

**Audit Committee****28 April 2015****Internal Audit – Plan 2015/16****Report No: IA-06-15-F****Report Presented by Executive Manager –
Audit, Risk & Improvement****Corporate Services – Internal Audit****1.0 Summary**

- 1.1 This report presents the Audit Committee with the Internal Audit Plan (Appendix 1) for 2015/16. The Internal Audit Plan is derived from the six-year Strategic Audit Plan initially approved by Executive Committee on 24 June 2003 and reviewed annually by Internal Audit.
- 1.2 The Committee is asked to approve the planned coverage for 2015/16 as set out in the Internal Audit Plan. This plan was approved by Corporate Management Team on 7 April 2015. A six-monthly report will be presented to the Audit Committee to monitor progress against the Internal Audit Plan.
- 1.3 Internal Audit's annual report for 2014/15 will be presented as a separate report to Audit Committee on 26 May 2015.

2.0 Decision Required

- 2.1 That the Audit Committee RESOLVE to approve the planned coverage as detailed in the 2015/16 Internal Audit Plan.

3.0 Detail

- 3.1 The purpose of Internal Audit, as defined in the Audit Charter, is to reassure Council Members that:
 - there is adequate monitoring of the internal control environment throughout Council operations so that serious breakdowns are avoided, and

- the Council's systems of internal control, corporate governance and risk management are both sound and effective so that its assets are safeguarded and its performance reporting can be accepted with confidence.

Audit Planning

- 3.2 All Internal Audit assignments are performed in accordance with the annual operational audit plan. The plan is a prioritised schedule of assignments to be performed during the course of the financial year within the framework of the risk based Strategic Audit Plan.
- 3.3 The Strategic Audit Plan was drawn up using a formal risk assessment model which was refreshed in 2012/13. The following risk factors were considered:

Risk Assessment for Strategic Audit Plan

Risk Category	Brief Description
Corporate Importance	Measures the potential effect on the organisation should the system catastrophically fail
Corporate Sensitivity	Measures the day to day sensitivity of the information processed, or the service delivered by the system
Inherent Risk	Measures the risk of the system or assets to error, loss, irregularity, illegality, inefficiency, etc
Control Risk	Measures the risk that weaknesses or errors will not be prevented or spotted by management's internal controls

The Strategic Audit Plan intends to complete audit coverage of all Council activities within a six year timeframe. However the review referred to in 3.5 could alter this position.

- 3.4 The nature of audit work is such that there needs to be a degree of flexibility built into the planning process. Audit assignments may highlight areas which require more investigation to be undertaken than was originally planned, or special investigations may be requested as a result of the identification of an area of concern. For those reasons, the audit plan may change if staff are required to reprioritise their work plan to undertake other duties. The Committee is asked to note that there may be amendments to the Internal Audit Plan for 2015/16 in order to prioritise staff resources as required during the year. The Corporate Management Team are in agreement with the content of the plan as it is currently presented.

Internal Audit Resourcing

- 3.5 The recent creation of the Audit, Risk & Improvement Service has effectively reduced resource levels within Internal Audit and a review is currently ongoing to further streamline service audits with a specific aim to incorporate more control areas within corporate reviews.
- 3.6 Some service audits may be considered of such low risk that internal audits will no longer be undertaken unless there is a specific request from a Director or the Chief Executive. Effectively, in these situations, all areas of risk would be covered by Corporate Reviews.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Although not contributing to a specific corporate priority, this report, which provides Members with an update on audit activity, contributes to improving the arrangements for Member engagement in monitoring Council performance and the priority aim to be a properly led and well managed Council dealing with the challenges of the present and the future and doing that within our means.
- 4.2 Community /Stakeholder Issues – None.
- 4.3 Policy and/or Delegated Authority – The Audit Committee remit includes consideration of internal audit matters.
- 4.4 Risk Management – Whilst no specific risk can be attributed to this report, Internal Audit facilitates reduction of risks identified as a result of work undertaken.
- 4.5 Equalities, Health And Human Rights – None
- 4.6 Environmental – None

Resources

- 4.7 Financial – None
- 4.8 Legal – None
- 4.9 Human Resources – As a result of restructure resource availability has effectively been reduced within Internal Audit.
- 4.10 Assets And Property – None

5.0 Conclusions

- 5.1 Members are asked to approve the 2015/16 Internal Audit plan.

