

Glasgow City Council

Annual report on the 2011/12 audit



Prepared for Members of Glasgow City Council and the Controller of Audit
October 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2011/12 audit findings

Financial Statements

We have given an unqualified opinion on the financial statements for Glasgow City Council (the council) for 2011/12. We have however drawn attention to the fact that the Area Operations and Transport significant trading operations failed to break even, on a cumulative basis, over the three year period to 2011/12.

Financial Position

In 2011/12 the council spent £2.5 billion on the provision of public services resulting in an accounting surplus of £111.1 million. Sound budget monitoring throughout the year has contributed to the council reporting an underspend of £2.8 million (0.2%) against the revenue budget.

The level of the council's usable reserves has increased by £11.1 million to £146.5 million (£135.4 million 2010/11). During the year £28.1 million had been transferred to usable reserves to both finance expenditure during the year as well as augment closing balances, in particular the funds held for future spending on new technology and culture and recreation. The year end balance on the general fund was £57.7 million (£53.9 million 2010/11). The council has earmarked the majority of this balance for areas of future expenditure with £23.8 million remaining at the year end as unallocated and available for unforeseen costs and contingencies. At 1.6% of net revenue expenditure, this falls slightly short of the council's 2% agreed policy on the holding of available reserves.

The council closely monitored and reported on performance against its capital programme throughout the year, allowing budgets to be reprofiled on a timely basis. The total capital spend in 2011/12 was of £193.4 million against the total programme of £252.3 million. The main shortfall against the planned level of expenditure related to the £40 million investment in SEC Ltd assets which took place shortly after the year end.

In February 2012 the council approved its budget for 2012/13 based on the 3 year budget settlement from the Scottish Government and has agreed options to address the total spending gap of £42.9 million contained within the budget. The most recent 2012/13 budget monitoring report to period 6 (to 31 August) indicates an estimated year end overspend of £3.8 million (0.7%) resulting from higher costs from greater than expected school rolls and placement costs for children in care. The council will continue to closely monitor budget performance.

Governance and Accountability

The council has well defined decision making and scrutiny structures. Following the May 2012 elections, the council has a Labour majority with 44 members out of the 79. Almost half of

elected members are new to the council. Changes have been made to the committee structure with the establishment of an additional policy development committee and the cessation of the separate External Governance Scrutiny Committee. This committee previously had the remit of monitoring the performance of the council's Arms Length External Organisations (ALEOs). This has now been integrated with the remit of the council's Operational Delivery Scrutiny Committee. It will be important to ensure that this addition to the committee's workload does not diminish the level of member scrutiny on the performance of the council's ALEOs.

Our audit of the council's key financial controls in 2011/12 did not identify any material weaknesses.

Best Value, use of resources and performance

The council continues to demonstrate a culture of performance management and a focus on securing best value. Its approach to self evaluation has improved with the implementation of the European Foundation Quality Management Framework (EFQM). It is recognised that over the short term the focus of managing performance may move away from ensuring continuous improvement to the maintenance of services and the identification of any instances of failure resulting from the impact of budget pressures and staff reductions.

The council reported its performance against the corporate objectives in the Council Plan and Single Outcome Agreement in its 2011/12 Annual Performance Report. The 2011/12 report on the council's Measures for Improved Performance (MIPs) shows that overall performance is positive with approximately two thirds of the ninety measures having either been achieved or exceeding target levels of performance. Work is currently ongoing to further strengthen the council's performance framework to enhance benchmarking across services and the ALEOs through a suite of new corporate scorecard indicators.

Glasgow's Community Planning Partnership is currently reviewing the current version of the Single Outcome Agreement (SOA) and is aiming to agree the new SOA by April 2013. Following the May 2012 elections work has been continuing in identifying the council's key corporate objectives and the production of the new Council Plan. It is envisaged that the new Council Plan will be approved by members by December 2012.

The council is continuing with its significant programme of change including the rationalisation of its office estate, changes in working practices and extensive service reform projects. The approved service reform projects have reported savings of over £129 million in the three years from 2009/10 to 2011/12 and at the end of March 2012 there was a shortfall of £4.9 million (8%) in the savings target for the overall programme.

Outlook

Looking ahead, challenges will continue to be substantial with the council having to deal with further budget reductions while at the same time maintaining services and meeting their statutory duty to secure best value.

The council has estimated a funding gap of £48.8 million for the two year period from 2013-15. It is likely that it will become increasingly difficult to identify and realise efficiencies. To date workforce reductions have contributed to a significant part of the overall savings made by the council in response to the budget pressures. There is likely to be even further staff reductions for the council through the voluntary severance scheme to address future funding pressures. The potential adverse impact of continuing reductions to the council's workforce is a significant area of risk which will need to be carefully managed.

There will be increasing demands placed on services through an ageing population and the effects of the current economic conditions on levels of employment. The council recognises and is planning ahead for the significant risk that the Welfare Reform Act and the introduction of the Universal Credit may lead to even further pressures on service.

The continued budget challenges along with rising demands on services will require strong political and officer leadership. Over the short term members are likely to be called upon to make challenging decisions about the allocation of limited resources to the council's priorities and key objectives.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Glasgow City Council ('the council'). The nature and scope of the audit were outlined in the Annual Audit Plan presented to the Finance and Audit Scrutiny Committee on 7 March 2012 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the council understands its risks and has arrangements in place to manage those risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members and the Controller of Audit. The report is presented to the Executive Committee with the action plan referred to the Finance and Audit Scrutiny Committee for monitoring. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. The management of the council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of internal control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of Glasgow City Council for 2011/12 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2012 and of the income and expenditure for the year then ended.
11. We have however, drawn attention in our audit report to the failure of the council's significant trading operations (STOs), Area Operations and Transport, to breakeven on a cumulative basis, over a three year period. Whilst both STOs reported a surplus in 2011/12, a deficit position exists over the three year period due to the costs of voluntary severance associated with the council's Tomorrow's Workforce programme incurred in previous years. Whilst this is a failure to comply with the Local Government in Scotland Act 2003, it does not impact on the fairness of the financial statements or affect the overall opinion on the financial statements.

Legality

12. Through our planned audit work we consider the legality of the council's financial statements. In addition, the Executive Director of Financial Services confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the council's management team, the financial transactions of the council are in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Going concern

13. The council has prepared the financial statements on the assumption that both the council and its group can continue to operate as a going concern into the future.

14. The 2011/12 group balance sheet shows a net liability of £24.8 million and specific going concern issues exist in relation to the council's share of the net liabilities for 3 subsidiaries (City Building, City Parking and Culture and Sport Glasgow) and 2 associates (Police and Fire). The liability position in all cases is due to the impact of depreciation and pension costs.
15. For a number of years the group financial statements have reported a net liability due to the impact of accounting for Strathclyde Police and Fire pensions. The council has given consideration to this and deem it appropriate to prepare the accounts on a going concern basis and we concur with this assessment. Whilst the deficit funding position of the pension funds indicates that the expected liabilities are not fully met at the balance sheet date, the funding policy seeks to ensure that these are met over the long term.

Annual governance statement

16. As part of our annual audit we review the disclosures made in the annual governance statement and the process for obtaining sufficient assurances to inform the content of the statement.
17. The 2010/11 annual governance statement reported issues concerning the procedures to be followed when an employee leaves the council and a lack of segregation of duties in SAP, the council's financial management and reporting software package. While some progress has been made towards addressing these issues, both remain in this year's annual governance statement as improvement actions have yet to be completed.
18. The 2011/12 annual governance statement included reference to the Internal Audit and the Information Commissioner's Office (ICO) investigations into the recent loss of data and IT equipment. This is covered in more detail in the section on Corporate Governance at paragraph 110.
19. We are satisfied with the disclosures made in the annual governance statement and the adequacy of the process put in place by the council to obtain assurances from service directors and the Chief Executives of the council's Arms Length External Organisations (ALEOs). We are also content that adequate action has been taken to address the areas of weakness in the system of control highlighted in the annual governance statement, and that they did not impact on the financial statements. The improvement actions for 2011/12, and those carried forward from the previous year will be followed up during our 2012/13 audit to ensure the issues identified are adequately addressed.

Remuneration report

20. The 2011/12 Code of Practice for Local Authority Accounting in the UK (the Code) introduced a new requirement for local authorities to report summary information in relation to exit packages awarded to employees. The disclosure, included within the remuneration report, includes compulsory and voluntary redundancy costs, ex-gratia payments and other departure costs together with the prior year comparatives. The audited financial statements include the appropriate disclosures in line with guidance.

Accounting issues

21. Local authorities in Scotland are required to follow The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). We are satisfied that the council prepared the financial statements in accordance with the 2011 Code.

Accounts submission

22. The council's unaudited 2011/12 financial statements were submitted to the Controller of Audit by the deadline of 30 June 2012. The audit was concluded and the financial statements certified by the target date of 30 September 2012. The financial statements are now available for presentation to members and publication.

Presentational and monetary adjustments to the unaudited accounts

23. During the course of the audit a number of presentational and monetary errors were identified and appropriate adjustments made to the accounts initially submitted for audit.
24. A number of errors were identified during the audit, where if adjustments were made they would have had a net effect of increasing by £0.1million the accounting surplus for the year of £111.1 million as shown in the comprehensive income and expenditure statement. The resulting impact on the net assets position would have been an associated increase of £0.1 million.
25. Officers in finance did not adjust the accounts for these errors and we accepted this approach as the errors were not material to the accounts as a whole.

