

Stirling Council

Annual Audit Report 2011-12

October 2012



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1. Executive Summary

Introduction

The Accounts Commission for Scotland appointed Grant Thornton UK LLP as auditors to Stirling Council (the Council) under the Local Government (Scotland) Act 1973 for the period 2011-12 to 2016-17. This is therefore the first year of our appointment. This report summarises the findings from our external audit work for the year ended 31 March 2012.

Overall Conclusions

We use the table below to highlight the key findings emerging from each aspect of our work during 2011-12. Overall, we have observed strong leadership across the Council and well-developed plans and preparations to respond to future challenges are in place. Good progress has been made to deliver savings through the Change Programme and associated budget workstreams, but it is becoming increasingly clear that there are still significant challenges and difficult decisions ahead. The new Administration's priorities focus on protecting and improving frontline services while delivering £24 million of additional savings. Whilst the scale of the task ahead is significant, the decisions taken to date mean that the Council is in a stronger position to respond, and to work and deliver services differently and sustainably.

Meeting future challenges

The Council's Medium Term Financial Planning and Management Framework highlights a number of key

challenges in the year ahead. In particular, the impact that welfare reform will have on the financial position of the Council and in the achievement of key policy outcomes is uncertain as much of the detail on the practical implementation of welfare reform policy remains unclear. There is also continuing pressure on Councils' revenue and capital budgets which may present a challenge to continuing with current levels of service provision in some areas. The creation of new national police and fire services means there is a developing role to meet revised local accountability arrangements for these services. We also highlight the risk associated with the Council's portfolio of arms-length organisations, and management has agreed to review the current financial strategies to ensure that they remain an appropriate vehicle for delivering policy objectives.

Whilst these challenges are well understood, they also present an opportunity for the Council to consider alternative models of service delivery. Revised scrutiny and audit arrangements continue to emphasise the importance of developing community planning arrangements as a mechanism for improve economy, efficiency and effectiveness in service delivery. The Council's *Outcomes for Stirling*, and revised Single Outcome Agreement are therefore critical to ensure that resources are directed to meet the priorities of the Council and partner bodies.

Key Findings

Reporting Area	Our Summary
Financial Position	<ul style="list-style-type: none"> The Council had a general fund balance of £10.5m at the year end. The General Fund decreased in the year as a result of a planned use of reserve balances to support the Change Programme. The uncommitted portion of the General Fund is £5.2 m, which is in line with the Council's target for reserve balances. The Change Programme delivered savings of £9.4 million in 2011-12 and the Council recorded a small underspend of £0.45 million against service budgets in the year. We highlighted continuing concerns about the financial sustainability of the Council's arms-length organisations. The Council's investment in Stirling Development Agency was fully impaired during the audit process, resulting in a write down in value of £5.48 million.

Reporting Area	Our Summary
Governance	<ul style="list-style-type: none"> • Governance arrangements are an area of strength for the Council. We will continue to review revised scrutiny arrangements to ensure that they remain as effective as possible. • Our review of internal controls found that they operate effectively, and the internal audit service perform well.
Performance	<ul style="list-style-type: none"> • The Council received a positive Best Value report from Audit Scotland and has good arrangements in place to support future improvement. • The Council has strong arrangements in place to monitor and report on performance. The <i>Outcomes for Stirling</i> work is well-timed to ensure that the Council and its partners align resources to meet their shared priorities for future improvement.

2. Introduction

Introduction

The Accounts Commission for Scotland appointed Grant Thornton UK LLP as auditors to Stirling Council (the Council) under the Local Government (Scotland) Act 1973 for the period 2011-12 to 2016-17. This is therefore the first year of our appointment.

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and Stirling Council (the Council).

Our responsibilities

It is a condition of our appointment that we meet the requirements of the Code of Audit Practice, which is approved by the Accounts Commission and the Auditor General for Scotland. The most recent Code was published in May 2011 and applies to audits for financial years starting on or after 1 April 2011.

