

PERTH AND KINROSS COUNCIL**Council Meeting – 27 June 2012****ASSURANCE AND IMPROVEMENT PLAN UPDATE 2012–15****Report by the Chief Executive****ABSTRACT**

This report outlines the Assurance and Improvement Plan prepared by the Local Area Network of audit, inspection and regulation bodies to inform the Council of the strategic scrutiny activity planned for 2012 to 2015.

1 RECOMMENDATIONS

- 1.1 It is recommended that the Council note the Assurance and Improvement Plan for 2012-2015.

2 BACKGROUND

- 2.1 The assessment of the level of external scrutiny required for each Council is gauged through a shared risk assessment (SRA) undertaken annually by a Local Area Network (LAN) of audit, inspection and regulation bodies. This assessment results in the agreement of an Assurance and Improvement Plan (AIP) for each Council. The AIP will focus on strategic scrutiny activity, this is scrutiny activity undertaken at corporate or whole service level. In addition to the AIP, scrutiny activity will continue at a unit level, for example, school and residential home inspections. Further detail of the shared risk assessment process is available at Appendix 1 to this report.
- 2.2 The first AIP 2010-13 for Perth and Kinross Council recognised that the level of risk for the Council was low. This reflected the scope and maturity of the council's self-evaluation and performance management arrangements and its preparedness for the increasingly challenging financial context that it faces. Although it was identified that there were some service areas that need to improve, it was also recognised that the Council has a track record in securing improved performance and better outcomes.
- 2.3 The AIP 2011-14 identified that Perth and Kinross Council had no outstanding areas of scrutiny risk or uncertainty from 2010/11 and that the AIP 2010-13 conclusions that the scrutiny risk for the Council was low remained relevant. The assessment identified that one area of service, Internal Audit, was assessed as an area of uncertainty. However it was acknowledged that this risk had already been recognised by the Council and improvement actions were in place to strengthen performance.

3 PERTH AND KINROSS COUNCIL AIP 2012-15

- 3.1 The LAN met again in November 2011 to update the AIP for the period 2012-15. This involved revising its risk assessments taking into account the scrutiny work undertaken during the year and reconsidering the level of scrutiny required for the Council for 2012-15.

- 3.2 The assessment recognises the Council's continued strength in self evaluation and performance management arrangements and its achievements in securing improved performance and better outcomes for local people. It confirms that there are no significant scrutiny risks.
- 3.3 The LAN has identified two areas for further consideration. It highlights that within Housing and Community Care a target for properties being brought up to Scottish Housing Quality Standard (SHQS) has not been met, and that rent arrears are increasing. The Service recognises these concerns, although notes that in relation to meeting the SHQS Standards, overall performance is only 0.6% below the projected figure for 31 March 2012. The overall 5 year programme in place to implement a series of housing improvements that will deliver the 2015 standards remains on target. To support this, the Service welcomes the proposed engagement with the Scottish Housing Regulator (SHR) to review the Council's asset management, progress against SHQS and rent arrears in late 2012.
- 3.4 The AIP also takes into account a number of core national risk priorities that will be applied to all 32 councils regardless of risk assessment. These are:
- The protection and welfare of vulnerable people, (children, adults in need of care and protection and older people) including access to opportunities – **No significant scrutiny risks identified, the Council is performing well in respect of this area.**
 - Assuring public money is being used properly – **No significant scrutiny risks identified, the Council has well established governance and scrutiny arrangements in place.**
 - How councils are responding to the challenging financial environment – **No significant scrutiny risks regarding financial management.**
- 3.5 The LAN finds that the Council is well placed to manage the challenging financial environment and continues to be proactive in responding to the current financial situation. However, reductions in future central funding levels means that there is uncertainty over the Council's ability to deliver services to budget. The LAN is committed to engaging with the Council between now and the next SRA/AIP refresh to retain an overview of how the Council is managing its response to the significant financial challenges that it and all Scottish public bodies face.
- 3.6 The internal audit service was flagged as an area of uncertainty in last year's assessment when the Council's external auditors were unable to place reliance on the work of internal audit. Since then the Council has carried out an internal review to address resourcing issues arising from long term sickness absence. External audit will continue to monitor progress in improving delivery through the annual audit process therefore no additional scrutiny activity is required.