Prior year adjustments

26. The Code requires authorities for the first time to separately account for heritage assets in accordance with Financial Reporting Standard 30 (FRS). Heritage assets include historical buildings, archaeological sites, scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art. In recognition of the difficulty in obtaining valuations for this class of assets, the Code permits values to be measured in any way which is appropriate and relevant. In accordance with this Code requirement, the council has recognised assets to the value of £1.4 billion based on their valuation for insurance purposes. The insurance valuation is based on an inventory list maintained by Glasgow Life.
27. As this was a change in accounting policy it required prior year audited figures to be restated which was done satisfactorily.

Pension costs

28. Glasgow City Council is a member of the Strathclyde Pension Fund which is a multi-employer defined benefit scheme. In accordance with international accounting standard 19 'Retirement Benefits' (IAS19) the council has recognised its share of the net liabilities for the pension fund in the balance sheet.

29. The council's net pension liability as at 31 March 2012 is £950 million, an increase of £325 million on last year's liability. This is mainly due to the decrease in bond yields reducing the discount factor which is used to place a value on the future benefits payable from the fund. The effect of this is to place a higher value on the fund's liabilities at 31 March 2012.
30. The valuation of pension fund assets and liabilities is assessed by professional actuaries and is dependent on a number of external variables. The net pension liability represents the difference between the expected future pension payments and the underlying value of pension fund assets available to meet this cost. The pension liability is an estimate made at a specific point in time and is based on a number of assumptions including forecasts of investment returns and interest rates.

Group Accounts

31. As the council has a number of service delivery vehicles, the Code requires the preparation of consolidated group financial statements to give a true and fair view of the activities of the council. To enable the preparation of group financial statements, councils are required to consider their interests in all entities, including subsidiary companies, joint ventures and statutory bodies, such as police, fire and valuation boards. The bodies falling within Glasgow City Council's group boundary for 2011/12 are shown in Exhibit 1.
32. During 2011/12 three of the council's group bodies were wound up: Glasgow Regeneration Agency, Clyde Regeneration Limited and City Markets LLP. One new body was added to the group as a material subsidiary: Glasgow's Regeneration Agency (GRA). This was formed as a result of the merger of Glasgow's 5 local regeneration agencies. In addition City Markets (Glasgow) LLP was merged with City Property (Glasgow) LLP including the transfer of all staff and assets.
33. ISA600 'Using the work of another auditor' requires us to consider a number of matters relating to the audit of group entities included within the financial statements of the council. As part of this process we issued questionnaires to auditors of all group entities and obtained audited accounts for all subsidiaries and associates. Based on this work we can report that:
 - all bodies within the group received unqualified audit opinions from their external auditors
 - in accordance with recommended accounting practice, key accounting policies for component bodies have been aligned with those of the council.

Whole of Government Accounts

34. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. Due to a number of issues with the consolidation pack template the council was unable to submit the consolidation pack for audit by the deadline of 31 July 2012. Due to exceptional circumstances, it was agreed beforehand with the Scottish Government that there would be a short delay in completing the audit process of the WGA submission and the final audited pack was submitted to Scottish Government three days after the audit deadline.

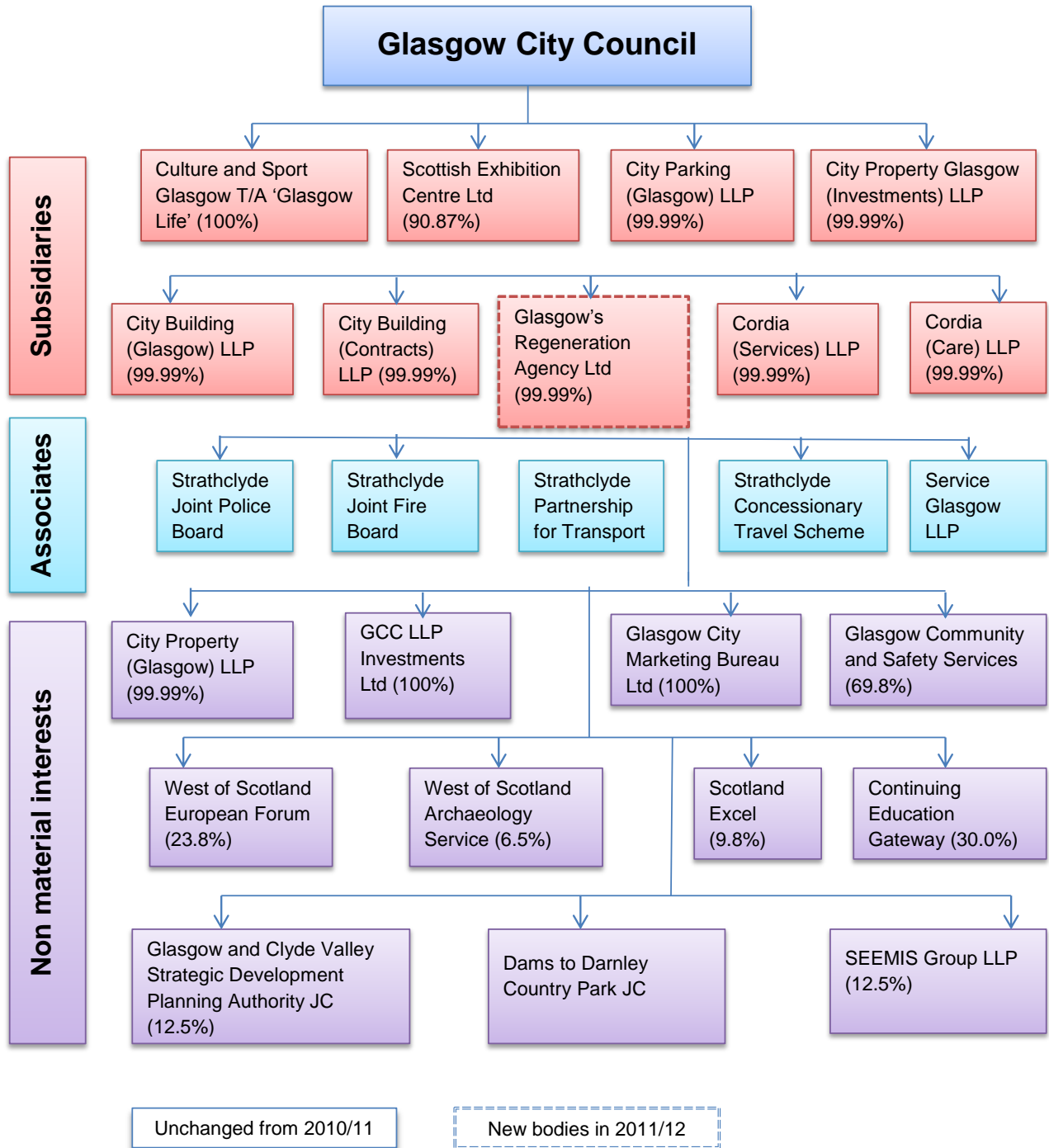
Trust Funds

35. The council has 32 trust funds which have charitable status. There is an ongoing review and rationalisation of charitable trust funds, in conjunction with the Office of the Scottish Charity Regulator (OSCR), which aims to clarify charitable purpose and confirm relevant trustees for a number of inherited charitable funds. Charitable bodies are required to comply with the Charities Accounts (Scotland) Regulations 2006, which sets out certain reporting requirements, depending on the size of the charity. In order to meet these reporting requirements, local authorities were previously able to provide OSCR with their audited financial statements' sundry trusts' disclosure, along with supporting working papers. OSCR have now confirmed that this is no longer sufficient and are expecting financial reporting compliant with the statutory requirements for financial year 2013/14. Until that time, OSCR are taking a proportionate approach to give local authorities time to meet the statutory requirements in full.
36. The council's ongoing review is designed to help achieve full compliance with these requirements by 2013/14. To date, five funds have been set up and will be subject to a full charities financial statement audit for 2011/12. The remaining charitable trusts will continue to be reported in accordance with OSCR's transitional arrangements whilst the review progresses.

Outlook

37. There are no significant accounting changes introduced in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which will apply to the 2012/13 financial statements.

Exhibit 1: Glasgow City Council Group Structure



Financial position

38. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
39. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
40. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

41. In 2011/12 Glasgow City Council spent £2.5 billion on the provision of public services, resulting in an accounting surplus of £111 million. The budget set for 2011/12 was based on a Band D council tax of £1,213.

Budgetary control

42. The council's net service expenditure for the year reported to committee was £1,361 million, resulting in an underspend of £2.8 million against budget (0.2%).
43. During 2011/12 a number of service departments reported overspends. This was offset by an underspend of £1.5 million on employee costs as a result of the industrial action taken by council staff in November 2011. During the year corrective action was taken which reduced the overspend gradually over the rest of the year.
44. The council's ALEOs were subject to quarterly budget monitoring by the External Governance Scrutiny Committee. Several of the council's ALEOs are required to return a target level of their surpluses to the council at the year end. For 2011/12 the budgeted amount was £9.8 million. Due to difficult economic conditions affecting City Building the actual surplus paid to the council was under budget by £2 million. Regular monitoring of ALEOs performance against budget should continue to be carried out by members to ensure that any variances from budget are identified promptly to enable appropriate action to be taken.