The Code of Audit Practice highlights the special accountabilities that are attached to the conduct of public business and the use of public money. This means that public sector audit must be planned and undertaken from a wider perspective than the private sector. We are therefore required to provide assurance, not only on the financial statements and annual governance statement, but also on Best Value, use of resources and performance.

Our Annual Report

This report summarises the findings from our 2011-12 audit of Stirling Council. The scope of our work was set out in our Audit Approach Memorandum, which was presented to the Governance and Audit Committee on 7 February 2012.

The main elements of our audit work in 2011-12 have been:

- the audit of the financial statements, including a review of the annual governance statement

- a review of corporate governance arrangements, internal financial controls and financial systems
- the audit of statutory performance indicators
- a review of the council's response to Audit Scotland's national study reports.

The key issues arising from these outputs are summarised in this annual report.

Assurance and Improvement Plan

Stirling Council's Assurance and Improvement Plan (AIP), was updated and developed by the Local Area Network of external scrutiny bodies, and published in May 2012. The update reflects recent work carried out by local scrutiny partners, including the Best Value audit, and sets out the scrutiny activity proposed for the council for the period up to March 2015.

The Council's AIP Update 2012-15 confirms that there are no significant concerns relating to Stirling Council, and the LAN conclude that the Council has the capacity to achieve further service improvements.

Reflecting this conclusion, the AIP does not identify plans for any major scrutiny activity to be carried out and we did not identify any additional areas of work as a result of the Shared Risk Assessment process.

The results of the work reported here will be used to inform the next Shared Risk Assessment. The LAN is scheduled to meet in November 2012 to discuss initial assessments.

Acknowledgements

We would like to take this opportunity to record our appreciation for the kind assistance provided by elected members and officers of the Council during our audit.

3. Financial Position

The Council currently has a general fund balance of £10.5m, with £5.2m available for new expenditure or to meet unforeseen costs. The Council has recorded a surplus against budget and is making good progress in delivering the efficiency savings required in its Budget Strategy to meet continuing financial challenges

Financial Reporting

The Statement of Accounts is the key method Councils' use to report to elected members and the public on how effectively they use public funds. However, local authorities are large and complex organisations, and the nature of the regulatory framework means that large accounting adjustments are made to accounts that can be difficult to explain or understand.

We reviewed the Chief Finance Officer's Foreword and concluded that it provides a good summary of the Council's financial performance for the 2011-12 financial year, including performance against budget, and outcomes against the prudential indicators.

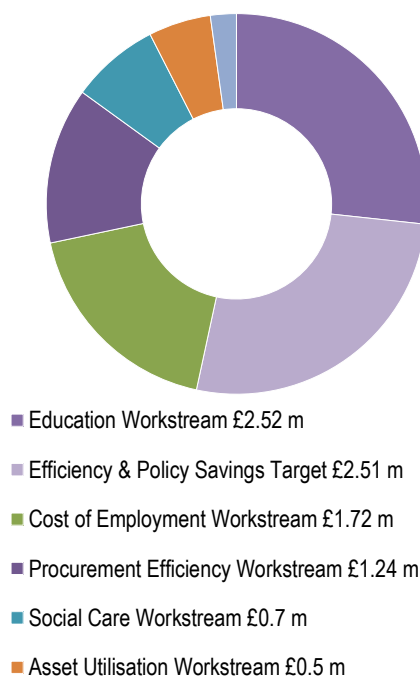
The Council's accounts also disclose each of the financial ratios agreed by the CIPFA Directors of Finance working group and the disclosures within the Remuneration Report provide a good level of transparency.

Budget Strategy

The Council has adopted a Medium Term Financial Planning and Management Framework to prepare for lower financial settlements from the Scottish Government in future years.

In 2011-12, the Council set target savings of £10 million for the year, representing £1.5 million over that required to deliver a balanced budget, to ease the pressure on budgets in future years. Figure 1 highlights that savings totaling £9.4 million were achieved during the year, including £6.9 million from the Change Programme budget workstreams, and £2.5 million from further efficiency and policy savings.