- 3.7 The AIP 2012-15 is attached as Appendix 2 to this report and sets out the planned scrutiny activity for the Council for the period from April 2012 to March 2015.

4 CONSULTATION

- 4.1 The Executive Officer Team, Head of Legal Services, Head of Democratic Services and Head of Finance have been consulted in the development of this report.

5 RESOURCE IMPLICATIONS

- 5.1 There will be resource implications related to the preparation and management of specific scrutiny activity referred to in this report. Any requirements will be met through existing Service budgets.

6 COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

- 6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

This report relates to the delivery of all five Corporate Plan Objectives.

7 EQUALITIES IMPACT ASSESSMENT (EqIA)

- 7.1 An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 7.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) and was assessed as not relevant for the purposes of EqIA.

8 STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies.

8.2 However, no action is required as the Act does not apply to the matters presented in this report. This is because the Council are requested to note the contents of the report only and the Council are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

9 CONCLUSION

9.1 Progress towards reducing the burden of scrutiny for Councils has been demonstrated by the introduction of the shared risk assessment process in 2010. Since then the Council has been assessed on an annual basis and has consistently received recognition for the continuous improvement of its services. This has resulted in the overall assessment by the LAN that the Council has a low scrutiny risk.

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APPENDIX 1 SCRUTINY RISK ASSESSMENT ARRANGEMENTS

- 1 The assessment of the level of external scrutiny required for each Council is gauged through a Scrutiny Risk Assessment undertaken annually by a Local Area Network (LAN) of audit, inspection and regulation bodies. It is intended this will facilitate closer collaboration between the bodies and create opportunities for enhanced support and improvement of public sector services.
- 2 Levels of risk identified by a LAN in the Scrutiny Risk Assessment will be determined through consideration of the scale or impact of issues present for the Council and the likelihood of their occurrence. The approach recognises that there may be an area that presents a specific issue for a Council. However, if this is well managed internally by the Council it may not represent a high risk.
- 3 Following this process, each Council receives an Assurance and Improvement Plan (AIP). Councils which are assessed as low risk should receive an AIP with a demonstrable reduction in the level of scrutiny. Conversely there is likely to be increased scrutiny activity to support improvement in those councils where there is assessed risk.
- 4 The focus of the AIP for each Council will be on strategic scrutiny activity, this is scrutiny activity undertaken at corporate or whole service level. In addition to the AIP, scrutiny activity will continue at a unit level, for example, school and residential home inspections.
- 5 The LAN for Perth & Kinross Council involves the following scrutiny bodies:
 - Audit Scotland
 - Education Scotland
 - Social Care Social Work Improvement Scotland (known as Care Inspectorate)
 - Scottish Housing Regulator
 - HM Inspectorate of Constabulary
- 6 In addition to any specific scrutiny interventions identified in the AIP there will be on-going work undertaken:
 - The Care Inspectorate and Education Scotland will continue to undertake ongoing inspection work at establishment level;
 - The Care Inspectorate monitoring and regulatory support in respect of care services;
 - The Care Inspectorate, Education Scotland and Scottish Housing Regulator will continue to monitor risk through the link inspector role;
 - External auditors appointed by Audit Scotland will continue to monitor finance, governance and accountability matters as part of the annual audit process;
 - A Scrutiny Risk Assessment will be undertaken annually; and
 - The Best Value Improvement Plan will be subject to external audit annually.