Financial position

45. Usable reserves are part of a councils' strategic financial management and councils will often have target levels of reserves.

46. Exhibit 2 shows the balance in the council's usable reserves at 31 March 2012 compared to the previous year. Funds include a capital fund which may be used to defray capital expenditure or repay loan principal, and a repair and renewal fund to finance expenditure incurred in repairing, maintaining, replacing and renewing fixed assets. During the year £28.1 million was transferred into reserves including:
- the transfer of £3.9 million to the Repairs and Renewals Fund to meet the costs of technology maintenance and refresh programme in education services
 - the transfer of £10.0 million to the Cultural and Recreation fund to help support the Commonwealth Games and the council's cultural events programme
 - the earmarking of £3.8 million of the General Fund in recognition of the financial risks associated with the Service Reform programme.
47. The closing balance at the year end on usable reserves was £146.5 million representing a net increase of £11.1 million, after accounting for expenditure from these reserves.

Exhibit 2: Usable Reserves

Description	31 March 2011	31 March 2012
	£ million	£ million
General Fund	53.9	57.7
Repair and Renewal Fund	20.5	24.5
Culture and Recreational Fund	20.7	27.6
Insurance Fund	19.5	18.5
Capital Fund	19.6	14.6
Unapplied capital grants	1.2	3.6
Total	135.4	146.5

Source: Glasgow City Council 2011/12 financial statements

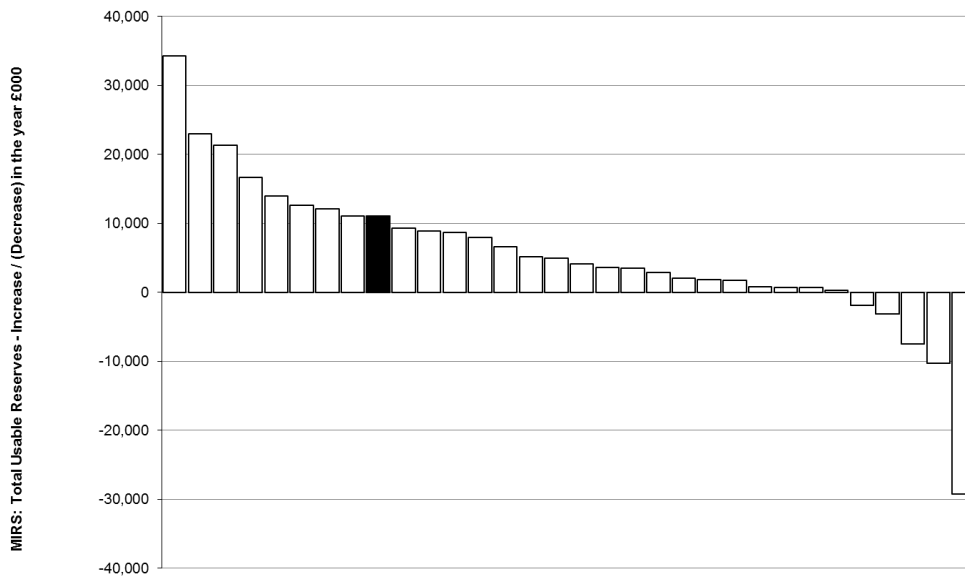
48. As shown in Exhibit 2, the year end general fund balance has increased by £3.8 million during the year to £57.7 million. Of this balance £33.9 million has been earmarked for specific purposes leaving an unallocated balance of £23.8 million (£23.7 million in 2010/11). The council has agreed a policy which sets out the optimum level of reserves it will maintain to deal with unforeseen circumstances. This has been set at a minimum of 2% of net revenue expenditure. The level of non-earmarked general fund reserves at 31 March 2012 was 1.6% and as such fell below the agreed minimum target level. The council is planning to restore unallocated reserves to 2% of net expenditure over the medium term.
49. The main earmarked balances relate to a number of council projects including:

- Commonwealth Apprentices
- Change Fund Reablement
- School Systems Development
- Private Sector Housing
- Waste Management
- Equal pay and other legal expenses.

Financial Ratios

50. A set of financial ratios has been developed by the CIPFA Directors of Finance Working Group. The ratios are intended to assist stakeholders in evaluating the council's financial sustainability and the affordability of financial plans. The council has incorporated financial ratios in the 2011/12 financial statements relating to its capital financing requirement for the year and the ratio of financing costs to net revenue stream, both of which have increased since 2010/11. The council's non-earmarked reserves as a proportion of net cost of services are also disclosed and show a small improvement on 2010/11.
51. Audit Scotland has compiled a selection of financial ratios for all Scottish Local Authorities and it is planned to publish these in the Local Government Overview Report for 2011/12. Some of the key ratios have been included in this report.
52. Exhibit 3 below shows movements in usable reserves across all Scottish local authorities in 2011/12, with the council highlighted. The graph shows that most councils continued to deliver savings and build up levels of usable reserves for future use.

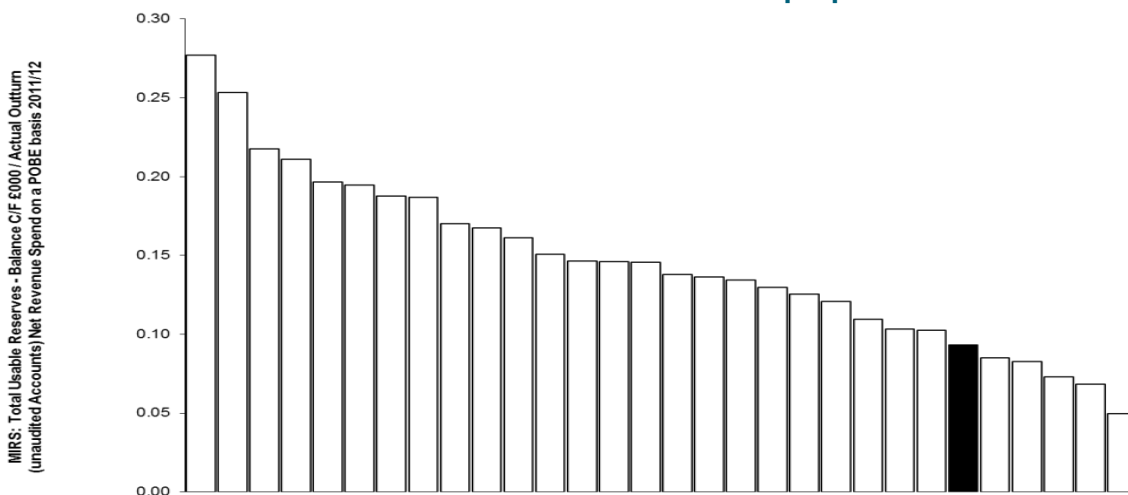
Exhibit 3: Movement in Usable Reserves



Source: Scottish councils' financial statements 2011/12

- 53. Exhibit 4 below shows the level of usable reserves carried forward from 2011/12 as a proportion of net revenue expenditure during the year. As highlighted the council falls below the median level of 15%.

Exhibit 4: Levels of usable reserves carried forward as a proportion of net revenue spend



Source: Scottish councils' financial statements 2011/12

Capital investment and performance 2011/12

- 54. The budgeted capital programme for 2011/12 was £252.3 million with actual expenditure for the year totalling £199.5 million (less £6.8m of non-asset creating expenditure which has been

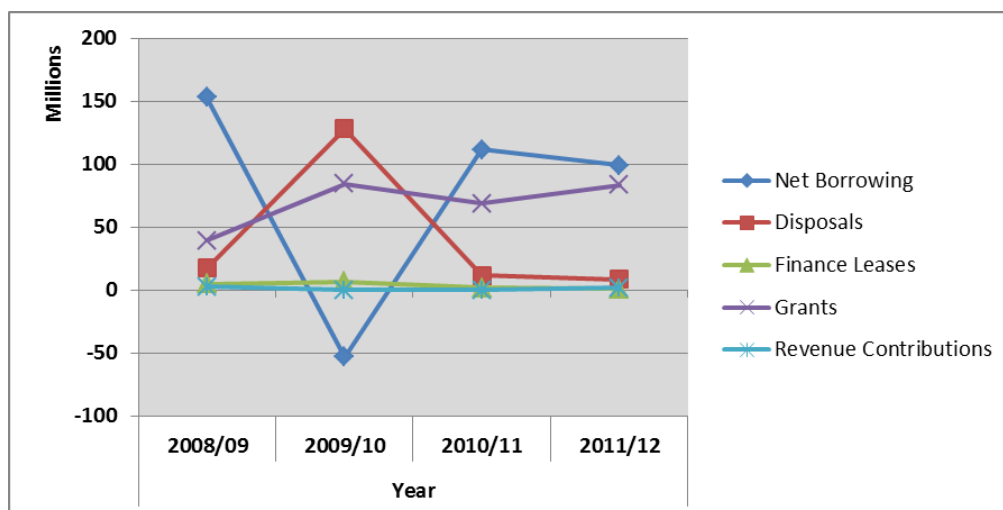
charged to revenue). The 2011/12 financial statements show the resulting total capital expenditure of £193.4 million. The majority of this capital re-profiling is related to the investment of £40m in SEC Ltd assets which took place shortly after the year end.