Figure 1: The Council delivered efficiency savings of £9.4 million during 2011-12



Source: Stirling Council Change Programme Savings Report

Current budget projections reflecting the recent financial settlement for local authorities will require the Council to deliver higher levels of savings than anticipated in its current budget strategy. The Council's most recent estimates set out a funding gap of £24 million to be achieved over next four financial years. Additional pressures highlighted within the revised Strategy include the implications of welfare reform, health and care integration and police and pension scheme auto-enrolment.

The Implications of Welfare Reform

Welfare Reform presents a significant, and as yet, unquantifiable financial risk to the Council.

The Welfare Reform Act introduces a universal credit, which is an integrated working age benefit to replace existing in and out of work benefits, including housing benefit. The Act also introduces size criteria into the calculation of housing benefit for working age tenants in the social rented sector. Claimants' eligible rent will therefore be restricted if their current social rented property is larger than they need.

The council has an immediate £0.34 million cost to contribute to the funding to implement the revised council tax benefits scheme. However, indirect costs of welfare reform may be significantly higher. Under the current housing benefits system, the benefit is managed between the council and the DWP on behalf of tenants. In future, in all but exceptional cases, the universal credit will be paid directly to the tenant. This means that some tenants may be expected to pay rent to the council for the first time, and may therefore require support around budgeting and personal financial management.

Financial Position

One of the key measures of financial health at a local authority is the level of uncommitted reserves balances. The Council has set a target to maintain reserves at 2-2.5% of budget to allow flexibility and the ability to respond to unexpected events.

At 31 March 2012, the Council reported a general fund balance of £10.5 million (2010-11: £13.54 m), of which £5.2 million is uncommitted. This is within the Council's target level of reserves, at around 2.5% of budget.

The Council was able to invest £2.8 million in corporate priorities to deliver future savings, around £700k more than budgeted for, as a result of achieving a small surplus of £0.45 million against service budgets, and £0.25 million less than budgeted in loan charges.

This expenditure, met from General Fund balances included early payment of pension strain costs from the staff severance scheme, and a number of refurbishment works to support the 'Big Move' project.

We reviewed some of the key balance sheet financial ratios against other Scottish Councils within **Appendix A**.

Figure 2: The Council has used reserves to meet the costs of the Change Programme, but uncommitted reserves remain within the target range



Source: Stirling Council Statement of Accounts

Comprehensive Income and Expenditure Statement

The Council reported significant movement in balances between years in its Comprehensive Income and Expenditure Statement, principally as a result of pension accounting movements. As Table 1, below, highlights, the Council reported total net comprehensive expenditure in year of £19.6 million (2010-11: income of £48 million).

As reported last year, during 2010-11, the index used to measure pension inflation was changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI) in 2010-11. CPI is generally lower than RPI and by switching to CPI for measuring pension inflation the value of pension liabilities is reduced. This effect is offset by the impact of the economic recession in lowering long term investment returns to the fund and by the impact of members of the pension scheme who are living longer which is increasing costs.

Pension costs will be met from higher employer and employee contributions over the long term and we expect to see the share of Council expenditure being required to fund staff pensions increasing over time.

If the impact of changes in assumptions for pensions costs are excluded from the results, the Net Cost of Services expenditure is £19 million less than in the prior year highlighting the impact of savings plans in recent years.

Table 1: Financial Results for 2011 and 2012

	2012 £'000	2011 £'000
Net Cost of Services	207,774	188,607
Other operating expenditure	616	(293)
Financing and investment income and expenditure	13,799	19,984
Taxation and non-specific grant income	(226,561)	(225,959)
(Surplus)/deficit on the provision of services	(3,784)	(17,661)
Write down of Long Term Investments	5,480	-
(Surplus)/deficit arising on revaluation of non current assets	(8,910)	13,428
Actuarial (Gains) / Losses on Pension Assets and Liabilities	26,815	(43,813)
Total Comprehensive (Income) and Expenditure	19,601	(48,046)

Source: Stirling Council Statement of Accounts 2011-12

The other significant movement between the current and prior year was the write down of the Council's long term investment in Stirling Development Agency (SDA) from £5.48 m to nil. This change was required as the value of SDA's assets were written down during the year leading to some concern over the continuing going concern of the company. This matter is explored further in our section on Arms-Length Organisations.

