MINUTE

of

AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 3 March 2016.

Present:

Councillor Gordon Wallace (Chair)
Councillor Barbara Grant (Vice Chair)
Councillor Charlie Gilbert
Councillor Paul O'Kane
Councillor Gordon McCaskill
Councillor Tommy Reilly
Councillor Ralph Robertson

Councillor Wallace in the Chair

Attending:

Michelle Blair, Chief Auditor; Gerry Mahon, Chief Officer (Legal and Procurement); Barbara Clark, Chief Accountant, Jackie Martin, Corporate Business Manager; Linda Hutchison, Clerk to the Committee and Jennifer Graham, Committee Services Officer.

Also Attending:

Councillors Stuart Miller and Vincent Waters; Andy Cahill, Director of Environment; and Iain MacLean, Head of Environment (Planning, Economic Development and City Deal)(Item 1932 only).

DECLARATIONS OF INTEREST

1928. There were no declarations of interest intimated.

CHAIR'S REPORT

1929. The Chair reported, and it was noted, that there were no issues which he wished to bring to the committee's attention at this time.

TREASURY MANAGEMENT STRATEGY REPORT 2016/17

1930. Under reference to the Minute of the meeting of 12 November 2015 (Page 1690, Item 1802 refers) when, having considered a report on treasury management activities for the first six months of 2015/16, it had been agreed to recommend to the Council approval of organisations for investment of surplus funds, the committee considered a report by the Head of Accountancy (Chief Financial Officer) explaining that, in line with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice 2011, the Audit and Scrutiny Committee were responsible for ensuring effective scrutiny of the Council's treasury management strategy and polices.

In accordance with that requirement, a copy of the Treasury Management Strategy Statement Report for 2016/17 was attached for consideration in advance of its submission to the Council. The Strategy Report included a proposal to amend treasury management practices in accordance with Annex F accompanying the report which set out organisations approved for the investment of surplus funds, required credit ratings, limits, and deposit periods.

The Chief Accountant clarified that, as recommended by Audit Scotland, the Prudential Indicators and Treasury Strategy reports had been amalgamated to aid understanding of the treasury function. From an operations perspective she advised that the only change of practice on the advice of CAPITA was that the Council was generally investing for periods up to six months rather than three as previously. Having clarified that a further mid-year and annual report would be submitted in due course, the Chief Accountant highlighted various matters, including on Prudential Indicators established to ensure that funding of capital expenditure was affordable and sustainable; the prudent approach adopted on use of reserves to fund capital expenditure; and CAPITA's view on interest rates regarding which an update since the publication of the report was provided which reflected that these were not now expected to rise until December 2016. Comments were also provided on limits for treasuring activity; and the Council's Investment Strategy and related security and liquidity objectives. It was explained that CAPITA provided information on credit worthiness and that only high rated bodies were used for investments. If, based on related monitoring, any institutions fell below the minimum level they were removed from the Council's list.

It was clarified that no specific, related training events were scheduled for elected Members, but this could be arranged, including in liaison with CAPITA, if required.

Members of the committee confirmed that further treasury management training would be useful. Thereafter, in response to questions, the Chief Accountant provided clarification on various matters. These included short-term borrowing; how matters would be pursued with a counterparty to establish if funds could be returned early if an institution was downgraded below an acceptable rating criteria; and liquidity issues on which it was clarified that the Council sought to maintain a bank overdraft of £100k which was not used but available. Clarification was provided on hub schemes; the deposit limit with the National Australia Bank Group for investment of surplus funds; and the ratio of financing costs to the net revenue stream for the Housing Fund and General Fund. Discussion also took place on the decision taken by the Council to retain ownership of its housing stock and related issues, and CAPITA's expertise in treasury management.

The committee agreed:-

(a) **to recommend to the Council** that the Treasury Strategy Statement Report 2016/17 be approved, including the amendment of treasury management practices in accordance with Annex F to the report;

(b) that further training for elected Members on treasury management issues would be useful and should be arranged in due course; and

(c) otherwise, to note the report.

RISK MANAGEMENT PROGRESS AND REVIEW OF STRATEGIC RISK REGISTER

1931. Under reference to the Minute of the meeting of 20 August 2015 (Page 1572, Item 1679 refers) when the development of the Strategic Risk Register (SRR) and general progress on risk management had been noted, the committee considered two reports by the Chief Executive on risk management issues.