55. During the year progress has been made on a number of capital projects including:
- National Indoor Sports Arena and Velodrome - £50.0 million
 - Athletes Village - £15.1 million
 - Pre-12 Strategy - £16.1 million
 - Tomorrow's Office - £17.7 million
 - Roads programme - £16.8 million.
56. The council's capital reserves as at 31 March 2012 totalled £14.6 million. These reserves contribute to the funding of the council's capital programme. The funding of this programme is partly based on planned capital receipts from the sale of assets. The council achieved capital receipts of £8.4 million for 2011/12, which was below the in-year target of £14 million. A target of £10 million has been set for the period for 2012/13 in order to meet the target of £22.4 million by 2014. At 31 August 2012 (period 6) capital receipts of £0.5 million had been achieved.

Refer Action Plan No. 1

57. Exhibit 5 below shows the sources of finance for the council's capital expenditure in 2011/12.

Exhibit 5: Sources of finance for capital expenditure 2008/09 - 2011/12



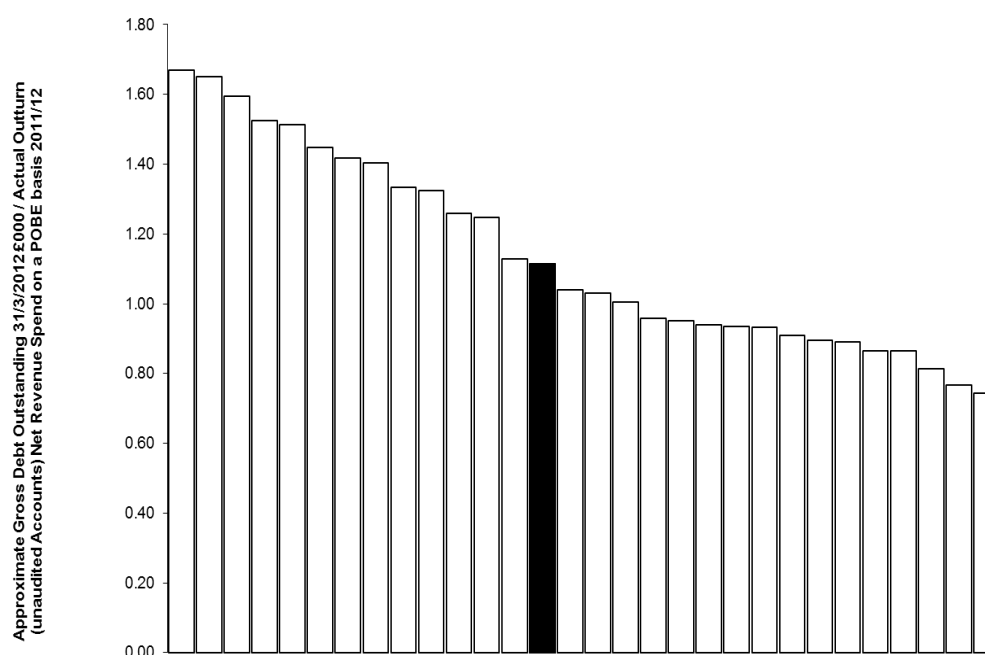
Source: Glasgow City Council 2011/12 financial statements

Treasury management

58. As at 31 March 2012, Glasgow City Council held cash and cash equivalents totalling £53 million, a large decrease from £150 million held at 31 March 2011. The council's borrowing has decreased slightly by £3 million to £1,543 million as at 31 March 2012.

59. This is in line with the council's treasury management strategy which aims to minimise debt interest costs over the medium term and to achieve a more even spread in the debt maturity profile. As an alternative to increasing external borrowing the council has utilised its own reserve and fund balances.
60. Opportunities for debt restructuring in order to generate revenue savings and improve the debt maturity profile are monitored by council officers in conjunction with external treasury advisors. There were no instances of debt restructuring during 2011/12.
61. The current economic climate means that interest rates on investments are low resulting in £2.4 million in investment income being received this year compared to £2.3 million last year. While long term borrowing rates are also low, the council has a significant proportion of its historic debt at fixed rates resulting in an average cost of borrowing over the year of 4.7% compared with 4.4% in 2010/11.
62. Analysing net external debt as a proportion of net revenue spend gives an indication of the relative indebtedness of the council. Exhibit 6 below shows the net external debt as at 31 March 2012 as a proportion of the actual outturn for the year for all councils in Scotland with the council highlighted as being consistent with other councils.

Exhibit 6: Net external debt relative to funding



Source: Scottish councils' financial statements 2011/12

Financial planning to support priority setting and cost reductions

63. Due to the extent of the financial challenges facing the council a review of service budgets was carried out to identify service reform projects to deliver savings and efficiencies to meet

the spending gap. In 2010/11 the council introduced a Budget Review Toolkit. The results of this review fed into the 2011/12 budget setting process.

64. When approving the 2011/12 budget, the council also approved budget options totalling £34.9 million for 2012/13 to address the total spending gap estimated at £42.9 million. The identification of potential efficiencies and savings remains crucial to the council's ability to address competing priorities, maintain frontline services and meet Scottish Government commitments.
65. As part of the council's 'Shaping the Future' programme, senior council officers work together to consider the risks and opportunities facing the council and to develop a strategic approach to how the council will achieve its priorities and meet its vision.

Asset management

66. Asset management within the council has a broad remit and includes estate maintenance, property management and estate rationalisation.
67. The council has a number of asset management plans in place covering different categories of asset such as operational property, the schools estate and investment property. There is an overarching asset management planning programme through which all actions relating to the council's portfolio of assets is coordinated and reported, at a corporate level, to members. The latest progress report put to members in March 2012 highlighted the priority projects for 2012/13, including:
 - improving property management information to allow a wider range of performance indicators
 - embedding the Education Property management model
 - developing a reporting mechanism to allow a corporate view of asset usage and the establishment of a city wide asset management plan.
68. The council is working towards establishing a corporate vision for its assets and the development of a corporate asset management plan. To provide a council wide review of assets, a senior officer Strategic Asset Management Planning Board has been meeting to take forward a coordinated approach to asset planning at a corporate level. This includes consideration of the leisure and community based facilities which are leased to the ALEO, Glasgow Life, which manages these assets on behalf of the council. This area is still under development.

Refer Action Plan No. 2

Workforce reduction

69. In November 2009, the council approved a voluntary severance scheme to offer all staff aged 50 and over the option of voluntary redundancy/early retirement (VR/ER) over a three-year phased period. The council estimates that the cost of meeting the requests for severance is £127 million, and that net savings to annual salary costs of £44.4 million will be achieved with a payback period of 2.8 years.

70. The total number of confirmed leavers is 2,592. By March 2012, 2,175 departures had taken place with the remaining 417 to take place in 2012/13.
71. All services were required to submit plans to the relevant policy committee detailing progress with the scheme and how they plan to continue to deliver services with reduced staffing levels. As part of the council's overall service reform programme, a number of initiatives are being taken forward such as restructuring, working pattern changes and alternative service delivery options.
72. A number of new measures have been introduced to enhance workforce planning including the Cross Council Resourcing Board, Redeployment Framework and high level workforce planning data.
73. The council has approved the extension of its early retirement and voluntary redundancy scheme. All employees, regardless of age, who are employed within specific targeted areas, will be invited to participate in the scheme. Employees will be required to leave the council by 31 March 2013.
74. As the severance scheme approaches the final stage, and with additional leavers not previously planned for, it will be important to review the impact of these actions on service provision and the delivery of planned savings from staff reductions. We will continue to keep this under review as part of the 2012/13 audit.

Ref Action Plan No. 3

Service Reform

75. The council established a service reform programme during 2009/10 to generate efficiencies and savings to enable the council to provide services within challenging financial constraints. The approved service reform projects report the delivery of savings of over £129 million in the three year period from 2009/10 to 2011/12.
76. Reform initiatives totalling £71.0 million were incorporated in 2011/12 service budgets. This target was subsequently reduced to £62.3 million as a result of resources from the Service Reform Fund of £8.9 million being utilised to allow the timing of certain projects to be carried out over a longer period. At 31 March 2012 the shortfall in the savings target for the overall programme was reported as £4.9 million (8.0%).
77. The council's service reform programme is key to achieving agreed savings targets and to address the funding gaps.

Refer Action Plan No.1

Partnership working

78. The council is currently reviewing its approach to community planning in response to a number of emerging issues:
 - the reform of Police and Fire and Rescue Services
 - Scottish Government consultation on future integration of Health and Adult Care Services

- Scottish Government consultation on a proposed Community Empowerment and Renewal Bill.
79. Plans have been approved by committee to replace the current local Community Planning Partnerships (CPP) and Area Committee structures and processes and to develop a streamlined model of Area Partnerships. It is envisaged that the revised model will become operational during 2013.
80. Further to the decision not to proceed with the Clyde Valley Support Services Business Case, the council has been reviewing options for the further reform of transactional activities and professional services. The council remains committed to developing other areas of joint working within the Clyde Valley Community Planning Partnership and is leading the social transport work stream and participating in the work stream on waste management being led by North Lanarkshire Council.
81. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. This will continue to evolve in 2012/13.