Service expenditure

The Council had a strong performance against budget, with services achieving budget or underspends in all but the Environment and Social Services budgets.

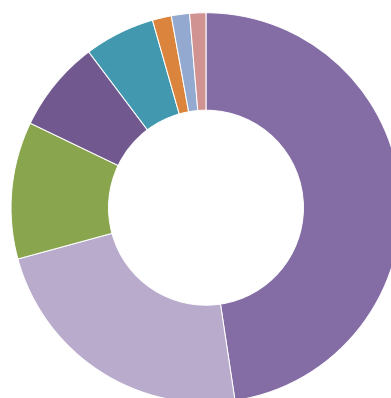
The overspend within the Environment budget was principally as a result of lower than expected car parking income, and additional winter repair work, offset by

higher than expected income from the sale of waste recycle. The overspend, at £132k, is 0.7% of the service budget.

The Social Services budget is mainly demand led and can therefore be unpredictable. Overspends were recorded relating to external placements for vulnerable children, and additional staff costs. The £375k overspend represents 0.9% of the Social Services budget.

Figure 3 outlines the main areas of service expenditure.

Figure 3: The majority of Council expenditure is directed towards Education and Social Care



- Education
- Social Services
- Environment
- Assets and Support
- Employment, Communities and Youth
- Economy, Planning and Regulation
- Housing and Customer Service
- Chief Executive Office

Source: Stirling Council Statement of Accounts 2011-12

Significant Trading Organisations

The Council maintains four trading accounts: Road Repairs, Grounds Maintenance, Refuse Collection and Building Cleaning. Property Contracts and Environmental and Engineering. Section 10 of the Local Government in Scotland Act 2003 requires that local authorities' significant trading organisations break

even over a three year rolling period. All four trading accounts delivered surpluses each year over the three year period.

Under the terms of the Act, the identification of significant trading operations is the responsibility of individual authorities. More generally, we noted that the Council's workstream on fees, income and charges has resulted in savings of over £200k during 2011-12, with a further £180k in 2012-13.

Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure account reported a surplus for the year of £344k (2010-11 £314k), although rent arrears continued to rise during 2011-12 for both current tenants and former tenants.

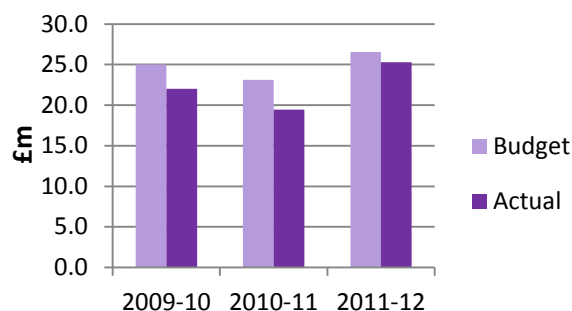
For the year ending 31 March 2012, the Council had total HRA reserves of £376k, but the Council also maintains a Strategic Housing Account as an earmarked balance within the General Fund to reinvest in affordable housing.

During 2011-12, £2.441million was spent on the housing capital programme, including adding new housing stock and improvements as part of the Council's capital investment programme to deliver the Scottish Housing Quality Standard. Of this, £2.441 million was met from transfers from the Strategic Housing Account.

Capital Expenditure

General Services capital expenditure was £25.3 million in 2011-12. The budget was increased during the year by almost £6 million, to £26.5 million, principally to reflect early expenditure on the 'Big Move' HQ rationalisation, and the Integrated Waste Management facility at Lower Polmaise.

Figure 4: Capital expenditure rose during the year to reflect the Council's plans under the Change Programme



Source: Stirling Council Capital Budget Monitoring Reports

The additional expenditure was funded through Prudential Borrowing. The Prudential Code requires councils to ensure capital plans are affordable, borrowing is prudent and sustainable, and treasury management arrangements reflect good practice. The Council approved a set of prudential indicators for 2011-12 and managed capital expenditure within these approved limits.