The first provided a general update on various risk management matters, including areas for improvement highlighted through an advanced risk management training session for the Corporate Risk Management Group (CRMG) in May 2015 and related discussions by the Corporate Management Team. The Chief Executive had emphasised the need for improved links between audit work and risk registers; and more frequent reviews of risk registers, since when the quality of information recorded had been improved and the Corporate Business Manager had continued to work with departmental risk representatives on the CRMG to help ensure risks were discussed regularly. Other issues commented on included risk workshops and training; a freedom of information request; the updating of operational risk registers and escalation of some risks to the SRR; and risks relating to the Culture and Leisure Trust (CLT) and Integrated Joint Board (IJB).

The second report concerned the most recent bi-annual update of the SRR. The register, a copy of which was attached to the report, itemised key risks that required to be considered and actions put in place to manage these. As well as additions having been made to the register, several risks had been amended to include additional control measures; some had been rescored and some removed. For the first time, relevant significant risks which may impact on the achievement of the Council's outcomes linked to the IJB and CLT's work had been considered. There were currently 31 risks on the SRR, 13 of which were evaluated as high risk, 15 as medium and 3 as low. The review was fundamental to ensuring the Council met objectives in the Single Outcome Agreement, Corporate Statement, Modern Ambitious Programme and Outcome Delivery Plan.

Having commented on the report, including risks removed from and added to the register, in response to questions the Corporate Business Manager commented on various issues, including why the risk on ensuring sufficient catchment places for pupils in light of residential developments remained high until proposed new schools were built. Having heard Councillor Robertson refer to risks associated with leisure facilities under the management of the Trust, such as competition from private facilities, Councillor McCaskill commented on the risk of failing to meet the Scottish Government's local government grant conditions such as on teacher/pupil ratios and related issues, including COSLA's involvement in this matter.

Whilst commenting on the new risk on invoice payment, the Chief Accountant referred to related issues, including that document scanning associated with the introduction of a new EDRM system in the Creditors Section for invoice scanning, storage and retrieval was taking longer than anticipated, such as due to sickness absence and a staff member being on maternity leave. She clarified that the Section had recently been moved into the Corporate and Community Services Department where a number of staff with similar skills sets were already based which would help in terms of providing cover.

The committee agreed to note:-

(a) progress made with risk management generally in recent months; and

(b) the development of the Council's Strategic Risk Register.

EAST RENFREWSHIRE RENEWABLE ENERGY FUND

1932. Under reference to the Minute of the meeting of the Cabinet of 18 February 2016 (Page 1793, Item 1915 refers), when it had been agreed to approve proposals regarding the establishment of the East Renfrewshire Renewable Energy Fund, including to approve in principle the establishment of the new Fund as outlined in the report to replace the Whitelee Wind Farm (WWF) Fund later in 2016; and appointments to and the operation of the associated Panel, the committee considered the report by the Director of Environment on the proposals as submitted to the Cabinet. The Cabinet decision to approve in principle the establishment of the new Fund as outlined in the report had been called in for further scrutiny.

The report referred to the establishment and operation of the WWF Fund by the Cabinet in August 2009; consideration of applications by the Whitelee Panel; and a Cabinet decision in 2011 to allocate £10,000 per year of the main Fund to Eaglesham and Waterfoot Community Development Trust (E&WCDT) to manage a Small Grant Fund. Whilst highlighting operational arrangements since the Fund's establishment, reference was made to its total income of around £857k and the determination of applications, £756,072 having been awarded in grants mostly for building refurbishment; play and leisure projects; and equipment. Reference was made to the scale of awards; reasons for refusal; the proportion of grants awarded for the Eaglesham and Waterfoot priority area; and £25k in total allocated to the Small Grant Fund between 2011 and 2013 of which £11,864 in grants had been awarded.

Reasons why a review was required to ensure the Fund continued to operate effectively and efficiently were summarised. These included the emergence of other renewable energy projects elsewhere in East Renfrewshire; the priority area's needs having been largely met; a reduction in applications from that area compared to elsewhere; and the take up of Small Grant Fund grants. ScottishPower Renewables (SPR) had also agreed to direct its Middleton Wind Farm community benefits package to the Council to manage. Details of the arrangements being made through which the Council would manage a further £30k per annum backdated and index linked from July 2013 were provided. The agreement required the funds to be used for the benefit of or to meet needs of the local community within East Renfrewshire and within 10km of the wind farm centre, which covered the vast majority of East Renfrewshire.