For further information please contact:

Crawford McIntyre – Executive Manager – Audit, Risk & Improvement
01595 744546

crawford.mcintyre@shetland.gov.uk

14 April 2015

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Appendix 1 - Internal Audit Operational Plan 2015/16

END

A. INTERNAL AUDIT ASSIGNMENTS

New Assignments (Service)	Risk	Est. Staffing Days	Comments
Audits			
c/fwd Audits in progress		14	
Community Care Resources	H	40	1 st Quarter
Adult Social Services	H	50	1 st Quarter Include Self Directed Support
Building Services	M	60	2 nd Quarter
Planning - Building Standards	M	15	2 nd Quarter
Planning – Development Management	M	15	2 nd Quarter
Asset & Properties	M	20	3 rd Quarter
Children's Resources	H	40	4 th Quarter
Children & Families	H	20	4 th Quarter
		274	
Annual Reviews			
Performance Indicators		5	2nd Quarter
SUMS		10	3rd Quarter
Hardship Fund		2	3 rd Quarter
LEADER		10	3 rd Quarter
AXIS 4		5	3 rd Quarter
		32	
Corporate Reviews			
Vehicle Usage Policy		15	2 nd Quarter
Expenses		10	1st Quarter
Overtime		10	2nd Quarter
Revenue Security Buses		20	1 st Quarter
Voluntary Severance		10	1 st Quarter
Preventing Illegal working		10	3 rd Quarter

Credit Cards		10	3 rd Quarter
Contractual Agreements with Individuals		3	3 rd Quarter
SIC NFI Arrangements		5	3 rd Quarter
Capital Project - New AHS		20	4 th Quarter
		113	
IT Reviews			
Network Security		25	1st Quarter
IT Related Risk Management		10	3 rd Quarter
PCI Payment Card Industry Standard / Transactions		15	3 rd Quarter
Project Boards		8	Ongoing
Systems Access		10	Swift, Seemis, Servitor, Contribute & Uniform
		68	
Other Issues for 15/16			
Review Audit Planning Process		20	1 st Quarter
Follow Up Audit Monitoring		10	tbc
H & SCI Joint Board		10	tbc
Orkney & Shetland Joint Valuation Board		10	3rd Quarter
Risk Management Assessment - Toolkit		5	4 th Quarter
		55	

B. INVESTIGATIONS ADMINISTRATION & MANAGEMENT

Subject	R/Order	Staffing Days	Comments
Service Management		70	
Administrative Duties		95	
Disciplinary Investigations / Other Investigations		30	
Estimate		195	

TOTAL STAFFING DAYS REQUIRED	737
TOTAL STAFFING DAYS AVAILABLE	736

	C/fwd Audit Plan 14/15		
	Network Security	16	
	Voluntary Severance	10	
	IT Risk Management	4	
	In Progress:		
	Economic Development	3	
	Travel	4	
	Sports & Leisure	7	

SUPPORTING NOTES

	FTE
Crawford	0.33
Ryan & Alison	2.00
Anona	0.57
Emma	0.81

3.71

Criteria used for Staffing Day Availability

			Staff Days
Total Staffing Days	(52 x 5)	= 260 x 3.71	965
			<u>965</u>
Less:			
Holiday Entitlement	(34 x 3.38 + 32 x 0.33)		(126)
Training / SLACIAG & CASG / CIPFA Study/ New Start	10 + 20 + 32		(62)
Public Holidays	(6 x 3.71)		(22)
Sickness (est.)	(5 x 3.71)		(19)
			229
Staffing Days available	(per annum)		<u>736</u>

**Audit Committee****28 April 2015****Audit Scotland and other External Audit Reports****Report No: IA-05-15-F****Report from: Executive Manager – Audit, Risk and Improvement****Corporate Services****1.0 Summary**

- 1.1 This regular report provides an opportunity for the Audit Committee to consider and monitor progress on any recommended actions resulting from Audit Scotland and External Audit body reports which have been or will be presented to the functional Committees.

2.0 Decision Required

- 2.1 That the Audit Committee considers the progress statements provided by Lead Officers in Appendix 1, and makes any relevant comment on planned actions.