Arms-Length External Organisations (ALEOs)

Previous auditors have highlighted the number and scale of the Council's arms-length organisations as a key audit risk area. We recognise that the Council has taken steps to improve the accountability and performance reporting arrangements with the bodies in recent years, however, the financial performance of some ALEOs is now giving cause for concern.

All of the Council's 12 ALEOs reported deficits in year (expenditure exceeded income), with the respective auditors of the Raploch Urban Regeneration Company Ltd (RURC Ltd), Raploch Urban Regeneration Company Landholdings Ltd (RURCL Ltd) and Stirling Development Agency Ltd (SDA) drawing attention to particular issues giving rise to uncertainty over the continuing going concern of these organisations. Auditors use going concern opinions to highlight concerns about the financial sustainability of organisations.

During the audit, the Council drew our attention to a significant adjustment to the 2011-12 financial accounts for SDA Ltd, which forms part of the Stirling Council group accounts.

The Directors of the SDA had commissioned a valuation of the company's assets to prepare the accounts. This valuation showed a significant reduction in the value of the company's assets from £10.6 million to £6.67 million. As a result, in 2011-12, the SDA accounts record a loss for the year of £5.698 million and a net deficit position (the difference between the assets of the company and its liabilities at the year end) of £8.6 million. This fall in value has been reflected within the Council's group accounts. The Council had also provided SDA with loans amounting to £5.481 million which have now been impaired to nil to reflect the Council's view that the company is not currently in a position to repay the loan.

In light of the uncertainty relating to the financial performance of SDA, the Council has prudently elected to impair the full value of the investment in SDA within its balance sheet. This reflects the risk that there may be a default on SDA's banking covenant, which could result in the some or all of the Council's investment becoming unrealisable. Officers will continue to work with their partners in SDA to help secure the future of the company in the current difficult market circumstances, and to report progress

to the Council. Planned actions include taking measures aimed at improving asset values and maintaining a positive cash flow position within the company to enable the company to continue to meet ongoing business commitments.

In general, however, we recommend that the Council review its current portfolio of ALEOs and consider whether they continue to represent an appropriate vehicle for delivering policy objectives and to establish the full extent of potential financial exposure of the Council.

Current Projections for 2012-13

We have reviewed the Council's projections for 2012-13. The Council continues to seek to achieve efficiencies in 2012-13, using the budget workstreams within the Change Programme. The Council anticipate a further £5.4 million in savings to be delivered within 2012-13 from the budget workstreams and efficiency.

We do, however, note that the Council has experienced significant financial pressures within the Social Services budget. The service is taking forward a number of actions to help address the demand-led pressures, and we will therefore continue to monitor performance against the budget throughout 2012-13.

4. Governance

The Council has adopted an Annual Governance Statement within the Financial Statements which is supported by a well-developed Assurance Framework. The Council's shared service with Clackmannanshire is still an innovative example for other local authorities, and improvements have been made to support the governance of the partnership.

Annual Governance Statement

The Annual Governance Statement (AGS) is the key document that records the governance ethos of the Council, and assurances around the achievement of the vision and strategic objectives of the Council. The AGS summarises the local code of governance, including the internal control framework, arrangements for risk management, financial governance and accountability.

An AGS is best practice, but not yet mandatory for councils in Scotland and 2011-12 was therefore the first year that Stirling Council has produced the Statement, rather than a Statement on Internal Control.

We reviewed Stirling's AGS as part of our audit procedures and concluded that the disclosures were in line with our knowledge of the Council. We also subjected Stirling's 2011-12 AGS to benchmarking data from our annual local government governance review,

High Pressure System. This review, based on survey responses from over 100 senior council officers and members, and a desktop review of 200 UK councils' 2010/11 Annual Governance Statements (AGS), evaluates the soundness of existing governance systems for operating in the current high pressure environment.

