	2015/16	2016/17	2017/18
		Value	Value	Value
Number of complaints closed at stage 1 where extension was authorised, as a percentage of all complaints at stage 1		0.13%	0.13%	0%
Number of complaints closed at stage 2 where extension was authorised, as a percentage of all complaints closed at stage 2		1.18%	1.18%	2.53%



To: Audit, Risk and Scrutiny Board

On: 18 March 2019

Report by: Chief Executive

Heading: Local Government Benchmarking Framework Indicator Profile 2017/18

1. Summary

- 1.1 In Scotland, local authorities have a statutory duty to achieve Best Value, the key to which is ensuring "sound governance, good management, public reporting on performance and a focus on improvement".
- 1.2 The Council has a robust performance management framework in place, which ensures that performance is monitored by corporate and service level management teams and scrutinised by elected members through appropriate governance mechanisms. Public performance reporting is also undertaken to ensure local citizens, businesses and partner organisations are able to track Council performance over time.
- 1.3 Comprehensive scrutiny of performance is also undertaken through the Local Government Benchmarking Framework (LGBF). This national framework brings together performance indicators from each local authority and provides benchmarking data on 81 indicators on a wide range of key services such as education, housing and adult social care.
- 1.4 2017/18 data on 70 indicators has now been made available. Key messages for Renfrewshire from the 2017/18 are detailed below:
 - 41 indicators have improved since last year;
 - 10 have remained the same;
 - 19 indicators have declined in performance;

- The Council is in the top quartile (ranked 1st to 8th) for 22 of the 70 indicators (for which there are data), with consistent performance relating to trading standards indicators, and, in relation to the percentage of unemployed people assisted into work from council operated / funded employability programmes;
- Performance in relation to attainment indicators has improved this year, with increases in tariff score indicators across the majority of quintiles which reflects the work being done on improving attainment;
- The Council is also performing at a level above the national trend for several customer satisfaction levels, with increases in customer satisfaction with libraries, museums and street cleaning compared to reductions in satisfaction across Scotland;
- There are nine indicators in the LGBF where Renfrewshire is ranked in the bottom quartile (25th to 32nd of all authorities). These are outlined in more detail in section 4.6.

1.5 Appendix 1 provides a summary of benchmarking information against each of the 70 indicators where data is currently available in the LGBF. The appendix provides detailed information relating to the performance of similar councils who have been placed into a 'family group' with Renfrewshire Council, and also provides further context on performance across the broad service areas.

2. Recommendations

2.1 It is recommended that the Audit, Risk and Scrutiny Board notes the report.

3. Background on LGBF

- 3.1 All Scottish councils have a duty to deliver best value, a critical element of which is reviewing performance of council services and the impact of service delivery and reporting this performance to citizens and stakeholders.
- 3.2 During the year, the Council publishes local corporate management and service performance information in board reports, key publications and on our website to demonstrate the delivery of Best Value in our service arrangements.
- 3.3 All Scottish local authorities participate in comprehensive performance scrutiny through the Local Government Benchmarking Framework (LGBF). This framework brings together performance indicators covering information about a wide range of key services, such as education, housing and social care.
- 3.4 The LGBF data is collated, verified and published for all Scottish Councils by the Improvement Service. The final data for 2017/18 was published on 6 February

2019. A link to the Improvement Service reporting tool is available on the performance section of the Council website.

3.5 The national LGBF report in summarising the performance of Councils across Scotland recognises that:

“Council spending across Scotland did stabilise against trend in 2017/18 but not sufficiently to offset the major reductions experienced since 2010/11. Across that period, service performance has been maintained remarkably well, however there is indicative evidence across some services covered by the benchmarking framework that performance improvement is slowing down for the first time since 2010/11”.

3.6 This message was reflected in the report by the Director of Finance to the Finance, Resources and Customer Services Board on 14 November 2018 on the Better Council Change Programme. The report highlighted the need for the Council to continue to plan to meet significant savings requirements over the medium and longer term. The report further highlighted the need for the Council to prioritise spend to focus on the delivery of strategic outcomes: and to focus on delivering change and transformation which will underpin the financial sustainability of the Council. In this context, the importance of the Council continuing to proactively progress the Better Council Change Programme has been reinforced as a key strategic challenge to support the delivery of sustainable changes in service delivery and associated savings.

4. National Context

4.1 The validated Local Government Benchmarking Framework data for 2017/18 was formally published by the Improvement Service on 6th February 2019. The national summary report produced on the LGBF by the Improvement Service summarises the overall performance of Scottish local authorities as follows:

“Across the eight-year period for which we present data, total revenue funding for councils has fallen by 8.3% in real terms from £10.5 billion to £9.6 billion. Spending on education and care has been relatively protected over this period. As these account for over 70% of the benchmarked expenditure within the LGBF, most other service areas have experienced substantial real reductions in spending; 22% reduction in culture and leisure spending; 33% reduction in planning; almost 15% reduction in roads spending; and almost 10% reduction in environmental services spending.

Council spending across Scotland did stabilise against trend in 2017/18 but not sufficiently to offset the major reduction experienced since 2010/11. Across that period, service performance has been maintained remarkably well with improving trends in measurable performance across services. In 2017/18 there is indicative evidence across some services covered by the benchmarking framework that performance improvement is slowing down for the first time since 2010/11.”