3.0 Background

- 3.1 On 20 August 2014, the Council adopted a new policy and procedure to monitor actions resulting from external Auditor's/Advisers reports (Min ref 61/14).
- 3.2 The key points of the new policy are:
- All Audit Scotland and other External Adviser's reports should be presented to the relevant committee within 2 cycles of publication.
 - It is expected that each report will require an action plan to be prepared.
 - The Audit Committee will consider the agreed action plan once it has been agreed with the relevant Service committee.
 - The Lead Officer would confirm when all agreed actions were implemented and completed
 - Reports will be presented to the Audit Committee to monitor progress against action plans.
- 3.3 Appendix 1 contains a list of the reports produced since the adoption of the new procedure/policy in August 2014.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Improved external engagement and sharing best practice are both elements of the Council's Improvement Plan.
- 4.2 Community /Stakeholder Issues – NONE
- 4.3 Policy And/Or Delegated Authority – As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the remit includes "...review reports from the Council's External Advisors and review action on External Audit recommendations".
- 4.4 Risk Management - Failure to deliver effective external engagement and learn from best practice elsewhere increases the risk of the Council working inefficiently.
- 4.5 Equalities, Health And Human Rights – NONE
- 4.6 Environmental - NONE

Resources

- 4.7 Financial – No direct implications
- 4.8 Legal – No direct implications
- 4.9 Human Resources - No direct implications
- 4.10 Assets And Property – No direct implications

5.0 Conclusions

- 5.1 The reports produced by the Council's External Auditors and Advisers provide valuable information for Committees and officers throughout the Council.
- 5.2 It is for the Audit Committee to be satisfied that appropriate action is being taken in relation to Audit Scotland and other external audit reports.

For further information please contact:

Melissa Mulla, Performance & Improvement Officer – Audit, Risk and Improvement
01595 744598

April 2015

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Appendix 1 – List of External Auditors/Advisers Reports

END

Audit Committee - External Adviser's Reports - Progress

Generated on: 20 April 2015

Rows are sorted by Original Due Date

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes
EA0002 Care Inspectorate - Islesburgh Out of School	Martha Nicolson	Education & Families Committee	01-Sep-2014	20-Jan-2015	20-Jan-2015	Presented at Education and Families Committee on 20 January 2015 - The Service had been assessed as being very good across all areas inspected, and the necessary actions had been implemented immediately after the inspection had taken place.	Link to Committee Report/Minutes: www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17083 Link to report: www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=271113
EA0012 Care Inspectorate - Newcraigielea	Clare Scott	Social Services Committee	22-Dec-2014	23-Feb-2015		An action plan has been drawn up and is being implemented to address findings of the inspection. A report is under construction for presentation to Social Services Committee on 10th June 2015.	Link to Report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=273002
EA0001 Accounts Commission - West Lothian Community Planning Partnership	Vaila Simpson	Policy & Resources Committee	23-Oct-2014	05-Mar-2015		Presented Shetland Partnership Board 05/03/15. Draft development action plan noted, approved plan to be amended to reflect the outcomes of the community planning self-assessment work, before being brought back to the Board for discussion and sign-off.	Link to Committee report: http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17285 Link to report: www.audit-scotland.gov.uk/docs/central/2014/nr_141023_west_lothian_cpp.pdf
EA0004 Accounts Commission - Orkney Community Planning Partnership	Vaila Simpson	Policy & Resources Committee	06-Nov-2014	05-Mar-2015		Presented Shetland Partnership Board 05/03/15. Draft development action plan noted, approved plan to be amended to reflect the outcomes of the community planning self-assessment work, before being brought back to the Board for discussion and sign-off.	Link to Committee report: http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17285 Link to report: www.audit-scotland.gov.uk/docs/central/2014/nr_141106_orkney_cpp.pdf