Outlook

2012/13 budget

82. In February 2012 the council approved its budget for 2012/13 based on the 3 year budget settlement from the Scottish Government. When approving the 2011/12 budget, the council also approved budget options totalling £34.9 million for 2012/13 to address the total spending gap estimated at £42.9 million. The 2012/13 budget, approved by the council in February 2012, contained options to achieve the remaining £8 million savings required.
83. The budget included detailed savings for each service relating to both service specific programmes and corporate, council-wide projects. The main budget reduction programmes include:
- Improved Productivity and Staffing (£5 million) - attendance management, review of middle management and service reform initiatives on Electronic Document and Records Management System (EDRMS), mobile and home working
 - Support Services Review (£1 million) - reform of back office and professional services
 - Non-essential spending (£1.5 million) - review of all categories of expenditure, to further reduce non essential spend.

2012/13 budget reporting

84. The 2012/13 budget monitoring report at August 2012 (period 6) indicates an overspend of £3.8 million (0.7%). The main causes of this position are an overspend within education services associated with additional teaching costs as a result of higher than budgeted school

rolls and overspends in social work services due to higher than anticipated placement costs for children in care.

Financial forecasts beyond 2012/13

85. As a result of financial constraints the council continues to face pressures on its budget. The councils' revenue allocation from the Scottish Government will reduce in cash terms over the next two years. As a result of the Scottish Government's policy to re-profile capital grants to local authorities, the 2013/14 contribution to the council will decrease before increasing in 2014/15.
86. A financial forecast for the period 2013-15 was prepared in September 2012 for use by members to inform the budget setting process. In preparing the forecast the council has taken into account inflationary increases and unavoidable cost pressures which it considers necessary to maintain service levels. These pressures include an expected contribution to fund the council tax benefit replacement scheme as a result of Welfare Reform, increases in landfill tax and carbon reduction commitments.
87. The forecast takes into account a planned contribution to the general fund, a provision for the risk of non-delivery of the Service Reform programme which is key to achieving required savings and a contribution towards funding the Council Strategic Plan commitments. The spending gap is reduced by budget decisions taken in previous years amounting to £16.3 million, the majority of these savings will be made from the main service reform initiatives: Workforce planning, Tomorrow's Office and Twice as Much by 2013. The resulting spending gap for the two year period from 2013-15 has been estimated as £48.8 million.

Refer Action Plan No. 4

Significant financial risks

88. There are a number of national reforms which are likely to have an impact on the council's future financial planning. These include Welfare Reform, police and fire reform, and the integration of health and social care. The uncertainty around the impact of these reforms represents a risk and is likely to require adjustments to the council's budgets as future developments and their implications for the council become clearer.
89. The introduction of the Universal Credit will mean the administration of housing benefits passing from councils to the Department for Work and Pensions (DWP) on a phased basis between 2013 and 2017. In addition, council tax benefit will be replaced by a localised council tax rebate scheme, administered by local authorities. Currently there is uncertainty as to the arrangements for replacing the council tax benefit.
90. The changes brought about by the Universal Credit have significant implications for the council. There will be considerable challenges in communicating the position to claimants and maintaining services and performance in a period of change. In addition there is likely to be reductions in funding and staffing levels as the housing benefit caseload moves from council administration to the Universal Credit.

91. A corporate officer working group is quantifying the impact on Glasgow and planning the council's response with regular reporting to the Executive Committee. The council's Revenues and Benefits Service is currently developing a communication strategy with the aim of informing claimants, landlords and other stakeholders of the likely impact of these changes.

Refer Action Plan No. 5

Governance and accountability

92. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
93. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
94. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
95. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

96. Glasgow City Council has extensive and well-defined decision making and scrutiny structures which support the role of members to scrutinise performance, hold management to account and develop and review council policy.
97. The council has two scrutiny committees with distinct areas of responsibility. The membership of each scrutiny committee is split between the administration and opposition and is chaired by a member of the opposition.
98. The Finance and Audit Scrutiny Committee (FASC) is responsible for monitoring the financial performance of the council and its trading operations, reviewing the performance of audit and inspection within the council and promoting the observance by councillors of standards of conduct. The committee is well attended by service department officers who respond to member queries.
99. The council elections in May 2012 resulted in a Labour Party majority with 44 councillors out of a total of 79. The elections saw a significant number of new councillors elected representing almost half of the council. The council has in place an induction and training programme for new members with all members offered a Personal Development Plan

interview. In the first week after the election a variety of training courses were run including general induction, councillor code of conduct, data protection and media training.

100. The council's scrutiny framework was subject to review after the May 2012 elections, with a number of changes being made. The External Governance Scrutiny Committee (EGSC) was previously responsible for scrutinising the performance of the council's ALEOs. With effect from May 2012 this committee has been removed from the council's scrutiny framework and its functions have been integrated with those of the Operational Delivery Scrutiny Committee (ODSC) which has responsibility for scrutinising and monitoring the operational performance of council service departments.
101. Previous audit reports on the council's scrutiny arrangements had identified the EGSC as an example of good practice as it provided an additional level of scrutiny over the performance of the council's complex and extensive group structure. It is important that the removal of this separate scrutiny committee and the transfer of its remit to the ODSC does not limit members' ability to effectively monitor and challenge performance of the council's ALEOs.
102. Quarterly performance reports on the council's ALEOs are submitted to members of the ODSC. These cover for each body the financial position, employee absence levels, risk management and business continuity. It is noted that while detailed reports are given on the performance against budgets and the overall financial position for quarters 1 to 3 of the financial year. Limited information in respect of the final outturn position for each ALEO was reported to ODSC in August 2012.
103. City Property Glasgow (Investments) LLP has a loan agreement with Barclays Bank, which at 31 March 2011, stood at £108.9 million. The council acts as a guarantor for this loan. The terms of the loan agreement requires City Property Glasgow (Investments) LLP to provide Barclays Bank with an assurance that their earnings in the accounting period being reported is sufficient to service the debt repayments and that the projected cash flow will be enough to meet the debt due to be repaid during the next 12 month period. Confirmation of the provision of this compliance certificate to Barclays Bank is reported to members as part of the ALEOs quarterly performance reports.
104. The last time that members received this confirmation was in the performance report to the EGSC on 14 February 2012. This report was based on financial information for the period to September 2011. While delays in reporting had been caused by timing differences between the receipt of financial data and the committee reporting timetable, along with the changes to committee reporting due to the May 2012 elections, it is important that members are assured in the next round of performance reports for City Property that the relevant terms of the loan agreement with Barclays Bank continue to be met. We are advised that this will be included in the ALEOs performance report to be put to the ODSC meeting on 8 November 2012.

Refer Action Plan No. 6

105. The new council also approved the establishment of a new policy development committee (PDC): the Public Petitions and General Purposes PDC. This committee will consider a variety of issues including employment and personnel issues, community planning, corporate communications and marketing, community councils, public processions, corporate procurement, service reform and customer care.

Internal control

106. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
107. As part of our work, we take assurance where possible from work carried out by Internal Audit on the council's financial systems as part of their annual audit plan. We continue to work with Internal Audit to further develop and improve this area of joint working.
108. The results of our review of key controls were reported to the Finance and Audit Scrutiny Committee in September 2012. Areas where key control improvements could be made have been discussed with officers and have either already been implemented or will be implemented in line with an agreed timetable. Progress will be monitored as part of our 2012/13 audit work.
109. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

ICT data handling and security

110. A number of incidents have been reported in the past by the council in relation to the loss of personal data. In December 2010, the Information Commissioner's Office (ICO) undertook regulatory action requiring the council to take specified steps to improve compliance with the Data Protection Act.
111. In early 2012 the council agreed to a consensual audit by the ICO of its processing of personal data. During the year, Internal Audit reported on further incidents involving the theft and loss of laptops and other ICT equipment.
112. The ICO issued its report in September 2012 and concluded that 'arrangements for data protection compliance within the Council provides a limited assurance that effective controls and processes are in place. The audit has identified scope for improvement in existing arrangements and appropriate action has been agreed to reduce the risk of non-compliance.'
113. The ICO made two 'limited assurance' assessments in relation to Records Management and the Security of Personal Data where controls could be improved to address the issues identified. The council has prepared an action plan to address these findings.

114. The Head of Internal Audit reported in his Annual Governance Statement for 2011/12 further losses of data and IT equipment which had taken place over a number of years. A report on this was taken to FASC in September 2012.

Ref Action Plan No. 7

Prevention and detection of fraud and irregularities

115. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
116. Glasgow City Council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include a whistleblowing and response policy. This is relaunched every 2-3 years to enhance awareness of the policy and to ensure that it accurately reflects the arrangements in place. In addition, the council has a code of conduct for employees and elected members and adheres to the nationally prescribed code of conduct for members.