- 4.2 In addition, the report highlighted that despite real reductions in the education budgets nationally at 2.5% since 2010/11, the number of pre-school and primary places in Scotland has increased by over 30,000, and measures of educational outcomes have shown substantial positive progress, particularly for children from the most deprived areas.
- 4.3 Another positive national shift indicated was around culture and leisure services. Despite a real reduction in spend of 22% since 2010/11, leisure and cultural services have sharply increased their usage rates and reduced their cost per use. During this time, the substantial increases in visitor numbers across sports (19%), libraries (36%), and museums (29%) have resulted in unit cost reductions of 32%, 45% and 26% respectively.
- 4.4 The Accounts Commission report 'Local Government in Scotland Financial Overview 2016/17' published in November 2018, highlighted the challenges councils face in meeting the increasing demand for services against tightening budgets. Pressure therefore remains on councils to make further savings and find ways to meet service demand more efficiently and effectively. This is useful context against which the assessment of performance across all Councils should be made.

5. Overview of Renfrewshire's Performance

- 5.1 Renfrewshire Council has participated in the development of the LGBF since its inception in 2010. In 2017/18 there was an increase in the number of indicators from 75 to 81. The new indicators relate to economic development and include: cost of economic development & tourism per 1,000 population; proportion of people earning less than the living wage; proportion of properties receiving superfast broadband; town vacancy rate; and immediately available employment land as a percentage of total land allocated for employment purposes in the local development plan.

The framework reports on a suite of 81 indicators which covers the majority of council services under eight service categories:

1. Children's services;
2. Corporate services;
3. Adult social care;
4. Culture and leisure services;
5. Environmental services;
6. Housing services;
7. Corporate asset management; and
8. Economic development

The framework reports on service costs, customer satisfaction and service effectiveness.

- 5.2 Customer satisfaction data is drawn from the Scottish Household Survey and the Health and Care Experience Survey. While this data is robust at Scotland level, there are limitations at local authority level in relation to the very small sample sizes and low confidence levels. To boost sample sizes, 3 year rolled averages have been used in this year's figures.
- 5.3 The LGBF dataset enables councils to review their own performance over time, compare performance against peer authorities and identify areas for improvement. An overview of the 70 indicators where data is available for Renfrewshire's 2017/18 dataset shows:
- 41 indicators have improved since last year;
 - 19 indicators have declined in performance; and
 - 10 indicators have remained relatively unchanged;
- 5.4 The Council is in the top quartile for twenty-two indicators and in the bottom quartile for nine.

Indicators in top quartile

- 5.5 The Council was ranked in the top quartile (1st to 8th) of Scottish councils for twenty-two of the framework indicators:
- Percentage of pupils gaining 5+ awards at Level 5 (National 5) – rank 8
 - Percentage of adults satisfied with local schools – rank 7
 - Average total tariff SIMD Quintile 3 - rank 6
 - Average total tariff SIMD Quintile 4 – rank 3
 - Average total tariff SIMD Quintile 5 – rank 7
 - Cost per primary school pupil – rank 2
 - Cost per secondary school pupil – rank 1
 - Cost per pre-school education registration – rank 7
 - Percentage of the highest paid 5% of employees who are women – rank 7
 - Percentage of invoices sampled that were paid within 30 days – rank 4
 - Percentage of adults satisfied with museums and galleries – rank 8
 - Percentage of adults satisfied with leisure facilities – rank 5
 - Net cost per waste collection per premises – rank 8
 - Net cost of street cleaning per 1,000 population – rank 3
 - Cost of trading standards and environmental health per 1,000 population – rank 1
 - Cost of trading standards, money advice and citizens advice per 1,000 population – rank 2
 - Cost of environmental health per 1,000 population – rank 2
 - Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year – rank 5
 - Average number of days taken to complete non-emergency repairs – rank 8
 - Percentage of council dwellings that are energy efficient – rank 5

- Proportion of operational buildings that are suitable for their current use – rank 3
- Percentage of unemployed people assisted into work from council operated / funded employability programmes - rank 1

Indicators in bottom quartile and declining performance

5.6 The Council ranked in the bottom quartile (25th to 32nd) of Scottish councils in nine of the framework indicators:

- **Cost per dwelling of collecting Council Tax (rank 27) –**
Performance in relation to this indicator has improved with a reduction of 3.6% in cost of collection between 2016/17 and 2017/18. This can be attributed to factors associated with online service for council tax (MyAccount) which have been introduced to provide customers with easy access to services while reducing contact costs for the Council. Despite cost efficiencies being achieved, the Council's ranking in terms of this indicator has moved from 25th to 27th due to the relative performance of other Councils. We have continued to maintain a high performance for the percentage of income due from Council Tax received by the end of the year at 96.05%, which is above the Scottish Average for 2017/18;
- **% of people aged 65 and over with long term care needs who are receiving personal care at home (rank 25) –**
Performance in this indicator has improved from 60.5% in 2016/17 to 61.06% in 2017/18 with Renfrewshire sitting just below the Scottish average of 61.72%. Renfrewshire has invested significantly in reablement services which support individuals to return home from hospital. The reablement approach aims to reduce the need for longer term personal care. We have also embedded self-directed support approaches locally, and clients increasingly may choose to commission personal care services from an independent source. These service provisions are not included within the national figures.
- **% of adults receiving any care or support who rate it as excellent or good (rank 27) –** This data is derived from the national Health and Social Care Experience survey, which indicates a decline in satisfaction from 79.11% to 76.50%, which is slightly below the Scottish average of 80%. The HSCP has seen demand for services increase across most client groups and is continuing to work with service users and staff groups to identify and deliver service improvements which will improve outcomes and wider satisfaction with services. At a local level the results from surveys and from independent inspections remain very positive
- **Sickness absence days per employee (non-teacher) (rank 28) –**
The number of sickness absence for non-teaching employees has increased from 11.68 days to 12.77 days against a national average of 11.41. This level of performance has translated into the Council's ranking position falling from