The report had proposed combining the income from Whitelee and Middleton Wind Farms (and possibly others in future) to operate a single Fund and set of criteria available across East Renfrewshire. Other proposals included not giving priority or preference to any settlement area with all applications to be considered on merit; withdrawing the Small Grant Fund due to poor uptake; reducing the 87.5% maximum grant rate which was considered unsustainable long-term to 75%; amending the terms under which the Council could apply to the Fund to make them more straightforward; and ring-fencing £40k of the integrated Fund annually to fund Council-led initiatives to alleviate fuel poverty and improve energy efficiency in respect of which approval in principle had been sought. It was also proposed to allocate a proportion of that £40k to work in partnership with Voluntary Action (VA) East Renfrewshire to help identify older, vulnerable members of the community who would benefit from advice and assistance to improve their homes' energy efficiency to alleviate fuel poverty. The report had also made proposals on the Panel; the introduction of the arrangements; and community consultation on the priorities of the Fund prior to the Panel meeting in November 2016.

The lead signatory to the call-in, Councillor Stewart Miller, spoke against aspects of the Cabinet proposals. Regarding the discontinuation of priority funding preference to settlements nearest turbines, he commented that the WWF Fund was established originally because Eaglesham and nearby were most disadvantaged by their proximity to the Wind Farm. He added that this had been recognised by the Environment Department at the time, the turbines remained, and all of East Renfrewshire could benefit from the Fund under the existing arrangements. Councillor Wallace referred to the original purpose and spirit of the agreement and importance of maintaining integrity with those living there. Councillor Miller argued that a Single Fund was a lesser concern and unlikely to change the outcome of applications in any case.

Regarding discontinuation of the Small Grant Fund, Councillor Miller argued the Fund had been successful as all applications were approved and such grants could be helpful, the lack of take up being due possibly to insufficient awareness of the Fund. He highlighted that the total awarded quoted in the main report was understated by around £2,355, suggesting that the proposed Panel administer both the Small and Main Funds and that the initiative could be rolled out to other areas.

Councillor Miller argued that a reduced intervention rate of 75% could dissuade some potential applicants from applying and might be perceived as a means of increasing funding available for Council applications and projects. Councillor Reilly added that an option to award between 75% and 87.5% of costs provided flexibility, including because some deserving groups might not be able to source the balance of 25%. Having heard Councillor Wallace support this view, Councillor McCaskill suggested that reducing the rate over several years might be a more acceptable option.

Councillor Miller expressed the view that core Council services should be ineligible for funding because the Fund should be regarded as a community one; and that no part should be ring-fenced to support services the Council should provide. Councillor Grant shared this view, adding that the services in question should be met from mainline budgets with the Wind Farm Funds directed to one-off projects. Councillor Wallace commented that it might be arguable that the ring-fencing accorded with the priority status afforded to areas near the Wind Farm at present, but added that given the nature of fuel poverty which it was intended to alleviate, it would always be difficult to solve this problem totally and also determine when an area's needs were met because setting criteria to determine this was difficult. Councillor McCaskill commented that the ring-fencing was unfair, particularly as applicants in non-Council properties required to source 25% of the project cost.

Councillors Grant and Gilbert, supported by Councillor McCaskill, expressed concern about the report's reference to specified areas where the energy efficiency and fuel poverty initiatives would be implemented, highlighting that such support could also be required most by those living elsewhere. Councillor Wallace referred to the importance of transparency and potential for some to perceive funding was directed to Dunterlie rather than where they live.

Councillor Miller argued for a further review of all the arrangements in 5 years, concluding that the current arrangements worked well, were commendable, and that change was not required. Councillor McCaskill commented that the WWF Fund was by far the largest funding source of the two Funds and that reassurance was needed that the main driving force would not be meeting needs of the area nearby Middleton Wind Farm.

Councillor Robertson, supported by Councillor Gilbert, commented that the Panel's composition should be apolitical and that it may not be sufficiently balanced in terms of cross party representation and geography to ensure a fair and balanced approach.