NFI in Scotland

117. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in October 2010 and was reported in May 2012.
118. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.
119. In March 2012 NFI notified the council of a further batch of 5,067 matches to be investigated based on a match between council tax records and Electoral Registration. As part of its investigation the council will use the services of Experian, a credit rating agency that has previously been able to provide additional information on financial activity by address. To date officers have completed 5,946 investigations resulting in 635 errors being identified and 5 confirmed frauds. An amount of £313,765 is in the process of being recovered.
120. The next round of NFI commenced in June 2012, with an expanded range of data sets and bodies. The council will submit their data in the autumn of 2012 with the output from the matches expected early in 2013.

Housing and council tax benefits performance audit

121. A risk assessment was carried out during 2011/12 by Audit Scotland's Benefit Performance Audit team. The key objective of this work is to determine the extent to which the benefits service is meeting its obligations to achieve continuous improvement in all its activities.

Specifically, the risk assessment considered the effectiveness of the benefits service in meeting the needs of the community and its customers, and delivering outcomes.

122. A risk assessment was previously carried out on the council's benefits service in June 2009 when Audit Scotland identified 19 risks to continuous improvement. The council submitted an action plan in August 2009 to address these risks which Audit Scotland accepted as satisfactory, if fully implemented. Since our last visit in July 2009, the council has undergone a period of significant change in order to meet the many challenges faced by the council, including financial and budgetary constraints, and the downturn in the economic climate.
123. In March 2012, the council submitted a self-assessment along with supporting evidence, and an updated action plan. Of the nineteen risks identified in 2009, the council has made significant progress and has made a positive contribution to the delivery of the benefits service.
124. One issue identified relates to the fact that in 2011/12 the council disbanded its housing benefits overpayments team. Subsequent to this, overpayment debt has continued to rise, up 14.6% from 2010/11. Actions have been agreed by the council to address this particular issue along with the other risks identified by the report and a Risk Mitigation Plan has been agreed by Audit Scotland.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

125. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in the council are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Media coverage, correspondence and investigations

126. Part of Audit Scotland's duties as the external auditors of Glasgow City Council is to consider concerns raised by members of the public about the council. If the nature of these concerns is relevant to our audit remit we may investigate them further. During 2011/12 we followed up correspondence received relating to the disposal of assets on which there were economic development burdens imposed by the council. There has been a failure by the council to actively monitor the fulfilment of those burdens. We will continue to monitor the council's actions in taking this forward.

Action Plan point No. 8

Complaints Handling Procedures

127. The Scottish Public Sector Ombudsman (SPSO) has issued guidance to all local authorities on the implementation of the new model Complaints Handling Procedure (CHP). The council submitted its CHP to the SPSO by the target date of 14 September 2012.
128. As a result of the adoption of the new CHP model the council intends to create a centralised frontline resolution team which will accept and log all complaints. Responsibility for further investigation will remain with service departments. The post of Senior Investigating Officer, reporting to the Chief Executive and the Corporate Management Team will have the authority and responsibility for ensuring compliance with the investigation process within the CHP.
129. To support the CHP the council will introduce a new IT system and implement some organisational change. As a result, the procedure will not be fully compliant until 31 March 2013.

Outlook

130. The May 2012 elections resulted in the makeup of the new council comprising almost half new members along with some changes to the council's scrutiny committees. Continued elected member training and development will be essential to support members in their roles and responsibilities, including where they are asked to serve on audit and scrutiny committees and take on roles in external organisations. The continuing budget pressures and increasing demands on services will require effective working relationships within councils and with local partners to provide strong leadership and direction.
131. The Welfare Reform Act 2012 received royal assent in March 2012. The Act provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. Councils will face challenges in understanding and acting upon welfare reform changes, and communicating these accurately and effectively to local residents. Councils will be challenged during this period of change to maintain service delivery and performance around housing benefit claims.
132. The council has been proactive in its efforts to ensure that elected members, key stakeholders, staff and customers are aware of the changes to housing and council tax benefits as a result of the welfare reform agenda. Since February 2011, a number of detailed reports have been provided to elected members detailing the upcoming changes and the potential impact these would have on customers and council services. In 2012 a series of presentations has been delivered to the council's social work department, and the Glasgow Advice and Information Network (GAIN), a network of agencies that give free, confidential and impartial debt advice to the citizens of Glasgow.
133. As part of our work on the 2012/13 audit, we will consider the council's preparedness for the introduction of these changes, and how it is developing and taking forward its strategies and plans to address the risks arising from these changes.

Best Value, use of resources and performance

134. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
135. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions which have been issued by the Accounts Commission.
136. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
- a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
137. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
138. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
139. This section includes a commentary on the Best Value and performance management arrangements within the council. We also note any headline performance measures and outcomes used by the council and comment on any relevant national reports and the council's response to these.

Management arrangements

Best Value

140. The findings from the first Best Value audit of the council were reported in 2006. Since this date the council has been actively monitoring progress against the original best value improvement plan which has been updated over time to reflect those areas identified by the council's own performance management processes and reviews. Six monthly reports on progress against the best value improvement plan are reported to members, with the latest

report being made to the Finance and Audit Scrutiny Committee in January 2012. This reflected the progress made to September 2011 and highlighted that good overall performance had been made against target dates with only one of the planned actions falling behind scheduled completion. This related to the roll out of a new self assessment programme for the council based on the European Foundation Quality Management Framework (EFQM). The council has continued to make progress in implementing the EFQM process and to date assessments have been completed at a Corporate level and in respect of all services. The council's ALEOs have also been completing self assessments of performance.

141. The findings from the EFQM reviews will inform any required revisions to the council's best value improvement plan. The next full Best Value audit of the council is planned to take place in 2013/14.

Performance management

142. The council has a well established and systematic approach to performance management, with performance reports at both corporate and service levels demonstrating progress against the council's key corporate objectives. An Annual Performance Report is produced which shows progress against the key objectives in the Council Plan.
143. The council's performance management framework is correctly framed around the council's five key objectives reflected in the Council Plan and Single Outcome Agreement (SOA). The current version of the Council Plan covers the period 2008-2011 and the supplement to the Council Plan 'Rising to the Challenge', which focuses on the impact of the current recession, is for the period 2009-2011. These strategic plans are currently being updated by the council to reflect the key objectives agreed following the May 2012 local elections. It is envisaged that the new Council Strategic Plan will be approved by members by December 2012.
144. Glasgow's Community Planning Partnership (CPP) is in the process of reviewing the current version of the Single Outcome Agreement (SOA) to identify future SOA priorities and is working towards the agreement of the new SOA by April 2013.

Refer Action Plan No. 9

145. It is noted that work has been ongoing by officers to review the performance framework in preparation for the introduction of the new strategic plans and to ensure a more focussed and streamlined approach. A new computer based performance management system called Covalent has been introduced to enhance the capturing and reporting of performance data. A suite of new corporate scorecard indicators is being developed and improvements are being made to allow the benchmarking of performance across all council services and ALEOs, focusing on areas such as staff numbers and absence management, recycling and energy usage. We will keep these further developments to the council's performance management framework under review as part of our 2012/13 audit.

Community and user engagement

146. The council regularly undertakes consultations with stakeholders to contribute to the development of key policies, plans and strategies or when making changes to the services the council provides. One of the major consultations currently taking place is the involvement of stakeholders in the redevelopment of George Square.
147. As part of the revision of the council's committee structure implemented after the May 2012 elections a new Public Petitions and General Purposes PDC was established. Part of the remit of this committee is to consider petitions from the public addressed to the council in accordance with the council's approved petitions procedure and determine the appropriate action to be taken within the terms of the procedure.
148. The council has carried out a Household Survey biannually since 1999 to measure city residents' use and perceptions of services provided by the council and its partners, as well as attitudes towards aspects of life in the city. The results are reported formally to the Corporate Management Team and are published on the council's website.

Overview of performance in 2011/12

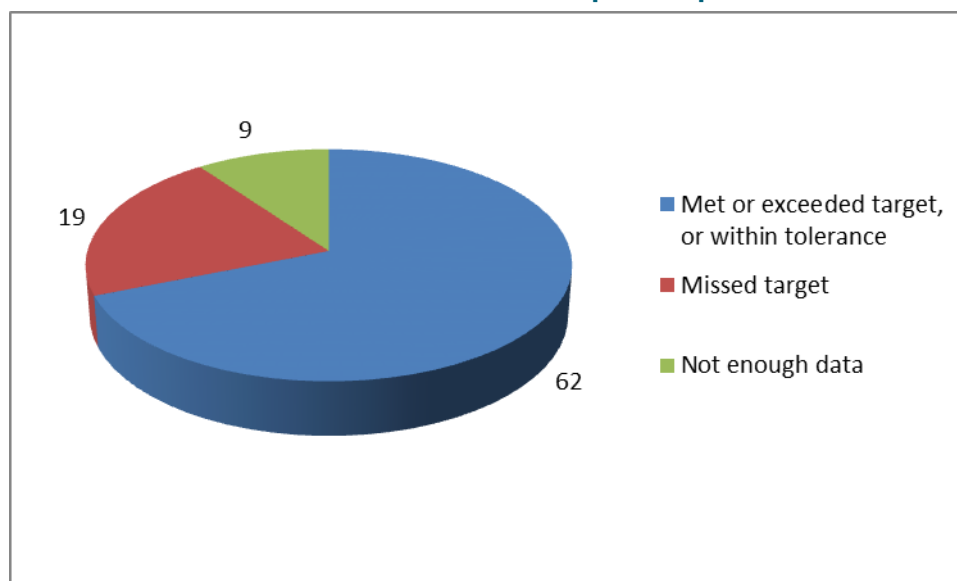
Glasgow City Council's measures of improved performance 2011/12