26th to 28th position. Local data suggests that musculoskeletal and non work-related stress remain the principal reasons for absence across the authority. Elected members will be aware that there is significant focus both corporately and across services to support attendance through a range of different interventions. At a corporate level these have included Scottish Mental Health First Aider courses, the development of supportive leave policies, healthy mindfulness training and the promotion of services such as the Time to Talk Counselling services.

At a service level, there is enhanced focus on local data and trends, with service absence champions having been identified, and pilots of physio services within locations. Targeted approaches have specifically been undertaken in Environment and Infrastructure and within the Health and Social Care Partnership.

- **Cost of museums per visit (rank 29) –**

The cost per museum visit fell from £85.44 to £43.06 between 2016/17 and 2017/18, with the local ranking remaining unchanged. This indicator is one which we continue to engage with the Improvement Service on as it is based on the local government finance return. Officers intend to do further work to explore the costs included and will engage in national family group benchmarking discussion. It is anticipated performance may be further impacted by the temporary closure of the museum to support its redevelopment. This will feature in our discussions with the Improvement Service also.

- **Net cost of waste disposal per premises (rank 25) –**

The net cost of waste disposal per premise has broadly remained the same for the Council between 2016/17 and 2017/18 against a Scottish average of £98.42. The ranking of the Council has also remained unchanged.

Over the last couple of years there have been significant changes in the global market for dry recycling, moving from a position of the Council gaining income from dry recycling to incurring charges. The Council agreed in November 2017 changes to Renfrewshire's waste collection service to improve the quality of recyclate collected and associated disposal costs.

- **Cost of maintenance per kilometre of roads (rank 27) –**

The cost of roads maintenance per kilometre of roads increased between 2016/17 and 2017/18, however the Council's ranking position fell one place to 27th. The 2017/18 costs reflect the £6.7m roads capital investment programme allocation expenditure on roads and pavements. The costs associated with this indicator also include revenue expenditure on road and winter maintenance plus total expenditure to be met from capital resources including street lighting. The significant capital allocation to roads improvements is expected to lead to ongoing performance of above average spend reflecting the current focus on investment in the roads infrastructure.

- **Percentage of adults satisfied with street cleaning (rank 29) –**

Performance in relation to this indicator has been broadly maintained, however Renfrewshire's ranking has improved slightly from 30th to 29th position.

Elected members will be aware of the Team Up to Clean Up campaign which has been introduced to provide advice, guidance and equipment for communities to become involved in local environmental improvements, and has had a positive impact on litter removal and environmental improvements. It is likely that local satisfaction with street cleaning arising from the programme will be reflected positively on the future performance of this indicator.

- **Cost per planning application (rank 32) –**

This indicator is calculated using the Local Government Finance Return (LFR), and reports an increase in costs from £8506 to £10,801 and the indicator remains in the bottom quartile. We continue to have dialogue with the Improvement Service on this indicator as the current LFR total being used includes other areas of activity not relevant to planning applications, therefore significantly overstating our local cost per planning application.

5.7 CMT and services will continue to monitor and review performance of indicators in the bottom quartile. For example, an in-depth analysis of sickness absence will be presented to CMT to ensure there continues to be a high-level focus on improving performance.

6. **Monitoring and reporting of LGBF**

6.1 The performance of the LGBF indicators will continue to be monitored by the corporate management team, through the service improvement planning process and through further benchmarking activities undertaken through the family groups to develop and share best practice. A report on the LGBF will continue to be submitted to the Audit, Risk and Scrutiny Board annually to review performance and monitor progress.

6.2 Renfrewshire Council publishes its statutory public performance reporting document on the Council's website in March each year. Relevant performance information gathered through the LGBF is included as part of the report. All national and council level information relating to the LGBF is reported on the Improvement Service's website, which is linked to the Council's own website.

Implications of the Report

1. **Financial – none**
2. **HR & Organisational Development - none**
3. **Community/Council Planning –**

We consider our services performance against a number of strategic outcomes to measure how we are delivering better outcomes for our local communities:

- *Our Renfrewshire is thriving - none*

- *Our Renfrewshire is well* - none
- *Our Renfrewshire is fair* - none
- *Our Renfrewshire is safe* - none
- *Reshaping our place, our economy and our future* - none
- *Building strong, safe and resilient communities* - none
- *Tackling inequality, ensuring opportunities for all* - none
- *Creating a sustainable Renfrewshire for all to enjoy* - none
- *Working together to improve outcomes* - none

4. **Legal** - none.

5. **Property/Assets** - none

6. **Information Technology** - none.