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes
EA0008 Accounts Commission - Community planning: Turning ambition into action	Vaila Simpson	Policy & Resources Committee	27-Nov-2014	05-Mar-2015		Presented Shetland Partnership Board 05/03/15. Draft development action plan noted, approved plan to be amended to reflect the outcomes of the community planning self-assessment work, before being brought back to the Board for discussion and sign-off.	Link to Committee report: http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17285 Link to report: http://www.audit-scotland.gov.uk/docs/central/2014/nr_141127_community_planning.pdf
EA0013 Accounts Commission - South Ayrshire Council - Best Value Audit	Crawford McIntyre	Policy & Resources Committee	18-Dec-2014	09-Mar-2015		No further information will be presented to Committee until South Ayrshire follow up report is provided by Audit Scotland.	Link to Committee report: http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17262 Link to report: http://www.audit-scotland.gov.uk/docs/best_value/2014/bv2_141218_south_ayrshire_council.pdf
EA0003 Care Inspectorate - Nordalea	Denise Morgan	Social Services Committee	27-Oct-2014	25-Mar-2015		Presented at Social Services Committee Agenda - 25 March 2015 - No action plan presented however it was stated the recommendations are duly noted and progress will be monitored through follow up inspections.	Link to Committee report/minutes: www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17352 Link to Advisers report: www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=271735
EA0011 Care Inspectorate - Wastview (Care Home)	Denise Morgan	Social Services Committee	05-Jan-2015	25-Mar-2015		Presented at Social Services Committee 25th March 2015 - No action plan presented however it was stated the recommendations are duly noted and progress will be monitored through follow up inspections.	Link to Committee Report: http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17352 Link to Report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=273095
EA0005 Care Inspectorate - Sound Primary School Nursery	Christine Horrix	Education & Families Committee	20-Nov-2014	13-Apr-2015		There was an unannounced inspection of Sound Primary School Early Years setting on 5th November 2014. The school achieved a grading of 'very good' in all areas. There were no recommendations identified in the report or required of the school.	Link to report: www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=272268
EA0006 Care Inspectorate - Viewforth House (Care Home)	Josephine Robinson	Social Services Committee	17-Nov-2014	27-Apr-2015		The Care Inspectorate carried out an unannounced inspection at Viewforth in October 2014. The report now rates all elements of the service as "Good" or Grade 4.	Link to Report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=272184

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes
EA0007 Care Inspectorate - Mossbank Wraparound Care	Christine Horrix	Education & Families Committee	12-Nov-2014	27-Apr-2015		The Care Inspectorate carried out an unannounced inspection of Mossbank Primary School Early Years setting on 19th September 2014. The school received mostly 'very goods' in its report. The one recommendation made has been actioned.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=272073
EA0014 Care Inspectorate - Bells Brae Primary School Nursery	Christine Horrix	Education & Families Committee	26-Jan-2015	27-Apr-2015		Report under consideration to identify lessons for Shetland from this Care Inspectorate report.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=273927
EA0015 Care Inspectorate - Brae high School Nursery	Christine Horrix	Education & Families Committee	20-Jan-2015	27-Apr-2015		Report under consideration to identify lessons for Shetland from this Care Inspectorate report.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=273671
EA0010 Care Inspectorate - Mental Health Community Support Service @ Annsbrae House	Stephen Morgan	Social Services Committee	09-Jan-2015	10-Jun-2015		An action plan has been drawn up and is being implemented to address the findings of the inspection. A report is under construction for presentation at Social Services Committee on 10th June 2015.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=273261
EA0018 Accounts Commission - Commonwealth Games 2014: third report	Neil Watt	Social Services Committee	12-Mar-2015	10-Jun-2015		Report under consideration to identify lessons for Shetland from this Accounts Commission report.	Link to report: http://www.audit-scotland.gov.uk/docs/central/2015/nr_150312_commonwealth_games_third.pdf
EA0019 Care Inspectorate - Housing Support Shetland	Anita Jamieson	Social Services Committee	26-Jan-2015	10-Jun-2015		Report was received on 3rd March 2015 and all areas of the service were awarded a grade of 5 (Very Good). There were no recommendations for action.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=274354
EA0020 Care Inspectorate - North Haven (Support Services)	Denise Morgan	Social Services Committee	30-Jan-2015	10-Jun-2015		Report under consideration to identify lessons for Shetland from this Care Inspectorate report.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=274267
EA0021 Care Inspectorate - Isleshavn (Care Home)	Denise Morgan	Social Services Committee	11-Dec-2015	10-Jun-2015		Report under consideration to identify lessons for Shetland from this Care Inspectorate report.	Link to Report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=274236