Perth and Kinross Council

Assurance and Improvement Plan Update

2012–15

Introduction

1. The first Assurance and Improvement Plan (AIP) for Perth and Kinross Council was published in July 2010. That document set out the planned scrutiny activity for the council for the period April 2010 to March 2013 based on a shared risk assessment undertaken by a local area network (LAN) made up of representatives of all of the main local government audit and inspection agencies.
2. The aim of the shared risk assessment process was to focus scrutiny activity where it is most needed and to determine the most proportionate scrutiny response over a three year period. The AIP gave an overview of the information that informed the risk assessment and showed how this links to the proposed scrutiny response.
3. The local area network met again in January 2011 to update the AIP for the period 2011-14. The AIP Update was considered by the council in June 2011.
4. This update is the result of the shared risk assessment which began in November 2011. The update process drew on evidence from a number of sources, including:
 - The annual report to the Controller of Audit and elected members for 2010/11 from the council's appointed external auditors.
 - The council's own performance data and self-evaluation evidence.
 - Evidence gathered from Education Scotland, Social Care Social Work Improvement Scotland (known as Care Inspectorate), the Scottish Housing Regulator and HM Inspectorate of Constabulary (including published inspection reports and other supporting evidence).
5. The outcomes of that November exercise are contained in this short update which summarises changes to risk assessments and proposed scrutiny responses. A timetable for proposed audit and inspection activity between April 2012 and March 2015 which reflects the revised and updated scrutiny risk assessment is set out in Appendix 1.

Summary

6. The 2011/12 AIP recognised the strength of the council's self-evaluation and performance management arrangements and its achievements in securing improved performance and better outcomes for local people. This 2012 refresh confirms this position, with no significant scrutiny risks identified by the LAN. The LAN recognises that there is uncertainty faced by the council, and all public bodies, in relation to the financial outlook. However the council is well placed to manage the challenging financial environment. The council, operating within its reserve strategy, has had a favourable movement in its uncommitted reserves in 2010/11 with further increases planned in 2011/12 and 2012/13 as planned savings are realised.
7. Some areas of uncertainty for the LAN were identified during the process. The current update highlights that within Housing and Community Care, the council missed its own target for properties being brought up to Scottish Housing Quality Standard (SHQS) standards, and that rent arrears are increasing. The Scottish Housing Regulator (SHR) will review the council's asset management, progress against SHQS and rent arrears in late 2012.

National risk priorities

8. A number of core national risk priorities will be applied to all thirty two councils. These are:
 - **The protection and welfare of vulnerable people (children and adults) including access to opportunities: No significant scrutiny risks.** The council is performing well in respect of this area. In the last year the Care Inspectorate published extremely positive findings in relation to a joint inspection of services to protect children and young people and as a result does not plan any further scrutiny of services to protect children. In September 2010, the Care Inspectorate published its report of its inspection of the council's social work services provided at HMP Perth and HMP Open Estate. The council provided an update in December 2011 on its progress in implementing the recommendations for improvement arising from the inspection. There were no significant concerns arising from the progress report and continued progress will be monitored via the Care Inspectorate's link inspector arrangements.
 - **Assuring public money is being used properly: No significant scrutiny risks.** The council has well established governance and scrutiny arrangements in place. These arrangements are reviewed by external audit through the annual audit process. The internal audit service forms part of the council's governance arrangements and in previous risk assessment has been flagged as an area of uncertainty as a result of longstanding resourcing issues. The council carried out an internal review of the service in 2011, and additional resources were employed to address shortfalls from long term sickness absence. Whilst progress has been made in relation to completing outstanding audit work the council's external auditors were unable to place reliance on internal audit's work in 2010/11.

External audit will continue to monitor progress in improving delivery through the annual audit process therefore no additional scrutiny activity is required.

- **How councils are responding to the challenging financial environment:**

- Along with all other public bodies in Scotland, the council is facing up to the prospect of having to make significant budget savings. At the same time as the council aims to support the local economy and maintain current service provision, it is likely to face a severe reduction in resources. The 2011 Comprehensive Spending Review confirmed that on-going budget reductions will be required between 2012/13 and 2014/15. Although the settlement for 2012/13 represents a 0.8% (£2 million) increase in funding level assumed in the council's provisional budget, reductions in future central funding levels mean there is still uncertainty over the council's ability to deliver services to budget. Given the strategic uncertainty in this area the LAN has therefore concluded that the **financial outlook is an area of uncertainty**.
- The council is well placed to manage the challenging financial environment and continues to be proactive in responding to the current financial environment. It has robust budgeting procedures in place, has shown a good understanding of the financial challenges it faces, and has been proactive in preparing financial plans to manage budget reductions. The provisional 2012/13 budget set in February 2011 estimated savings of £5.8 million were required and potential savings in excess of this have been identified. The council has updated its medium term financial plans to reflect Scottish Government provisional settlement figures for the coming years. Financial management is a fundamental feature of the existing annual audit process and the external auditors will routinely continue to monitor the financial position of the council. Overall we are satisfied that the council is taking appropriate steps to manage budget reductions in future years. This, and the financial stewardship demonstrated in previous years enabled the LAN to conclude there are **no significant risks regarding financial management**.