7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** - none

9. **Procurement** - none

10. **Risk** - none

11. **Privacy Impact** - none

12. **Cosla Policy Position** – none

Author: Gemma Wilson, Planning and Policy Development Officer, 5796

Appendix 1

Family Groups were set up as a way for councils to compare and discuss performance with other similar councils. We are currently in the following two family groups:

- Family Group 1 for Children Services, Adult Social Care and Housing Services – Clackmannanshire, Dumfries & Galloway, Falkirk, Fife, Renfrewshire, South Ayrshire, South Lanarkshire and West Lothian.
- Family Group 2 for Corporate Services, Culture and Leisure, Environmental Services, Corporate Assets and Economic Development – Angus, Clackmannanshire, East Renfrewshire, Inverclyde, Midlothian, Renfrewshire, South Lanarkshire and West Lothian.

Children's Services

The Children's Services category consists of 27 performance indicators. Data is currently not available through the LGBF for the following indicators: gross cost of 'children looked after' in residential based services; gross cost of 'children looked after' in a community based setting; balance of care for looked after children, % of children being looked after in the community; proportion of pupils entering positive destinations; % of children meeting developmental milestones; school attendance rates; school exclusion rates; percentage of child protection re-registration within 18 months; and % of LAC with more than 1 placement in the last year. A summary of our 2017/18 data, as well as the Scottish average and our family group position, has been provided below.

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
CHN1 – Cost per primary school pupil	5	2	£4,490	£4,478	£4,974	Family group ranges from £4,372 (Falkirk) to £5,580 (Dumfries & Galloway)
CHN2 – Cost per secondary school pupil	1	1	£5,844	£5,910	£6,879	Family group ranges from £5,910 (Renfrewshire) to £7,468 (Clackmannanshire)
CHN3 – Cost per pre-school education registration	7	7	£3,634	£3,628	£4,463	Family group ranges from £2,772 (West Lothian) to £5,509 (Clackmannanshire)
CHN4 – Percentage of pupils gaining 5+ awards at Level 5	8	8	64%	66%	62%	Family group ranges from 51% (Clackmannanshire) to 70% (South Ayrshire)
CHN5 – Percentage of pupils gaining 5+ awards at Level 6	11	9	35%	36%	34%	Family group ranges from 24% (Clackmannanshire) to 40% (West Lothian).

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
CHN6 – Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 5 (SIMD)	14	12	42%	43%	42%	Family group ranges from 31% (Clackmannanshire) to 51% (South Ayrshire)
CHN7 – Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 6 (SIMD)	12	16	15%	16%	16%	Family group ranges from 9% (Clackmannanshire) to 21% (West Lothian).
CHN10 – Percentage of adults satisfied with local schools	6	7	85.67%	80%	72.33%	Family group ranges from 66.67% (West Lothian) to 82% (South Ayrshire)
CHN12a – Overall average tariff score	14	9	905	931	891	Family group ranges from 746 (Clackmannanshire) to 952 (South Ayrshire)
CHN12b – Average total tariff SIMD Quintile 1	16	14	616	618	618	Family group ranges from 484 (Clackmannanshire) to 682 (South Ayrshire)
CHN12c – Average total tariff SIMD Quintile 2	8	13	828	770	750	Family group ranges from 696 (Fife) to 796 (South Ayrshire)
CHN12d – Average total tariff SIMD Quintile 3	13	6	922	964	896	Family group ranges from 802 (Clackmannanshire) to 975 (South Ayrshire).
CHN12e – Average total tariff SIMD Quintile 4	13	3	1068	1198	1016	Family group ranges from 928 (Dumfries & Galloway) to 1198 (Renfrewshire)
CHN12f – Average total tariff SIMD Quintile 5	11	7	1226	1273	1221	Family group ranges from 1110 (Clackmannanshire) to 1275 (South Ayrshire)
CHN18 – Percentage of funded early years provision which is graded good / better	28	23	85.71%	87.69%	91.03%	Family group ranges from 87.5% (Dumfries & Galloway) to 97.01% (Falkirk)
CHN21 – Participation rate for 16-19	17	20	91.4	91.6	91.8	Family group ranges from 89.3 (Clackmannanshire) to 92.5 (South Lanarkshire)

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
year olds (per 100)						

Corporate Services

The Corporate Services category consists of 8 indicators, covering unit cost and performance data. A summary of our 2017/18 data, as well as the Scottish average and our family group position, has been provided below.

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
CORP 1 – Support services as a percentage of total gross expenditure	9	24	4.19%	5.11%	4.45%	Family group ranges from 3.17% (Inverclyde) to 6.94% (Clackmannanshire)
CORP 3b – percentage of the highest paid 5% of employees who are women	6	7	55.71%	56.82%	54.6%	Family group ranges from 45.87% (South Lanarkshire) to 56.82% (Renfrewshire)
CORP 3c – The gender pay gap	19	20	4.88	4.57	3.93	Family group ranges from 0.26 (West Lothian) to 8.71 (Inverclyde)
CORP 4 – The cost per dwelling of collecting Council Tax	25	27	£11.85	£11.42	£7.35	Family group ranges from £2.90 (Clackmannanshire) to £12.73 (Inverclyde)
CORP 6a – Sickness absence days per teacher	10	22	5.36	6.70	5.93	Family group ranges from 4.58 (East Renfrewshire) to 9.12 (Clackmannanshire)
CORP 6b – Sickness absence days per employee (non-teacher)	26	28	11.68	12.77	11.41	Family group ranges from 8.59 (Midlothian) to 16.78 (Clackmannanshire)
CORP 7 – Percentage of income due from Council Tax received by the end of the year	16	20	95.96%	96.05%	96%	Family group ranges from 95.08% (Midlothian) to 97.83% (Angus)
CORP 8 – Percentage of invoices sampled that were paid within 30 days	4	4	97.01%	96.58%	93.19%	Family group ranges from 83.28% (East Renfrewshire) to 97.13% (Inverclyde)

The cost per dwelling of collecting Council Tax – The cost of collecting council tax has reduced by 3.6% compared to the previous year. This can be attributed to factors associated with on-line services for council tax (MyAccount) which have been introduced to provide customers with easy access to services while reducing contact costs for the Council.