Code & Title	Lead Officer	Committee	Published	Target Presentation Date	Presented to Committee on	Progress Statement	Notes
EA0022 Care Inspectorate - North Haven (Care Home)	Denise Morgan	Social Services Committee	10-Dec-2014	10-Jun-2015		Report under consideration to identify lessons for Shetland from this Care Inspectorate report.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=274210
EA0023 Care Inspectorate - Fernlea, The Wishart Anderson (Support Service)	Denise Morgan	Social Services Committee	11-Mar-2015	10-Jun-2015		Report under consideration to identify lessons for Shetland from this Care Inspectorate report.	Link to report http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=274520
EA0024 Care Inspectorate - Fernlea, The Wishart Anderson (Care Home)	Denise Morgan	Social Services Committee	11-Mar-2015	10-Jun-2015		Report under consideration to identify lessons for Shetland from this Care Inspectorate report.	Link to report: http://www.careinspectorate.com/berengCareservices/html/reports/getPdfBlob.php?id=274516
EA0016 Accounts Commission - Superfast broadband for Scotland: a progress report	Douglas Irvine	Development Services Directorate	26-Feb-2015	15-Jun-2015		Report under consideration to identify lessons for Shetland from this Accounts Commission report.	http://www.audit-scotland.gov.uk/docs/central/2015/nr_150226_broadband.pdf
EA0026 Audit Scotland - Scotland's Colleges 2015	Irene Peterson	Development Services Directorate	02-Apr-2015	15-Jun-2015		Report under consideration to identify lessons for Shetland from this Audit Scotland report.	Link for report http://www.audit-scotland.gov.uk/docs/central/2015/nr_150402_scotlands_colleges.pdf
EA0017 Accounts Commission - An overview of local government in Scotland 2015	Steve Whyte	Policy & Resources Committee	05-Mar-2015	22-Jun-2015		Report under consideration to identify lessons for Shetland from this Accounts Commission report.	Link to report: http://www.audit-scotland.gov.uk/docs/local/2015/nr_150305_local_government_overview.pdf
EA0027 Audit Scotland - Borrowing and treasury management in councils	Steve Whyte	Policy & Resources Committee	19-Mar-2015	22-Jun-2015		Report under consideration to identify lessons for Shetland from this Audit Scotland report.	Link to report http://www.audit-scotland.gov.uk/docs/local/2015/nr_150319_borrowing_treasury_management.pdf http://www.audit-scotland.gov.uk/work/all_national.php?year=2014
EA0028 Audit Scotland - Update on developing financial reporting	Steve Whyte	Policy & Resources Committee	17-Mar-2015	22-Jun-2015		Report under consideration to identify lessons for Shetland from this Audit Scotland report.	Link to report http://www.audit-scotland.gov.uk/docs/central/2015/nr_150317_developing_financial_reporting.pdf http://www.audit-scotland.gov.uk/work/all_national.php?year=2014

**Audit Committee****28 April 2015****Local Government Benchmarking Framework – Corporate & Democratic Core 13/14****F-016-15-F****Executive Manager Finance****Corporate Services****1.0 Summary**

- 1.1 At its meeting of 3 February 2015 the Committee considered a report on “Local Government Benchmarking Framework: 2013/14 Indicators” (Report IA-01-15-F).
- 1.2 The Committee resolved to seek further explanation from the Finance Service on the figures used to compile the graph which referred to indicator CORP 2 “How much does my Council spend on supporting Elected Members?” (Min. Ref: 02.15).
- 1.3 This report provides the further detail and explanation requested.

2.0 Decision Required

- 2.1 That the Committee CONSIDER the information provided and NOTE the report.

3.0 Detail

- 3.1 The report entitled “Local Government Benchmarking Framework: 2013/14 Indicators” considered by the Committee on 3 February 2015 included within it reference to an indicator described as “How much does my Council spend on Elected Members?”, a copy of this is attached at Appendix A.
- 3.2 The figures shown in cost per 1,000 of population put Shetland Islands Council at the extremity of the national results – highest in Scotland - and out of place with other comparator small rural island authorities.
- 3.3 In seeking further explanation of the figures work has been done to breakdown the values that are contained within the figures to establish

for the Committee what the component parts are and whether they are comparable with other local authorities at any level.

- 3.4 It is worthy to note that the title of the indicator itself has been changed to that of “...spend on Elected Members” for 2013/14, from the “Cost of the Democratic Core per 1,000 population”. Therefore, as referred to in Appendix A, the calculation of the value is therefore not as straightforward as it first appears. A suitable breakdown of the costs that were included in 2013/14 is shown in the table below (with equivalent cost per thousand of the population):

CORPORATE AND DEMOCRATIC CORE COSTS	Gross Expenditure £'000	Expenditure per 1,000 population (Mid year 2013 = 23200) £
Democratic Representation & Management		
All Members allowances and expenses, inc. support costs	751,375	32,387
Costs associated with officer time spent on appropriate advice and support activities	2,189,349	94,368
Corporate Management		
Functions of the Head of Paid Service	346,607	14,940
Cost of Statutory External Audit	204,260	8,804
Cost of Treasury Management & Bank Charges	1,009,694	43,521
Other Corporate Management Activities *	2,352,706	101,410
Gross Cost 2013/14	6,853,991	295,431