149. The council has developed a suite of 90 Measures for Improved Performance (MIPS) which are linked to the key objectives and outcomes included in the Council Plan, 16 of which have been classed as priority MIPS. These are regularly measured and monitoring reports put to the council's senior management team. The MIPS report for 2011/12 shows that approximately two thirds of the measures have either achieved or exceeded targeted levels of performance. There were 9 measures for which targets have not yet been set, three of which related to the priority MIPS of the level and percentage reduction in carbon emissions and the proportion of all employee jobs in Scotland that are located in Glasgow. The achievement of the council's MIPS is illustrated in Exhibit 7 below.
150. Of the 16 priority MIPS, 9 had a status of acceptable, four had an alert status and three were unknown. Those priority areas achieving their targets included:
- Council tax collection rates (*actual 92.6%, target 92.5%*)
 - Percentage of household waste recycled (*actual 29.3%, target 27%*)
 - Reduction in the number of people killed or seriously injured on roads (*actual 165 deaths, target 241 deaths*)
 - Percentage of young people receiving a leaving care service known to be in employment, education or training (*actual 51%, target 38%*).

The following priority MIPS were reported as having an alert status. The MIPS report expands on the reasons for the underperformance as shown:

- Average number of days per year lost to employee sickness absence (*actual 7.4, target 6.7. However this shows an improving trend with an improvement of 0.7 days over the previous year*)
- The number of children who are supported who live with one or more parent with a substance misuse problem (*actual 2,500, target 2,800. The council acknowledges shortages of specialist children and young people workers in some localities*)
- Percentage of reports submitted to the Scottish Children's Reporter Administration (SCRA) on time (*actual 23%, target 55%. Council in discussion with Scottish Government about continued relevance of the current 20 day standard and is piloting a scheme whereby the SCRA requires a background check rather than a full report*)
- Percentage of social work service users whose care packages have been reviewed within last 12 months (*actual 53.1%, target 85%. New assessment and care management processes have been introduced through the roll out of personalisation and the planned introduction of new measures for the timely review of care packages*).

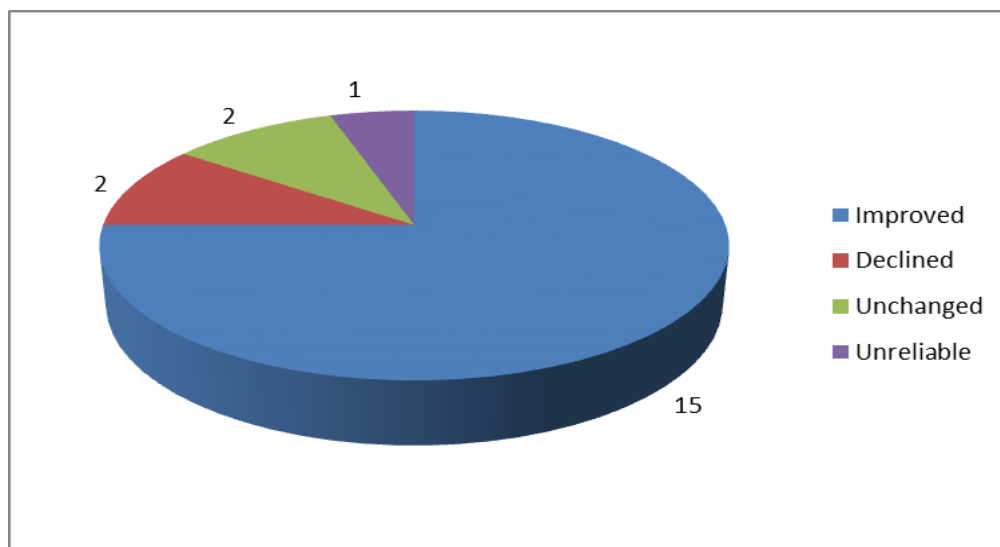
Exhibit 7: Achievement of measures of improved performance



Source: Glasgow City Council corporate management team report 26 June 2012

Statutory performance indicators

151. In 2011/12, a total of 20 SPIs were required and these indicate improving trends in performance as illustrated in Exhibit 8 below.

Exhibit 8: Achievement of SPIs

Source: Glasgow City Council 2011/12 SPI data return

152. The improved indicators include the administration costs per housing benefit application, visits to/usage of museums and libraries and the time taken to respond to customer complaints and business advice. Declines were observed in the net cost of refuse disposal and the percentage of invoices paid within 30 days of receipt.
153. One indicator, covering the suitability of operational buildings, was classified again this year as 'unreliable' as nurseries have not been included.

Local performance reporting

154. In June 2012 we issued Maintaining Scotland's Roads: a follow up report which reported on the progress made by the council in improving their management of road maintenance, focusing on road asset management planning, performance management and maximising value for money.
155. Our report concluded that the council is continuing to make progress in its approach to managing road assets. It has acknowledged the need to further develop the Roads Asset Management Plan to provide fuller management information on asset conditions and to quantify the future level of investment needed to address the repairs backlog and to keep the assets in a steady state of condition.
156. Work was continuing to secure improvements in priority areas such as the condition of the roads network and the repair of potholes. We note that a draft of an updated Roads Asset Management Plan was put to members for comment in October 2012 and we will review the improvements made as part of our 2012/13 Shared Risk Assessment update.

Ref Action Plan No. 10

National performance reports

157. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 9.

Exhibit 9: A selection of National performance reports 2011/12

- | | |
|--|---|
| <ul style="list-style-type: none">• Commissioning social care• The National Fraud Initiative in Scotland• Commonwealth Games 2014 - 2nd position statement• An overview of local government in Scotland - challenges and change in 2012• Review of Community Health Partnerships | <ul style="list-style-type: none">• Reducing greenhouse gas emissions• The role of community planning partnerships in economic development• Modernising the planning system• Using cost information to improve performance |
|--|---|

Source: www.audit-scotland.gov.uk

Commonwealth Games 2014 - 2nd position statement

158. Audit Scotland prepared a position statement as at November 2011 concluding that:

'the various delivery and infrastructure programmes were on track. The Organising Committee now needs to increase its staff capacity to remain on schedule. The partners recognise that there are particular risks in delivering the Athletes' Village and Hampden Park developments. These projects are due to be completed less than five months before the Games start, which increases the risk of cost overruns to ensure they are ready on time. The partners are managing these risks but are unable to eliminate them completely.

The strategic partners are committed to delivering the Games within the Games budget of £524 million. So far, good progress has been made in securing income. As would be expected at this stage, there is inherent uncertainty in the budget as only a small proportion of costs is spent or committed. Based on the experience of previous Games, security is particularly at risk of cost increases. The partners are taking account of this risk in their operational planning for security.'

159. At the time of reporting only 17% of the budget had been spent or committed with spending forecast to grow significantly over the three years 2012/13 to 2014/15.
160. The council's Annual Performance Report for 2011/12 provides brief examples of some of the recent areas of progress related to the 2014 Commonwealth Games:
- The refresh of the Glasgow 2014 Legacy Framework
 - Since 2009 the inclusion of community benefit clauses in procuring capital works relating to the Games has realised 240 jobs outcomes and 107 work experience placements

- Glasgow Companies have won 42% (£67 million) of the £158 million contracts awarded through the Commonwealth Business Portal.

An overview of local government in Scotland - challenges and change 2012

- 161.** The local government overview report was published in March 2012. It was based on the audit work carried out in 2011 including the annual audits, Best Value audit work and national performance reports. It highlighted areas of strength and areas for improvement and identified what are regarded to be the top priorities for local authorities in 2012. One of the main aims of the overview report is to support councillors and officers in providing a means for comparison and assessment of current arrangements.
- 162.** The council has taken the positive step in submitting the main findings of the report to members of the Finance and Audit Scrutiny Committee along with a summary assessment of the council's position against the reported priorities and challenges. The suggested checklist for new and returning elected members was highlighted to members and this has been referred to the council's Business Bureau to take forward.

Using cost information to improve performance

- 163.** As part of its policy of encouraging improvement and supporting developments in best value, the Accounts Commission issued in May 2012 the third report in the series of 'how councils work'. This report highlighted the importance of having good quality cost information to inform policy decisions and scrutinise performance. It included as a particular case study the use made by the council of cost information as part of the review of the effectiveness of its shared services and customer contact centres, now known as customer and business services (CBS).
- 164.** The council has reported to the Finance and Audit Scrutiny Committee a summary of the key messages of the report along with a narrative on how the council's current arrangements compare against each area. It highlights that the council is currently contributing to the Society of Local Authority Chief Officers' (SOLACE) project developing a set of indicators to supplement the performance information currently available to the local government sector. In addition, the council is represented on the Local Financial Return (LFR) Review Group which has been set up by the Scottish Government to review the revenue expenditure statistics prepared by local authorities.