Sickness absence days per employee – The two main types of illness classification presented across the time period were Musculoskeletal and Joint Disorders and Psychological (non-work related). To address Psychological (non-work related) absences the Council has a range of support services that employees can be referred to at an early stage for assistance, including the Time for Talking counselling service and the Occupational Health Service which provides access to Cognitive Behavioural Therapy. Further to this, we have delivered mindfulness training which will help provide employees with coping strategies and help them to be more resilient to everyday life pressures.

Scottish Mental Health First Aider courses have been delivered and this will equip the officers with the skills to identify the early stages of someone who may be suffering from mental health issues and then to signpost the employee to the support mechanisms in the workplace and from the NHS.

In relation to addressing musculoskeletal and joint disorders the Council offers a physiotherapy service through the Council's Occupational Health Provider, this service can be accessed by all employees. A pilot has been undertaken to explore the benefits of providing an onsite physio service at one of the depots. The outcome has been positive, and discussions are ongoing about an expansion of this intervention.

Each service has identified an absence champion who will work with their management teams and HR to identify absence trends and put in place supporting attendance strategies.

Council policies, guidance and training are in place to assist managers and employees and we continue to promote healthy lifestyles and workplaces through the Healthy Working Lives, Gold Award programme.

An in-depth analysis of sickness absence will be presented to CMT to ensure there continues to be a high-level focus on improving performance.

Adult Social Care

The Adult Social Care category consists of 6 indicators, covering unit cost, satisfaction and performance data. A summary of our 2017/18 data, as well as the Scottish average and our family group position, has been provided below.

Indicator	Ranked Position		Data		Scottish Average	Family Group position
	2016/17	2017/18	2016/17	2017/18		
SW1 – Home care costs per	19	12	£23.56	£22.40	£23.76	Family group ranges from £13.28 (Clackmannanshire) to £29.28 (West Lothian)

Indicator	Ranked Position		Data		Scottish Average	Family Group position
	2016/17	2017/18	2016/17	2017/18		
hour for people aged 65 or over						
SW2 – SDS (Direct Payments + Managed Personalised Budgets) spend on adults 18+ as a percentage of total social work spend on adults 18+	19	18	3.68%	4.25%	6.74%	Family group ranges from 2.17% (Clackmannanshire) to 9.58% (West Lothian)
SW3a - % of people aged 65 and over with long-term care needs who are receiving personal care at home	21	25	60.50%	61.06%	61.72%	Family group ranges from 42.57% (Fife) to 71.43% (Clackmannanshire)
SW4a - % of adults receiving any care or support who rate it as excellent or good	25	27	79.11%	76.50%	80.18%	Family group ranges from 74.81% (Clackmannanshire) to 85.38% (South Ayrshire)
SW4b - % of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life	29	20	79.92%	78.81%	79.97%	Family group ranges from 76.27% (Clackmannanshire) to 86.88% (South Ayrshire)
SW5 – Average weekly cost per resident	14	19	£360	£424	£386	Family group ranges from £195 (Dumfries & Galloway) to £432 (West Lothian)

Indicator in the bottom quartile

Percentage of people aged 65 and over with long-term care needs who are receiving personal care at home – Performance in this indicator has improved from 60.5% in 2016/17 to 61.06% in 2017/18. Renfrewshire sits just below the Scottish average of 61.72%. Part of the explanation of performance against the target is explained by Renfrewshire's approach to Self-Directed Support. During 2017/18 the number of clients receiving a Self-Directed Support (SDS) budget increased. SDS clients can use their budget to commission services including personal care but these figures are not included

in this indicator as SDS clients budget spends / hours commissioned are not reported on the local authority system. In addition, Renfrewshire Health and Social Care Partnership (HSCP) has invested heavily in reablement of people returning to their own homes from hospital. This process has been successful in supporting clients to improve their physical wellbeing with the result that they become less dependent on services to provide personal care. These are two factors having an impact on the number of long-term clients who receive personal care at home.

The HSCP prioritises support clients to remain in their own homes as long as possible. A robust assessment and review is a key part of this process, ensuring that clients receive the right level of support to allow them to remain in their own homes as long as possible. This recognises that people's need changes as their condition either improves or deteriorates, and this in turn will result in fluctuation in the percentage of personal care that they require. HSCP will continue to monitor the personal care element of its care at home package delivery over the next year to ensure that appropriate levels of care are delivered to its clients based on their assessed needs and the national eligibility criteria.