* Other Corporate Management Activities includes the following range of activities, these being set out in the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):

Maintaining statutory registers; providing information required by members of the public in exercise of their statutory rights; completing, submitting and / publishing all service staffing returns, Statements of Accounts, annual reports, public performance reports and formal financial reports of performance; estimating, negotiating, accounting for and allocating corporate level resources such as capital grants, general revenue grant, non-domestic rates and taxes; the cost of external inspections; and the costs of supporting a local strategic partnership.

- 3.5 Defining what is included in Democratic Representation and Management reveals a wide range of functions and activities with support provided to Members by way of office tasks, mail handling, library and ICT support costs being a basic element. There is also the professional advice and support provided to the democratic process; the functions of the monitoring officer; procedural and legal advice on the conduct of meetings; preparation of agendas and minutes; production of specific papers for Members and / or for meetings involving Members; following up queries or answering questions raised by members.

- 3.6 The guidance, called the Service Reporting Code of Practice and issued by CIPFA, has the purpose of getting values that are representative of the activities defined and comparable between local authorities.
- 3.7 The challenge of achieving this is not straightforward as a requirement for calculating the costs of much of the Corporate and Democratic Core is dependent on an assessment of how much time and resource is taken up carrying out this activity. This forms the basis for allocating costs between different functions and services and there are many approaches that are legitimate and prudent in carrying this out but there is no guarantee of a fully comparative value being placed against each function or service due to the huge range of factors that are taken account of. Examples might include the extent or otherwise of organisational changes being implemented, the treatment of bank and treasury fees, the number of individual committees and sub-committees and the frequency of these will all have a bearing on the outcome.
- 3.8 The Council has approached this exercise by requesting that each manager / section / team provide an estimate of the time and resources spent supporting the organisation, providing the necessary guidance and calculations have been based on the resulting data. These calculations enable costs to be allocated to the Services or to the corporate activities.
- 3.9 When the corporate values are finalised they are added to known specific data, such as the cost of the External Auditors fee, the value of Treasury and Bank fees and charges; and the salaries and expenses / allowances of Members. The total cost amounts to the figures used in this benchmarking framework.
- 3.10 The result is an accumulation of costs that are based on the view and opinion of many managers and officers across the Council who take a judgement based on the information provided to them and their awareness of what the component parts represent. This is a subjective process and the judgement of officers varies significantly between them.
- 3.11 In relation to some of the specific differences in the figures between Shetland and other local authorities, Shetland is unique as it accounts for the costs of treasury fund manager fees and bank charges as a corporate item – which for the other local authorities is accounted for through their loans fund, and charged against the cost of borrowing.
- 3.12 The value of that one item, costing the Council £1m in 2013/14 adds almost £44,000 per 1,000 of the population to the indicator, representing 15% of the value alone. It is in itself higher than the Scottish average for the value of all of the costs.
- 3.13 Understanding the component parts enables the Council to determine if there is any area that should be looked at in particular. All local authorities have specific costs relating to the salaries and expenses of Members (excluding any support costs) and they have an external

audit fee, details of both of which are publicly available from the Councils websites.

- 3.14 Having checked the indicators of the two other island local authorities and those of Aberdeen City Council the following table shows the impact of the drawing comparison across the four local authorities for those very specific components – both of which are included within the indicator referred to in this report.

Table 2

	Population Mid 2013	External Audit Fee 2013/14 £	Cost per 1,000 population £	No of Members	Members Salaries & Expenses 2013/14 £	Cost per 1,000 population £	Total Cost per 1,000 for two elements £
Shetland	23,200	204,260	8,804	22	488,197	21,043	29,847
Orkney	21,570	185,740	8,611	21	434,632	20,150	28,761
Eilean Siar	27,400	203,500	7,427	31	665,327	24,282	31,709
Aberdeen	227,130	410,400	1,807	43	932,576	4,106	5,913