Councillor Waters, Convener for Environment, the Director of Environment and Head of Planning, Economic Development and City Deal spoke in support of the Cabinet proposals. It was stressed that the funds would be disbursed by a Panel which was expected to judge applications equitably on the basis of which were best, a simple and workable Panel model having been proposed. A review of the Panel's membership had been warranted, the outcome about Members being to propose that the Convener and a Member of each of the two Wards in which the Wind Farms were located be amongst those appointed. This, and appointing Administration Members was considered reasonable. Councillor Waters gave an assurance to support the best projects, expressing confidence that the other Members would do so also. Councillor Waters explained that it was hoped other funds would become available in future, one aim being to establish a model that could be developed further over time.

The Director of Environment referred to the total grants awarded for the priority zone, other economic benefit there linked to WWF, and evidence of the area's needs having been largely met. It was acknowledged that those within the zone may regard the Fund as compensatory, but considered important to adopt a balanced approach. Councillor O'Kane expressed sympathy with the quasi-compensatory nature of the arrangements, but argued there was impact on other communities such as from construction vehicles travelling to Middleton Wind Farm. He considered the Cabinet's proposed approach best.

The Director of Environment commented that large wind farms were now more common and accepted and that a single Fund could be more efficiently administered, adding that there was no legal requirement to benefit those nearest the Wind Farms, that other areas were disadvantaged, and that revisiting the arrangements and eliminating the priority status would help fill a funding gap linked to the demise of Area Forums. The Director on Environment acknowledged that the Small Fund grants awarded had been inaccurately totalled, arguing that wider access to one amalgamated Fund would be welcomed by many, that demand for small grants was low, and that the Fund may have operated better under, for example, Voluntary Action (VA), although such arrangements generally did not work well.

The Director of Environment further stated that it may not have been fully clear that the intention was to start work on alleviating fuel poverty and improving energy efficiency in a limited area and then implement the initiative further afield based on deprivation and in partnership with an organisation such as VA. It was argued that the specified areas had been illustrative and that the intended approach was to address the needs of those in areas where fuel poverty was highest first, working with an organisation like VA to determine those experiencing fuel poverty, all of which was thought reasonable. The Director of Environment explained that it was unlikely such services would be provided otherwise and that if further ring-fencing was ever proposed, Cabinet approval would be necessary.

Having heard Councillors Robertson and O'Kane speak in support of addressing fuel poverty and the initiative, the Director of Environment added that ring-fencing funds for Council-led initiatives, which was supported by ScottishPower Renewable (SPR), was intended to supplement other funding to help alleviate fuel poverty and improve energy efficiency, to direct resources where most needed, and provide services not currently provided. He argued that the Council was best placed to coordinate and provide these, referring to on-going liaison with the Council's and SPR's communication teams on related publicity.

Having explained that grants sought exceeded the funds available, the Director of Environment and Councillor Waters explained that grants awarded thus far varied up to the current 87.5% of project costs, the dilemma faced being to award more funds to fewer projects or more money to a greater number. It was argued that the Panel was prevented from achieving outcomes it wished to pursue, research suggested the 87.5% limit was generous, the approach was not sustainable because fewer groups benefitted, and that all projects offered less than 87.5% had gone ahead. It was explained that the Council had to discharge statutory duties, only had powers to promote wellbeing for community benefit for which financial resources were lacking, and that it was not intended to use any funding secured to replace services the Council must provide, as a substitute for other statutory funding, or to bolster the impact of cuts. The Director of Environment stated that the focus would be adding value to communities and that opportunities could exist to link projects with those funded by other means. Councillor O'Kane commented that the single Fund provided an opportunity to add to Council funded provision and ensure funds were directed where most needed.

Support was expressed for a further review in 5 years and an earlier review after the end of consultation on the Fund priorities later in 2016.

During discussion on the possibility of compromise in terms of the way forward, the possibility of suggesting that a Small Grant Fund be maintained but with broader access to it was discussed. The Head of Planning, Economic Development and City Deal's view was that administration of such a Fund by the same Panel was not practical because a nimble and quicker arrangement was required, adding that an existing organisation may have appropriate resources and infrastructure to do so.

Regarding the intended ring-fencing of funds, Councillor Waters stated that if the Cabinet was minded to adopt an approach on their use that was not based on geographical considerations, this would align with the proposal to allocate the remaining funding on the basis of the strongest proposals irrespective of location. He added that a wide variety of grant applications were received that offered community benefit and were supportable.