9. The LAN is committed to engaging with the council between now and the next SRA/AIP refresh so that we can retain an overview of how the council is managing its response to the significant financial challenges that it and all other Scottish public bodies face.

Areas of unchanged scrutiny risk assessments

10. This update focuses predominantly on those areas assessed as being uncertain or having significant risk. However, in the interest of providing a broader view of the council's overall risk assessment, it is important to highlight those areas that were previously assessed as having no significant risks which, based on additional evidence, continue to be so in the current year. The additional evidence includes relevant inspection reports, annual audit work, council and partner performance reports and national data. The unchanged areas are:

Services Areas			
Education & Children's Services (incorporating sports & leisure facilities)	Environmental Services	Chief Executive Services	Housing & Community Care Service
Outcome Areas			
Economy	Area Image	Skills and Training	Employment
Young People Reach Potential	Best Start in Life	Inequalities	Safer Communities
Vibrant and Active	Access to Services	Sustainable Environment	Affordable Housing
Public Services	Infrastructure and transport		
Corporate Assessment Areas			
*Vision & Strategic Direction	Leadership & Culture	Planning and resource alignment	Partnership working and community leadership
Community Engagement	Governance and accountability	Performance management	Challenge and improvement
Customer focus and responsiveness	Risk management	ICT	Use of resources
Equalities	Sustainability		

*Vision & Strategic Direction - targeted work was identified in the first AIP in 2010/11 in relation to the council's Transformation Programme. This was planned for 2012/13, focusing on improvements in value for money and outcomes. As external audit will be reviewing this through the annual audit process, no additional scrutiny activity is required and this area is no longer separately highlighted in Appendix 1.

11. The following comments relate to issues where perceived risks in the council's processes and activities remain unchanged since the 2011/12 AIP Update.

Area	R/A/G	2012/13 Update
Corporate Assessment Areas		
Chief Executive's Services	Area of uncertainty in relation to Internal Audit only	The Chief Internal Auditor reported to the October 2011 Audit Sub-Committee meeting that of the eight 2011/12 assignments due for completion by the end of October only two were complete and four had started, with one planned for completion in 2012 also having been started. The Chief Internal Auditor noted that unplanned work and further sickness absence was impacting on her ability to deliver the plan. Additional resources have now been secured to help complete the work. External audit will continue to monitor progress through the annual audit process.

Changes to 2011/12 risk assessments

12. The following table relates to risk assessments that have been changed from the 2011/12 AIP Update.

Area	2011/12 Risk Assessment	2012/13 Risk Assessment	Reason for Change
Service Areas			
Housing & Community Care Service - Housing	No significant concerns	Area of uncertainty in relation to Asset management/ SHQS and rent arrears	The council did not meet its own target for properties being brought up to Scottish Housing Quality Standards. Approximately half of the council's stock is currently SHQS compliant. The Scottish Housing Regulator will need assurance that the council is making progress to ensure SHQS compliance by 2015. SHR will review the council's asset management, progress against SHQS and rent arrears in late 2012.

Review of 2011/12 scrutiny activity

13. In October 2011 the Care Inspectorate published a report of the joint inspection of services to protect children and young people. This extremely positive report included evaluations of 'Excellent' in relation to three out of the four quality indicators which relate to outcomes for children in need of protection reported under the National Performance Framework. The other quality indicator was evaluated as 'Very Good'. The report found that children and families are benefiting from an outstanding level of support from a wide range of services, the leadership and direction provided to staff is exceptional and there are very effective planning arrangements for protecting children. The quality of outcomes for children in need of protection and their families is directly attributable to the quality of services received from council services such as education and social work and the corporate responsibility held across council services for the most vulnerable children and families at risk.