- 3.15 Clearly table 2 above shows the striking difference between the much larger authority and the island authorities with the costs per 1,000 of the population being substantially lower simply due to the economies of scale. Both the value of the external audit fee and the number of councillors is approximately a factor of 2 when comparing Aberdeen City Council to the three island authorities but the population is a factor of 10. The cost per 1,000 of the population being approximately 5 times greater in the islands compared to the city.
- 3.16 The average cost per Member however is broadly similar at approximately £21,000 to £22,000 irrespective of the Council.
- 3.17 Also notable is that Shetland compares well with the other two island authorities in relation to these specific costs and it can therefore be concluded that this is not the area to concentrate on to understand the extreme nature of the resulting value of the indicator overall. Instead time must be spent looking at the subjective elements of the indicator and the time and resources data that is used to calculate the allocated management, support, advice and activity based costs.
- 3.18 The reasonableness and accuracy of published data is called into question when an indicator such as the one referred to in this report is published and in order to address this, in the current financial year the Finance team has been working towards refining the estimation techniques used and raising awareness with Services to improve this particular indicator.
- 3.19 Energy has also been directed at understanding what other local authorities include within these values to establish if other local authorities are omitting costs or approaching the calculation of expenditure that is allocated differently to ensure that the Council

provides a suitable comparative. A revised approach is therefore being taken for the 2014/15 calculations.

- 3.20 Referring back to table 2 above, the two elements shown in the table above indicate that in themselves for the three island authorities they would closely amount to the Scottish average alone for this indicator and as such it is not possible to seek to reduce Shetland's indicator to such a value. The expectation would remain that the local authorities with the smaller populations should logically be the higher cost authorities in this indicator and the work that the Finance team are doing will aim to better capture a comparative value in the future.
- 3.21 It is however vital that it is recognised that while costs have been included under this Corporate benchmarking indicator they have not therefore been included in Service benchmark figures, and where a reduction will likely be achieved through greater scrutiny in this indicator it will have a knock-on impact on other indicators as those costs are distributed elsewhere.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report is part of the Council's Corporate Plan commitment to *"provide good-quality information regularly through a variety of ways to tell people how we are doing and to make sure we take responsibility for our decisions"*..
- 4.2 Community /Stakeholder Issues – Effective performance management and continuous improvement are important duties for all statutory and voluntary sector partners in maintaining appropriate services for the public.
- 4.3 Policy And/Or Delegated Authority – As outlined in Section 2.6 of the Council's Scheme of Administration and Delegations, the Audit Committee remit includes *"...to promote good performance management within the Council"*. Performance reporting is an integral part of performance management.
- 4.4 Risk Management – Embedding a culture of continuous improvement is a key aspect of the Council's improvement activity. Effective performance management is an important component of that which requires the production and consideration of these reports. Failure to deliver and embed this increases the risk of the Council working inefficiently, failing to focus on customer needs and being subject to further negative external scrutiny.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

- 4.7 Financial – No direct implications.