Regarding the arrangements in place between SPR and South Lanarkshire, East Ayrshire and East Renfrewshire Councils, it was clarified that the schemes and related administrative arrangements differed in each area. Consequently like for like comparison was problematic.

The committee considered the arguments for and against the Cabinet proposals that were called-in. In summary, the committee was not persuaded to support fully the proposal on affording priority preference to settlements nearby the turbines. It was concluded that other communities could benefit from the single Fund and the Wind Farm developments impacted on various communities not just those closest to both. However, against the background of an aim of the original WWF Fund to mitigate the impact and effects of the windfarm on those closest to it, it was concluded that sight should not be lost of this aim when implementing the new arrangements in the spirit of the original agreement and to frame a recommendation in these terms.

During discussion on whether or not the intervention rate should remain at 87.5% or be reduced to 75%, the benefits and otherwise of various approaches, including the possibility of making this change incrementally over several years, were considered. On balance it was felt that some applicants could find it problematic to raise 25% of the resources required for deserving projects and that, in these cases, discretion to make further funds available could be beneficial. Rather than suggesting that specific criteria be established for doing so which was considered challenging, it was observed that the existing intervention rate of 87.5% already allowed the Panel to grant awards of a lesser rate of 75% if considered appropriate and up to 87.5% when merited. The proposal in the call-in notice was therefore supported.

On balance the arguments made in favour of maintaining a Small Grant Fund were accepted, access to which it was felt should be widened to cover the whole of East Renfrewshire, including to mitigate against the loss to communities of Area Forum funding. As a caveat, it was concluded that the existence of the scheme and how to apply to it needed to be sufficiently promoted to encourage applications.

Having considered the views expressed for and against core council services being eligible to apply to the fund, on balance it was felt that this provision should remain. On balance it was felt that there was merit in £40k be ring-fenced as proposed and agreed by the Cabinet for the alleviation of fuel poverty and promotion of energy efficiency, but concluded that the focus had to be on supporting those in most need irrespective of where they were based geographically. It was commented that the success or otherwise of such initiatives could not be easily determined after a single year or through a piecemeal approach. However, it was felt important to have a formal review of this and to submit a formal report to the Cabinet on that review after a period of time. It was concluded that a formal review and the submission of a report on this to the Cabinet after a period of 2 years from implementation was appropriate and would enhance transparency. More generally support was expressed for a formal review of the whole initiative after 5 years.

The committee, following consideration of the call-in issues raised as specified at (i) to (vii) below:-

(i) it was disagreed that there is no priority preference to settlements with turbines;

(ii) there should remain a priority preference to settlements with turbines;

(iii) there should not be a cessation of small grant funding;

(iv) the intervention rates should remain at 87.5%;

(v) core council services should not be eligible to apply; it is a community fund;

(vi) none of this community fund be ring fenced to support council services; and

(vii) there should be a further review in 5 years.

and on the basis of the outcome of their discussions:-

(a) agreed in relation to (i) and (ii) above on the issue of priority preference to settlements with turbines, that the aim of the original scheme was to mitigate the impact and effects of the windfarm on those closest to it and to recommend that sight should not be lost of this aim when implementing the new arrangements in the spirit of the original agreement;

(b) agreed in relation to (iii) above on small grant funding, to recommend that the scheme should continue with access to it widened to cover the whole of East Renfrewshire, including to mitigate against the loss to communities of Area Forum funding for small projects, and furthermore that it be ensured that the existence of the scheme and how to apply to it is sufficiently promoted to encourage applications;

(c) agreed in relation to (iv) above on the intervention rate, to recommend that the intervention rate should remain at 87.5% because that does not preclude grants being awarded at 75%;

(d) agreed in relation to (v) above on the eligibility of core council services to apply for funding, in accordance with the decision made by the Cabinet, that they should be eligible to apply to the fund;

(e) agreed in relation to (vi) above on ring-fencing, that £40k be ring-fenced as proposed in line with the Cabinet decision, but to recommend that this be subject to the focus of the initiative on alleviating fuel poverty and the promotion of energy efficiency being to help those in most need of support irrespective of where they are based geographically and implementation of the initiative being formally reviewed by the Cabinet after a period of 2 years from when the initiative is up and running;

(f) agreed in relation to (vii) above on a further review, to recommend that the full scheme be reviewed after a period of 5 years;

(g) otherwise, agreed with the decisions made by the Cabinet; and

(h) agreed that a report on the committee's deliberations and recommendations be prepared and finalised by the Clerk, in liaison with the Chair, and submitted to the Cabinet.