Review of Community Health Partnerships

- 165.** The audit of Community Health Partnerships (CHPs) examined whether CHPs are achieving what they were set up to deliver and included an assessment of the governance and accountability arrangements and the efficient use of resources. The key messages from the report published in June 2011 were that:
- Partnership working depends on good local relationships, a shared commitment and a clarity of purpose

- There is scope to achieve efficiencies by reducing the number of partnership working arrangements and financial management information and performance reporting need to be improved
- A more systematic and joined up approach to planning and resourcing is needed
- Enhancing preventative services and moving resources across the whole system requires effective joint working between councils and NHS Boards with CHPs having a key role to play.

166. The council has reported the main messages from the report and the recommendations for further action to members of the Finance and Audit Scrutiny Committee. Members agreed to continue consideration of the report for further information on how it impacted on the council.

Progress against audit risks identified in the SRA

167. In May 2012 we issued to the council the Assurance and Improvement Plan Update. This set out the planned scrutiny activity for the council for the period April 2012 to March 2015 based on a shared risk assessment (SRA) carried out by a local area network (LAN). The LAN is made up of representatives of all of the main local government audit and inspection agencies and together assess and agree the level of risk attached to the council's corporate, service and outcome areas. An assessment is also made against the three core national risk priorities which apply to all 32 councils in Scotland. The AIP Update 2012-15 was reported to the Finance and Audit Scrutiny Committee in August 2012.

168. The council has considered those areas assessed by the LAN as uncertain, with the introduction of a number of new initiatives and ongoing review and focus. The LAN will consider the impact of these actions as part of the shared risk assessment for 2012/13.

Progress on delivery of the council's best value improvement plan

169. The audit of Glasgow's best value and community planning was completed in December 2005 with a follow-up report published by the Accounts Commission in April 2009. Since then the council have regularly reported progress to members and have updated the best value action plan to include the improvements identified through the council's own corporate self assessment process and performance monitoring.

170. The latest update was put to members in January 2012 and this reflected the achievements at September 2011. At this stage all apart from one of the 18 improvements had either been achieved or were on target. The delayed action related to the development and implementation of a self assessment programme for the council. This action has now been progressed with the roll out of the EFQM process and the recent completion of assessments at a corporate and service level. The findings of these assessments and the current position against the Best Value Improvement Plan commitments were reported to the senior management team and is due to be reported to members in December 2012.

Outlook

171. The Assurance and Inspection Plan includes a Best Value audit on Glasgow City Council for 2013/14, in addition to activity by other scrutiny bodies over the next three years including:
- Care Inspectorate – Initial Scrutiny Level Assessment (ISLA) review (2012/13).
172. The Accounts Commission has developed an audit approach for the audit of Community Planning Partnerships. This approach is being piloted in the autumn of 2012 to be rolled out across the sector thereafter.
173. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty', including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013. The council has begun implementing the new requirements and we will monitor progress as part our 2012/13 audit.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	28 February 2012	5 March 2012
Shared Risk Assessment/Assurance and Improvement Plan	17 April 2012	8 August 2012
Internal controls management letter	31 July 2012	5 September 2012
Maintaining Scotland's roads - follow-up review	6 July 2012	*10 October 2012
Report on financial statements to those charged with governance	31 August 2012	5 September 2012
Audit opinion on the 2011/12 financial statements	19 September 2012	5 September 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	10 October 2012	n/a
Report to Members on the 2011/12 audit	31 October 2012	November 2012

**This report was presented to the Sustainability and the Environment Policy Development Committee.*

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	56 76	<p>Shortfalls in target capital receipts and savings from service reform</p> <p>The council returned shortfalls in the planned levels of capital receipts and savings from the service reform programme in 2011/12.</p> <p>Risk: Planned savings and capital receipts are not achieved.</p>	<p>The current economic climate continues to provide a difficult environment for the sale of property. The council will continue to work closely with City Property to ensure that capital receipts are maximised.</p> <p>The council has a well-established Service Reform programme that has delivered almost £130 million over the last 3 years. The current governance arrangements including scrutiny from members will continue to review the programme to provide early identification and mitigating actions to ensure delivery of savings.</p>	<p>Assistant Director of Financial Services/ Managing Director of City Property</p> <p>Head of Communications and Service Development</p>	<p>March 2013</p> <p>March 2013</p>
2	68	<p>Asset management</p> <p>The council has yet to complete its corporate asset management plan (CAMP) which sets out a vision for its complete portfolio of assets.</p>	<p>The Strategic Asset Management Planning Board is bringing together the asset management planning strategies for all the asset classes. The</p>	<p>Head of Asset Management</p>	<p>March 2013</p>

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		Risk: Until the completion of the CAMP decisions on the future use and investment in assets are not being taken in a council wide context.	outputs from these will then be combined to inform the future investment plan for the council.		
3	74	Workforce reductions The council has approved the extension of the scheme and it is likely that there will be even further reductions in staff numbers. Risk: The reductions in staff numbers have an adverse impact on both the continued provision of services and staff performance and morale. Planned financial savings are not realised.	The extension of the scheme will be managed by Executive Directors within agreed targeted areas.	Executive Directors	March 2013
4	87	Future financial pressures The council's latest budget forecasts estimate that there will be a funding gap of £48.8 million for the years 2013/14 and 2014/15. Risk: The need to meet future funding gaps may have an adverse impact on services and the council's ability to achieve their corporate objectives and financial plans.	The council will consider the impact of efficiency savings to meet this gap and the impact of corporate objectives as part of the 2013/14 budget process.	Executive Director of Financial Services	February 2013
5	91	Welfare Reform The council should continue to monitor developments in the introduction of the Universal Credit and welfare	The Corporate Welfare Reform Working Group will continue to meet to identify the impacts and possible mitigating	Executive Director of Financial Services	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		reform and continue to plan for the expected impact of the changes on the council. Risk: The council is not prepared for the implementation of fundamental changes to the housing and council tax benefit systems brought about by welfare reform and have not adequately supported benefit claimants.	actions from the wide-ranging implications of this national reform. Reports will continue to be presented to committee as required.		
6	104	ALEOs' scrutiny arrangements There is no longer a separate scrutiny committee for the specific review of the performance of the council's ALEOs. Very limited information reported to members on the final budget outturn position of the ALEOs. Risk: The level of members' scrutiny of the ALEOs is diminished.	Performance management reporting to ODSC is under review to reflect Council Strategic Plan themes and commitments. The level of members' scrutiny as part of this review and ongoing governance of ALEOs will be incorporated into this review and workplan of ODSC. The financial performance of City Property Glasgow (Investments) LLP is reviewed at LLP Board level which includes members, through scrutiny, and recorded in the ALEO risk register and council risk register which are also reported to members.	Executive Director of Financial Services/ Executive Director of Corporate Services	March 2013
7	113	Data Handling and	All recommendations arising from the ICO	Head of Audit and Inspection/	January 2013

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>Security</p> <p>The recent assessment by the ICO concluded that limited assurance could be taken from the council's data handling arrangements.</p> <p>Risk: The council does not address the weaknesses identified resulting in potential further loss of data and assets.</p>	<p>report and recommendations from other Information Security reports are being collated and will be reported quarterly to the Finance and Audit Scrutiny Committee as previously agreed by members.</p>	<p>Head of Information Governance</p>	<p>onwards</p>
8	126	<p>Audit follow up of correspondence</p> <p>Our follow up of correspondence found that the council has not actively monitored compliance with economic development burdens in relation to the disposal of particular assets.</p> <p>Risk: The economic development burdens are not met in line with requirements.</p>	<p>City Property (Glasgow) LLP was established to manage and dispose of the council's non-operational surplus property portfolio.</p> <p>City Property has now confirmed that it has responsibility for disposing of and managing surplus assets until the development process is complete. This includes monitoring any economic development burdens imposed during the disposal process.</p> <p>City Property will continue to monitor the progress of transactions on a regular basis via its internal management processes.</p>	<p>Managing Director of City Property</p>	<p>Ongoing</p>

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
9	143	<p>Council Strategic Plan</p> <p>The council is in the process of agreeing the key priorities and objectives which will shape the new Council Strategic Plan.</p> <p>Risk: There are delays in the council agreeing the key strategic objectives and the development of performance measures and targets which will demonstrate their delivery.</p>	<p>The Council Strategic Plan will be agreed by Council by December 2012.</p> <p>The current performance management framework and service planning approach is under review to ensure it reflects new Council Strategic Plan themes and priorities going forward.</p>	Strategic Adviser to Chief Executive	<p>Dec 2013</p> <p>March 2013</p>
10	156	<p>Roads asset management</p> <p>There are significant levels of investment required to address the backlog in repairs in the roads asset. The draft revised Roads Asset Management Plan was issued to members in October 2012 for consultation which identifies the levels of investment need and this should be used to inform future budget decisions.</p> <p>Risk: The condition of the roads asset is not maintained and backlogs in repairs are not addressed.</p>	<p>Funding needs across roads lighting and structures will be identified for consideration within the council's capital investment priorities.</p> <p>Ongoing technical assessment and solutions to extend lifecycle as much as possible and optimise impact of resources available.</p> <p>Maximise use of early intervention treatments.</p> <p>Engagement with utilities companies.</p>	Head of Roads and Neighbourhood Services	Feb 2013