14. The best value audit of fire and rescue authorities is largely complete. The main output from this programme of audits will be a national overview report, which will be published at the end of June 2012. Underpinning this national report is a programme of local audits and reports at each of the eight fire and rescue services and authorities. These audits are proportionate, focusing on key aspects of Best Value and providing summary reports with local findings and improvement recommendations.
15. The audit of Tayside Fire & Rescue has been undertaken and the report was published in February 2012. The report highlights that Tayside Fire and Rescue provides a highly effective emergency response service but identifies several areas in its improvement agenda including how the Joint Fire and Rescue Board carries out its governance and scrutiny roles.
16. The above reviews informed the 2012/13 risk assessment process.

Scrutiny plan changes

17. Changes to the scrutiny plan arising from this shared risk assessment update are highlighted in paragraphs 10 to 12 above. Targeted work in relation to the Transformation Programme will now be covered as part of the external audit's annual audit process with additional scrutiny identified in relation to housing asset management/Scottish Housing Quality Standards progress and rent arrears.
18. At this stage the LAN has not identified any additional scrutiny for year 2 or 3 of the plan. The updated scrutiny plan is attached at Appendix 1.

Appendix 1 - Scrutiny plans

Scrutiny activity in the shaded rows does not result from the shared risk assessment but is either at the request of the council e.g. supported self evaluation work or national activity e.g. national follow up work or work requested by Ministers.

PERTH AND KINROSS COUNCIL												
2012-13												
Scrutiny activity year 1	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Asset management/SHQS progress and rent arrears (Scottish Housing Regulator)												
Maintaining Scotland's roads: a follow up (Audit Scotland)												
Capacity improvement in relation to Community Campus' (Joint work between PKC and Education Scotland) – timing to be confirmed												
Housing Benefit Work – Follow up (Audit Scotland)												
2013-14												
Scrutiny activity year 2	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
No additional work identified												
2014-15												
Indicative scrutiny activity for rolling third year	Potential scrutiny bodies involved											
No additional work identified												

Footnotes

- The focus of the AIP Update is **strategic scrutiny activity**, that is scrutiny activity which is focused at corporate or whole service level, but there will also be baseline scrutiny activity at unit level on-going throughout the period of the AIP. This will include, for example, school and residential home inspections.
- At the request of Scottish Ministers the Care Inspectorate will lead a Joint **Inspection of Children's Services** in each local authority area in Scotland. These inspections will commence in 2012/13 starting with a development site in April/May 2012 and a cycle of inspection of services for children which will report publicly from autumn 2012. The selection of local authority areas for inspection will be based on intelligence and risk and take account of the Shared Risk Assessment. LAN leads (for PKC this is Audit Scotland) will be advised in due course.
- In addition, Audit Scotland will be working with scrutiny partners to pilot an approach to assessing the **delivery of outcomes by community planning partnerships**. Pilot sites will be confirmed with the LAN lead in due course.
- Audit Scotland undertake an annual rolling programme of **thematic performance audits**. The fieldwork sites are identified as part of the development of the scope for each individual audit. Fieldwork sites will be confirmed with LAN leads as each audit is developed.
- The **annual audit** of local government also comprises part of the baseline activity for all councils. In April 2008, the Accounts Commission agreed to a request from the Department for Work and Pensions (DWP) to take over the Benefit Fraud Inspectorate's responsibility for inspecting housing and council tax benefit (benefits) services in Scotland. As Audit Scotland has no inspection function, this '**benefits performance audit**' work has been incorporated into the annual audit of local government. The audit of housing and council tax benefit at Perth & Kinross Council was reported in September 2011 and a follow up is scheduled for January 2013.
- **Education Scotland**, through the District Inspector, will continue to support and challenge Education Services regularly and as appropriate the **Care Inspectorate** will regulate care services and inspect social work services based on the Public Services Reform (Scotland) Act 2010.
- Scrutiny bodies also reserve the right to make unannounced scrutiny visits.