% of adults receiving any care or support who rate it as excellent or good -

Performance in this indicator has declined from 79.11% in 2016/17 to 76.5% in 2017/18. The average for Scotland for this indicator in 2017/18 was 80%. Demand for services rose between 2016/17 and 2017/18 with the HSCP seeing a rise of 3% in the number of referrals, 3% rise in the number of assessments completed and an increase of 39% in the number of reviews completed.

The HSCP is in the process of a further review of the delivery of a range of services, from which we expect further improvements in the quality of service and would hope this would be reflected in more positive ratings by service users. The HSCP will monitor the care and support received by clients over the next year as the reviews of the current service delivery models produce recommendations for improvements and these are implemented.

Culture and Leisure Services

The Culture and Leisure category consists of 8 indicators, covering unit cost and satisfaction data. A summary of our 2017/18 data, as well as the Scottish average and our family group position, has been provided below.

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
C&L1 – Cost per attendance at sports facilities	11	11	£2.05	£2.08	£2.71	Family group ranges from £1.00 (Clackmannanshire) to £4.34 (East Renfrewshire)
C&L2 – Cost per library visit	20	22	£3.10	£3.46	£2.08	Family group ranges from £0.93 (Clackmannanshire) to £3.50 (South Lanarkshire).
C&L3 – Cost of museums per visit	29	29	£85.44	£43.06	£3.49	Family group ranges from £0.54 (West Lothian) to £43.06 (Renfrewshire)

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
C&L4 – Costs of parks and open spaces per 1,000 population	18	17	£21,645	£21,450	£19,814	Family group ranges from £7,359 (Midlothian) to £25,222 (Angus)
C&L5a – Percentage of adults satisfied with libraries	15	12	77%	77.67%	73%	Family group ranges from 66% (Midlothian) to 82% (Clackmannanshire)
C&L5b – Percentage of adults satisfied with parks and open spaces	22	23	85%	84%	85.67%	Family group ranges from 78.67% (Midlothian) to 88.33% (Inverclyde)
C&L5c – Percentage of adults satisfied with museums and galleries	10	8	76.67%	76.33%	70%	Family group ranges from 47.33% (East Renfrewshire) to 76.33% (Renfrewshire)
C&L5d – Percentage of adults satisfied with leisure facilities	5	5	82.67%	80.67%	72.67%	Family group ranges from 65.33% (East Renfrewshire) to 87% (Inverclyde).

Indicators in Bottom Quartile

Cost of museums per visit – The cost of museums per visit has decreased from £85.44 to £43.06 in 2017/18, however remains in the bottom quartile. Over the next few years, the Council will continue to make significant investment in its cultural assets including the £42 million investment in Paisley museum. Additional costs have and will continue to be incurred whilst these projects are underway which will be reflected in this indicator.

Environmental Services

The Environmental Services category consists of 15 indicators, five of which are statutory, and cover unit cost, satisfaction and performance data. It is an area of significant spend and includes waste management, street cleansing, roads services, trading standards and environmental health. A summary of our 2017/18 data, as well as the Scottish average and our family group position has been provided below.

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
ENV1a – Net cost per waste	12	8	£55.90	£52.86	£65.98	Family group ranges from £40.04 (Inverclyde) to £77.08 (South Lanarkshire)

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
collection per premise						
ENV2a – Net cost of waste disposal per premise	25	25	£113.04	£114.79	£98.42	Family group ranges from £81.38 (East Renfrewshire) to £114.79 (Renfrewshire)
ENV3a – Net cost of street cleaning per 1,000 population	4	3	£8,117	£6,181	£15,551	Family group ranges from £6,181 (Renfrewshire) to £18,017 (Inverclyde)
ENV3c – Cleanliness Score (% acceptable)	26	23	91.33%	90.54%	92.20%	Family group ranges from 87.10% (Inverclyde) to 95.98% (Midlothian)
ENV4a – Cost of maintenance per kilometre of roads	26	27	£17,259	£18,578	£10,547	Family group ranges from £9,047 (Angus) to £26,571 (Inverclyde)
ENV4b – Percentage of A class roads that should be considered for maintenance treatment	12	10	22.39%	23.76%	30.16%	Family group ranges from 17.01% (East Renfrewshire) to 25.07% (Clackmannanshire)
ENV4c – Percentage of B class roads that should be considered for maintenance treatment	12	11	27.49%	25.98%	35.90%	Family group ranges from 24.47% (South Lanarkshire) to 36.13% (Inverclyde)
ENV4d – Percentage of C class roads that should be considered for maintenance treatment	18	19	36.89%	37.54%	36.16%	Family group ranges from 30.19% (Angus) to 45.06% (West Lothian)
ENV4e – Percentage of unclassified roads that should be considered for maintenance treatment	17	14	36.59%	35.09%	38.99%	Family group ranges from 28.98% (West Lothian) to 41.89% (Clackmannanshire)
ENV5 – Cost of Trading Standards and environmental	1	1	£7,844	£8,511	£21,385	Family group ranges from £8,511 (Renfrewshire) to £23,095 (Inverclyde)