CONSULTANT EXPENDITURE IN 2013/14 AND 2014/15 – SUPPLEMENTARY INFORMATION

1933. Under reference to the Minute of the meeting of 12 November 2015 (Page 1689, Item 1801(i) refers), when it had been noted that departments had been requested to send to the Clerk additional information requested by the committee on consultants' costs in 2013/14 and 2014/15 to complement preliminary information provided, the committee considered a report by the Clerk on the additional information provided and collated.

Having reiterated why the committee had initially expressed interest in consultancy costs, which included that there were concerns about the number of experienced officers leaving the council and the associated loss of expertise, the report referred to the definition of consultancy adopted by the committee for the purpose of ingathering information, and four specific pieces of related information initially sought from departments for 2013/14 and 2014/15. It was clarified that in August 2015 it had been agreed that further feedback was required from departments, including reasons why any consultant had been engaged; the extent to which this linked to spend to save initiatives; and what was considered one-off or recurring expenditure. The collated feedback was provided.

The report reiterated that departments were encouraged to code consultancy expenditure to a single code and that it had been stated that any support the committee could provide to reinforce that message would be welcomed. Regarding legal services, it was clarified that case work referred to had been outsourced under a framework contract following a full procurement process. A range of related matters were commented on.

The Chair welcomed the Chief Officer (Legal and Procurement) who had been asked to attend to comment on consultancy costs linked to Legal Services, adding that he was interested in whether or not the feedback suggested further internal staff resource was required in the interests of Best Value rather than some work being outsourced. Having heard Councillor Robertson express interest in related training issues, Councillor Grant reiterated the challenge of addressing needs when the staffing complement of services such as Legal Services reduced, and Councillor McCaskill commented on shared services.

In response to questions, the Chief Officer (Legal and Procurement) explained that staff levels within Legal Services had reduced by 27% since 2009, with many of those who had left the Council having had many years of experience. Amongst other things he referred to the need for his service to be responsive; adhere to deadlines often outwith the Council's control such as for court and tribunal work; and how workload had increased in part due to the loss of expertise of officers in other departments who approached Legal Services for advice and support, and in part due to the scale of legislation developed at the same time as the number in the team had reduced. He acknowledged the need for some legal work to be outsourced given the nature of it, referred to difficulties of anticipating workload requirements to a degree as some issues that arose could not be foreseen, and cited examples of work required at specific times of the year such as on placing requests and relate challenges.

Having also referred to the scale of legal work associated with the Integrated Joint Board, Health and Social Care Partnership and City Deal amongst others, more generally, the Chief Officer (Legal and Procurement) clarified that a shared service model for legal work had been considered, but referred also to demands and pressures experienced elsewhere as well as locally, potential conflicts of interest, and matters linked to Law Society accreditation. It was clarified that in recent years two legal trainees had been employed, one of whom had become a permanent staff member but at the same time as an experienced member of his team had retired. The Environment Department had also funded a temporary legal post to provide advice they required but the end of this two year appointment was approaching.

It was clarified that there were challenges linked to addressing loss of knowledge when experienced legal staff left and that resources were the subject of discussions between him and the Chief Executive. Reference was made to the professionalism of those in Legal Services, and the workload of and efforts made by the section to ensure that the needs of the Council were met. Councillor Robertson commented that when reports on savings were discussed, reference to the potential need to employ consultants was rarely, if ever, mentioned.

During further discussion, Councillor O'Kane referred to challenges linked to the current financial situation, commented that Directors had to and did consider carefully when consultants were required, and that there were times when engaging an external party, such as a QC in the case of Legal Services, was unavoidable. It was commented that some external appointments could be coded in different ways, such as consultancy, under training or as agency staff for example, which could create issues when trying to work on the type of exercise the committee had progressed. Members of the committee commented that they considered the exercise they had progressed useful and referred to the importance of departments analysing such costs similarly on an ongoing basis. More specifically it was suggested that the Chief Executive be advised of the committee's view that it was important for departments to conduct such exercises to identify and scrutinise trends and inform discussions and analysis on whether the use of externally engaged staff, including consultants, trainers and agency staff for example, continued to deliver Best Value. The need to encourage departments to code consultancy work to the appropriate code, as commented on by the Head of Accountancy, was also highlighed.