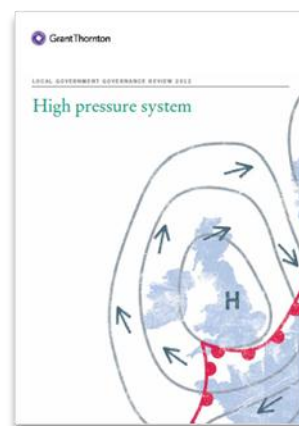
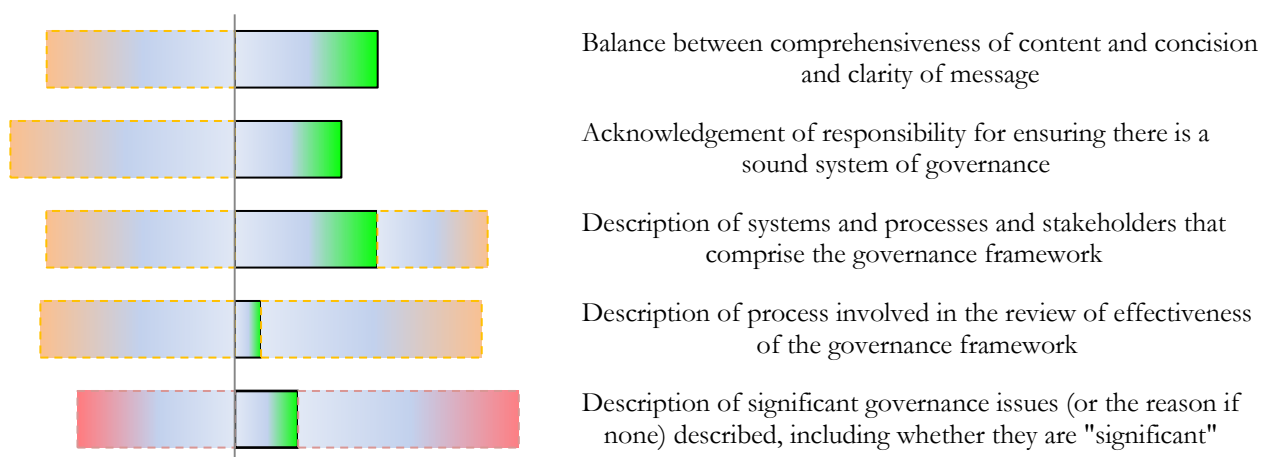


Figure 5 highlights that we concluded that Stirling's disclosures are clear and comprehensive.

The AGS describes the key elements of the Council's approach to meeting the Good Governance Standard, as well as an action plan for improvement.

Figure 5: Disclosures within Stirling Council's AGS exceeds the national average across each key benchmark



Source: Benchmarking Data from Grant Thornton's Annual Local Government Governance Review.

Scrutiny Arrangements

Effective scrutiny is critical to the success of the Council's governance arrangements. Elected members have a key role to hold officers to account for delivering the vision for the area. During 2011-12, we attended and observed the Governance and Audit Committee. We agreed with Audit Scotland's view that the Committee operated very effectively and in accordance with good practice principles.

Following the elections in May 2012, the new administration has replaced the Governance and Audit Committee and Service Delivery and Performance Committee with a Scrutiny and Audit Committee. Early indications are that this body will continue to offer challenge effectively but we will continue to review the evolving role of the Committee. In particular, we will seek assurance that agendas are managed to ensure key papers receive sufficient scrutiny without becoming onerous.

Community Planning Arrangements

Audit Scotland has recently outlined revised arrangements for the scrutiny of Community Planning Partnerships (CPPs), based on the Scottish Government's aim to strengthen the accountability of CPPs, and support the drive for improved outcomes.

Early audits are underway, and are based on 4 key themes:

- Strategic direction
- Governance and accountability
- Performance management and the use of resources
- Impact and outcomes

We note that Stirling Council has entered a consultation period in relation to the 'Outcomes for Stirling' process to develop a new Single Outcome Agreement. This process will allow partner bodies and local communities to work together to agree priorities for the area for the next ten years.

Current community planning arrangements are well-developed, with thematic partnerships in place to

progress the six current outcomes. Mechanisms are also in place to engage with local communities through Area Forums. The key challenge for the partnership going forward will be to deliver demonstrable impact during the period of financial restraint.