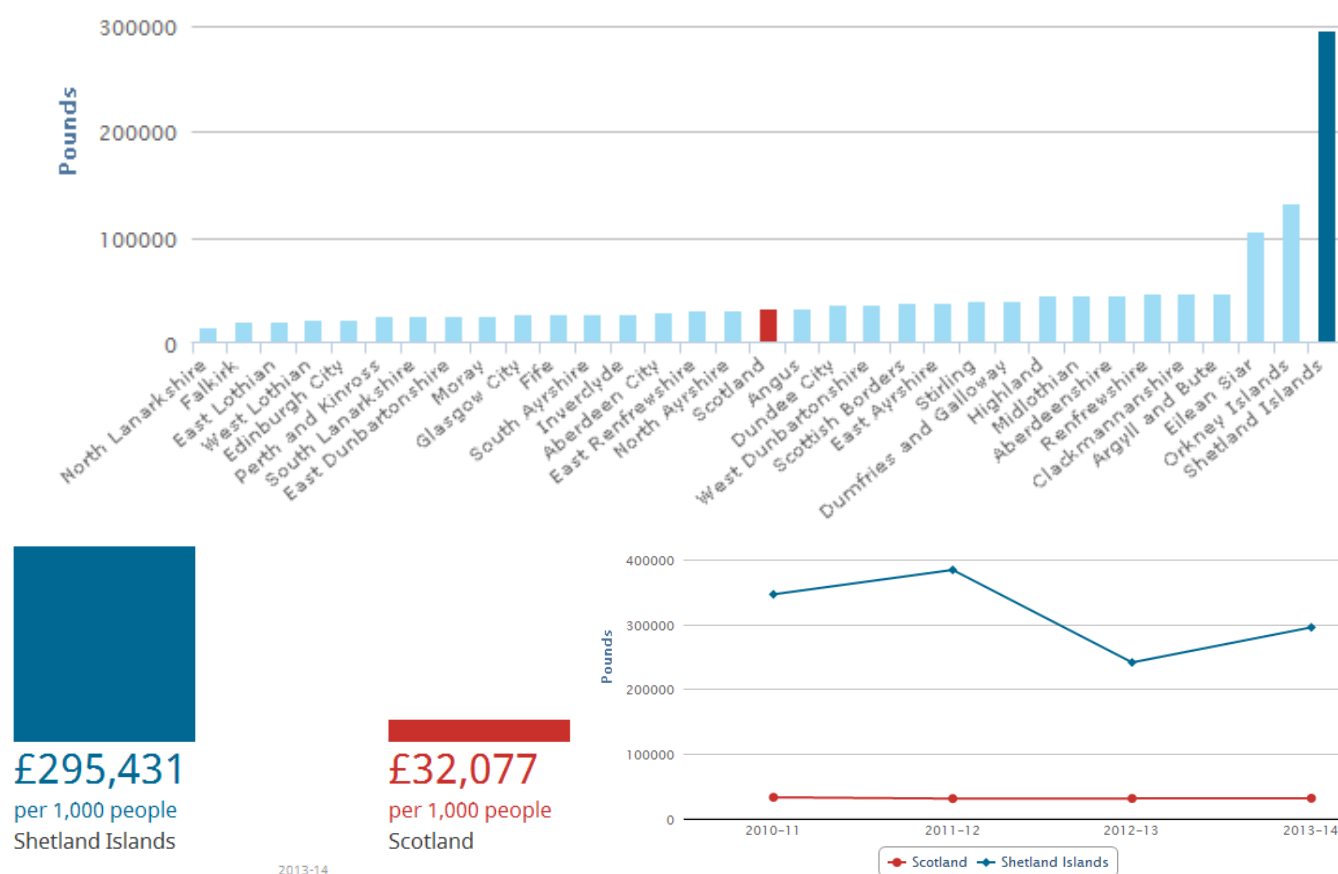
- 4.8 Legal – No direct implications.
- 4.9 Human Resources – No direct implications.
- 4.10 Assets And Property – No direct implications.

5.0 Conclusions

- 5.1 The report provides more detail and explanation of the corporate indicator referred to in the Local Government Benchmarking Framework for the Committee's attention. It outlines the work continuing to improve the methods used to collate and prepare the final values, understanding that costs not included under this corporate indicator will be recognised as costs associated with Service delivery and will, as a consequence, increase those costs.

For further information please contact:
Steve Whyte Executive Manager - Finance
01595 744607
Steve.Whyte@shetland.gov.uk

How much does my council spend on supporting elected members (£ per 1,000 people)?



2014/15 Target: £266,000

2015/16 Target: £250,000

Performance	Improvement
<p>This indicator extends beyond a simple definition of providing support to elected members. In compiling the data behind the total value it takes into account two categories of expenditure (i) Democratic representation and Management costs – <i>all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests</i>; and (ii) Corporate Management costs – <i>activities and costs that provide the infrastructure that allows service to be provided, whether by the authority or not, and the information that is required for public accountability</i>.</p> <p>2013/14 performance looks particularly poor in relation to other local authorities and the Council is looking in more detail at the costs</p>	<p>A substantial proportion of the value that is included in this indicator is generated from information that defines in cost terms how much of the internal resources of the council relate to the individual elements of Democratic Representation & Management and Corporate Management costs. This brings a significant amount of subjectivity to the values so the Finance team is working with services to refine and work towards being clearer about what the cost of these activities is and where to record them in the relevant financial returns.</p> <p>As a consequence of the Council starting to borrow money a loans fund will be established. As such Shetland will be able to legitimately charge its costs for treasury and bank charges which will make a positive impact on these figures.</p>

<p>that have been included in this area of expenditure to ensure that proper comparison can be drawn. An example where a clear difference exists between Shetland and other local authorities is in relation to the costs of treasury management – where fees to fund managers and for treasury transactions and bank charges are included in these figures for Shetland, the costs in other local authorities will have been applied to their loans fund. This is not available to Shetland because this authority has not had to borrow money, and as such fees in the order of £1M have been included. If this were not the case then this change alone would reduce the 2013/14 figure above by approximately £44,000.</p>	
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