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
health per 1,000 population						
ENV5a – Cost of trading standards, money advice and citizens advice per 1,000 population	1	2	£1,466	£1,323	£5,890	Family group ranges from £1,323 (Renfrewshire) to £11,599 (West Lothian)
ENV5b – Cost of environmental health per 1,000 population	1	2	£6,378	£7,188	£15,496	Family group ranges from £6,849 (East Renfrewshire) to £19,121 (Inverclyde)
ENV6 – The percentage of total waste arising that is recycled	19	17	48.47%	47.80%	45.60%	Family group ranges from 47.29% (South Lanarkshire) to 67.15% (East Renfrewshire)
ENV7a – Percentage of adults satisfied with refuse collection	13	12	85.67%	84.33%	78.67%	Family group ranges from 73% (East Renfrewshire) to 90% (Inverclyde)
ENV7b – Percentage of adults satisfied with street cleaning	30	29	62.67%	61.33%	69.67%	Family group ranges from 61.33% (Renfrewshire) to 78.67% (Angus)

Indicators in the bottom quartile

Net cost of waste disposal per premises – the net cost of waste disposal per premise has decreased from £115.18 in 2016/17 to £114.79 in 2017/18. This indicator is now ranked in the bottom quartile at 25, having previously been ranked 24. The 2017/18 costs reflect changes, over recent years, in the global market for dry recycling. In 2014/15, Renfrewshire Council received a small income per tonne for dry recycling. In 2015/16, as a result of changes in the global market, the Council incurred costs for its dry recycling. Subsequently, the Council entered into a new contract in 2016/17 and saw its costs increase relative to other councils with its ranking position moving from 18th in 2015/16 to 25th in 2017/18. Although there has been a slight decrease between 2016/17 and 2017/18, Renfrewshire's ranking has remained unchanged. The Council agreed in November 2017 changes to Renfrewshire's waste collection service to improve the quality of recyclate collected and associated disposal costs.

Percentage of adults satisfied with street cleaning – A programme of support and community engagement through Team Up to Clean Up has been introduced to provide advice, guidance, equipment, and support for communities to become involved in local environmental improvements. An enforcement and educational approach has also been targeted in key areas to address litter and dog fouling across Renfrewshire. Since its

launch in October 2017 the enhanced services are having a positive impact on litter removal and environmental improvements.

The data released by the Improvement Service for 2017/18, shows Renfrewshire's ranking has improved slightly from 30 to 29. Data for this indicator is drawn from the Scottish Household Survey which is based on a three-year average covering the period 2015/18. This three-year average will not, as yet, capture the full impact of the Team Up to Clean Up programme. It is likely that local satisfaction with street cleaning arising from the programme will reflect positively on the future performance of this indicator.

It should also be noted that while this survey data is proportionate at the Scottish level, it is acknowledged by the Improvement Service that there are limitations at council level in relation the very small sample sizes (typically 600 in Renfrewshire per survey) and low confidence levels. The Improvement Service continues to explore opportunities to develop alternative measures of customer / resident satisfaction which is comparable at local authority level.

Cost of maintenance per kilometre of roads - the cost of Renfrewshire's roads maintenance has increased from £17,259 in 2016/17 to £18,578 in 2017/18 and is above the Scottish average of £10,547. The 2017/18 costs reflect the £6.7m roads capital investment programme allocation expenditure on roads and pavements. The costs associated with this indicator also include revenue expenditure on road and winter maintenance plus total expenditure to be met from capital resources including street lighting. The significant capital allocation to roads improvements is expected to lead to ongoing performance of above average spend reflecting the current focus on investment in the roads infrastructure.

Housing Services

The Housing Services category consists of 5 indicators. A summary of our 2017/18 data, as well as the Scottish average and our family group position, has been provided below.

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
HSN1b – Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year	8	5	5.35%	4.88%	6.75%	Family group ranges from 3.18% (South Ayrshire) to 9.06% (Clackmannanshire)
HSN2 – Percentage of rent due in the year that was lost due to voids	24	21	1.53%	1.31%	0.89%	Family group ranges from 0.45% (West Lothian) to 1.31% (Renfrewshire)
HSN3 – Percentage of council	23	19	91.39%	93.51%	93.89%	Family group ranges from 92.08% (South Lanarkshire) to 99.47% (West Lothian).

dwelling meeting SHQS						
HSN4b – Average number of days taken to complete non-emergency repairs	9	8	7.41	7.06	7.50	Family group ranges from 4.14 (Clackmannanshire) to 11.93 (South Lanarkshire).
HSN5 – Percentage of council dwellings that are energy efficient	15	5	98.03%	99.95%	97.15%	Family group ranges from 96.82% (South Lanarkshire) to 100% (Clackmannanshire & West Lothian).

No Indicators in bottom quartile

Corporate Assets

The Corporate Asset category consists of 2 statutory indicators. A summary of our 2017/18 data, as well as the Scottish average and our family group position, has been provided.

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
CORP-ASSET 1 – Proportion of operational buildings that are suitable for their current use	1	3	100%	94.89%	80.96%	Family group ranges from 74.44% (Midlothian) to 96.47% (South Lanarkshire)
CORP-ASSET 2 – Proportion of internal floor area of operational buildings in satisfactory positions	13	13	89.69%	92.24%	86.31%	Family group ranges from 77.11% (Midlothian) to 99.04% (West Lothian)

Economic Development

The Economic Development category consists of 10 indicators. A summary of our 2017/18 data, as well as the Scottish average and our family group position, has been provided.

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
ECON1 – Percentage of unemployed	1	1	27.11%	29.9%	14.4%	Family group ranges from 6.71% (Midlothian) to 29.9% (Renfrewshire).