The committee agreed that:-

(a) a copy of the feedback collated be passed to the Chief Executive for her review and interest, together with a note of the observations made by the committee on the value of such analysis by departments on an ongoing basis to ensure Best Value is always secured; and

(b) Directors be asked to remind all appropriate employees of the importance of coding consultancy related expenditure appropriately to assist with such analysis.

EXTERNAL AUDIT REPORTS – BENEFITS PERFORMANCE AUDIT ANNUAL UPDATE 2014/15; REVIEW OF ACTIVITY TO REDUCE FRAUD AND ERROR IN HOUSING BENEFIT; AND REVIEW OF HOUSING BENEFIT SUBSIDY CERTIFICATION 2014/15

1934. The committee considered a report by the Clerk on the publication by Audit Scotland of reports entitled *Benefits Performance Audit Annual Update 2014/15; The Review of Activity to Reduce Fraud and Error in Housing Benefit; and The Review of Housing Benefit Subsidy Certification Issues 2014/15* which, under the Committee's specialisation arrangements for dealing with external audit reports, had been sent to Councillors Wallace and Robertson for review. The Head of Business Change Services and Revenues had been asked to provide comments and her feedback was attached to the report.

It was clarified that the roll out of Universal Credit (UC) commenced in February 2016 and that it would be several years before the full impact was felt. Whilst commenting on related issues, reference was made to a Welfare Reform Strategy Group and a more tactical UC Preparations Group established and related liaison with other groups, such as the Local Employability Forum and short-life Participation Digital Group.

Regarding the Benefits Performance Audit Annual Update 2014/15, reference was made to improvements made, following publication of the original report, to the speed of processing new claims, changes of circumstances and timescales for actioning appeals and reconsiderations. Having summarised key messages within the update, it was commented that East Renfrewshire continued to seek improvement in benefit processing times and that related monitoring and seeking improvements would continue. Other issues commented on included plans for a new national digital system for UC, related implications, and the consequence of UC roll out slippage which was that other services which had been expected to wind down were expected to continue longer than expected with no clear end point. Reference was also made to associated staffing and expenditure issues, following which it was explained that COSLA had asked the Scottish Government and the Department of Work and Pensions (DWP) for new burdens funding to meet the functions DWP expected councils to retain. The report clarified that no commitment had yet been made by either body, and that the Council would continue to look at options on how best to mitigate the impact of these changes.

Regarding the Review of Activity to Reduce Fraud and Error on Housing Benefit, key messages within the report were summarised. Related matters commented on included local good practice in using various systems such as to identify overpayments. It was clarified that work was continuing to encourage the reporting of changes of circumstances and that the Benefits Team had pre-planned an annual intervention/review cycle for the coming year targeting specific areas such as receipt of earned income. Regarding the Housing Benefit Subsidy Certification 2014/15, all issues identified locally had been addressed before the report was published and no material issues had been identified for East Renfrewshire.

It was concluded that the services covered by the reports were generally performing well and would continue to respond effectively to issues raised in assessments and audits. Council departments and partner agencies were reported to be continuing to make good progress on mitigating the effects of welfare reforms, although the full impact had not yet been realised due to the delay in the roll out of UC.

The committee, having heard Councillor Wallace comment that it remained to be determined what impact UC would have on poverty as this was hard to predict fully, agreed to note the report.

INTERNAL AUDIT PLAN PROGRESS REPORT

1935. The committee considered a report by the Chief Auditor regarding progress made on the implementation of the 2015/16 Internal Audit Plan from 1 October to 31 December 2015. The report confirmed the number of reports issued during the quarter and that satisfactory management responses had been received in all cases.

During discussion the Chief Auditor provided clarification on a number of audits, related recommendations and their implementation including in respect of Council Tax reduction and liability in respect of which reviews of discounts were commented on. Clarification was also provided on the gas servicing audit, including the monitoring of fuel use and plans to address this better. Reference was made to an allegation of fraud and a related recommendation made.

The committee agreed to note the Internal Audit progress report and the comments made.

CHAIR