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
people assisted into work from Council operated / funded Employability programmes						
ECON2 – Cost per planning application	31	32	£8,506	£10,801	£4,819	Family group ranges from £4,253 (South Lanarkshire) to £10,801 (Renfrewshire)
ECON3 – Average time per business and industry planning application (wk)	25	19	11.14	9.04	9.34	Family group ranges from 6.92 (West Lothian) to 12.24 (South Lanarkshire)
ECON4 – Percentage of procurement spend on local enterprises	13	15	29.02%	25.37%	27.40%	Family group ranges from 9.52% (East Renfrewshire) to 38.05% (Angus)
ECON5 – Number of business gateway start-ups per 10,000 population	15	24	18.53	14.99	16.83	Family group ranges from 11.17 (Inverclyde) to 22.42 (Midlothian)
ECON6 – Cost of Economic Development & Tourism per 1,000 population	23	22	£90,477	£90,471	£91,806	Family group ranges from £24,338 (Angus) to £90,471 (Renfrewshire)
ECON7 – Proportion of people earning less than the living wage	15	9	22.40	17.70	18.40	Family group ranges from 13.80 (Midlothian) to 31.20 (Angus)
ECON8 – Proportion of properties receiving superfast broadband	15	15	89	93.71	91.13	Family group ranges from 84.41 (Angus) to 95.47 (Inverclyde)
ECON9 – Town Vacancy Rates	20	17	11.8	10.95	11.49	Family group ranges from 6.72 (Midlothian) to 20.78 (Inverclyde)
ECON10 – Immediately available employment land as a % of	18	19	26.53%	27.72%	40.78%	Family group ranges from 9.11% (Clackmannanshire) to 92.77% (East Renfrewshire)

Indicator	Ranked Position		Data		Scottish Average	Family Group Position
	2016/17	2017/18	2016/17	2017/18		
total land allocated for employment purposes in the local development plan						

Indicator in the bottom quartile

Cost per planning application – The cost has increased from £8506 to £10,801 and the indicator remains in the bottom quartile. We continue to have dialogue with the Improvement Service on this indicator as the current LFR total being used includes other areas of activity not relevant to planning applications.



To: Audit, Risk & Scrutiny Board

On: 18 March 2018

Report by: Director of Finance & Resources

Heading: **AUDIT, RISK & SCRUTINY ANNUAL PROGRAMME 2018/19**

1 Summary

- 1.1 The Board at its meeting held on 27 August 2018 agreed an annual programme of activity for 2018/2019.
- 1.2 This report outlines the reviews to be undertaken as part of the 2018/19 programme and identifies Lead Officers to take forward the reviews.

2. Recommendations

- 2.1 That it be noted that the reviews, namely: maintenance of multi-occupancy accommodation; the effectiveness of fair trade; and the conversion of grassed areas to parking will proceed with investigations;
- 2.2 That it be noted that the review in relation to bus deregulation and its effect on transport services in Renfrewshire will commence August 2019; and
- 2.3 That the Lead Officers identified within the report be noted.

3 Background

- 3.1 Three of the reviews from the 2017/18 programme have recently been completed, namely: fly-tipping in the countryside and known fly-tipping spots; housing repairs by Council and outside contractors; and the newly introduced speed limit in Brookfield (A761).
- 3.2 A report on the reserve topic of Japanese Knotweed was submitted to the Board on 25 September 2018
- 3.3 At the meeting of the Board held on 27 August 2018 it was agreed that the 2018/19 annual programme comprise of the following reviews and their order of priority: (i) bus deregulation and its effect on transport services in Renfrewshire; (ii) maintenance of multi- occupancy accommodation; (iii) the effectiveness of Fair Trade; and (iv) the conversion of grassed areas to parking.

4 Progression of the 2018/19 Programme of Reviews

- 4.1 Lead Officers have been identified to take forward the remaining four reviews as follows:
 - **Bus deregulation** – originally this review was to be taken forward by Lead Officer Peter McCulloch, Adult Services Manager, Renfrewshire Health & Social Care Partnership. The initial scoping report was submitted to the Board on 27 August 2018, however, the Lead Officer was seconded to the post of Head of Health & Social Care Services and had to withdraw from the review. Jamie Mackie, Placemaking Team Leader, Communities, Housing & Planning Services has been identified as the new Lead Officer to take forward this review;
 - **Maintenance of multi-occupancy accommodation** - Dorothy Kerr, Service Co-Ordination Manager, Environment & Infrastructure;
 - **The effectiveness of fair-trade** - Craig Doogan, Energy Team Leader, Finance & Resources; and
 - **Conversion of grassed areas to parking** - Trevor Gray, Education Officer, Children's Services. It should be noted that this review will commence in August 2019.
- 4.2 It is anticipated that the reviews will now proceed with investigations and initial scoping reports will be submitted to a future meeting of the Board.

Implications of the Report

1. **Financial** - none
2. **HR & Organisational Development** - none
3. **Community Planning** - none
4. **Legal** - none
5. **Property/Assets** - none
6. **Information Technology** – none
7. **Equality & Human Rights**

- (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – none
9. **Procurement** - none
10. **Risk** - none
11. **Privacy Impact** - none
12. **Cosla Policy Position** – not applicable.

List of Background Papers - none

Author: Carol MacDonald, Senior Committee Services Officer
Finance & Resources
tel: 0141 618 5967, e-mail: carol.macdonald@renfrewshire.gov.uk