Shared Services

The Council's shared service with Clackmannanshire for Education and Social Care remains one of the most innovative models for service delivery in Scotland.

In June 2011, the Councils approved a Scheme of Delegation for the services. Since then, the Shared Service Programme Board has undertaken a Taking Stock exercise which involved discussions with trade unions, elected members and service managers from both councils. The results of the exercise were reported to elected members at a progress review event, and include the development of a strategic action plan to inform further progress focused around communication, programme management and clear performance and budget reporting arrangements.

Each council has now agreed a shared methodology for apportioning costs and savings, and work is underway to agree a common performance management framework, based on the shared Covalent system.

Risk Management

The Council has risk management arrangements in place at service and corporate level. Risks are reviewed regularly by the Council Management Team, and the Corporate Risk Register is presented to the Scrutiny and Audit Committee on a quarterly basis.

While the shared services offer significant potential for improving service delivery, we were concerned that operational changes present additional risk to the Council as organisational changes are implemented. We found that each service is being subjected to the same corporate review as other services. Risk registers are in place for each service, which allows risks to be escalated to the strategic corporate risk register as required. We also noted that the Social Services team has developed a single risk register across both councils.

We will continue to work with our scrutiny partners to provide the Scrutiny and Audit Committee with assurance about the effectiveness of risk management arrangements across services.

Review of Internal Audit

As part of our year one audit procedures, we completed our detailed review of the Council's internal audit function against the good practice within CIPFA's Code of Practice for Local Government Internal Auditors.

Due to the nature of the reviews carried out during 2011-12, we did not place formal reliance on the work of Internal Audit, but we reviewed their work to ensure that our work was appropriately focused, and to highlight where there were control weaknesses.

We found that the internal audit department is performing well. The Audit Plans are based on a risk assessment, and the scope and objectives of each planned review are presented to the Scrutiny and Audit Committee to ensure that the work will reflect the needs of the Committee. The reports are clear, concise and constructive, and target timescales are set for their release and agreement.

Internal Audit concluded in their annual report to the Scrutiny and Audit Committee that 'reasonable assurance can be given on the effectiveness of internal financial controls in operation within the Council'.

Internal Controls

As part of our financial statements audit work, we took assurance from our internal control work on the Council's key financial systems. We assessed the following systems as part of our work throughout the year:

- Budgetary control
- Employee remuneration
- Capital accounting
- Accounts receivable
- Operating expenses
- Housing rents

- Treasury management
- Housing and Council Tax Benefits

We reported on our findings and agreed action plans within our Interim Report and ISA 260 Report on the Annual Accounts. No significant matters were highlighted during this work, although we will follow up progress on actions agreed during our work in 2012-13.

Looking forward

In June 2012, the Police and Fire Reform (Scotland) Bill passed through Parliament and has now received Royal Assent, under this Act the eight current police and fire boards will be abolished and a new single National Police Service and Fire Service established.

The Council has entered a transitional period, where elected members have a duty to ensure that the current services deliver value for money, but also to ensure preparations are being made for the new services, including local governance and accountability.

5. Performance

The Council has continued to build on a strong Best Value report by producing a longer-term corporate improvement plan to complement the Annual Improvement Statement. *Stirling Performs* provides a regular summary of Council performance for elected members, as well as members of the public, and the Council's services continue to improve against Statutory Performance Indicators. Our review of asset management arrangements highlighted some of the challenges that remain ahead in terms of rationalising assets to prioritise expenditure but plans are in place to develop a corporate asset management strategy to help shape the future.

Achieving Best Value

Audit Scotland published its Best Value Report on Stirling Council in November 2011. The report was very positive and found that the Council has strong leadership, with a clear vision and has made good progress in improving the performance of its services, its management of resources and partnership working. The new Administration has articulated a clear sense of priorities which are shaped by the challenge to improve services while delivering savings of £24 million over the next four years.

The Stirling Council Improvement Plan 2012-15 has recently been adopted, which provides a longer-term corporate plan to inform and support the Annual Improvement Statement. The Plan brings together a number of improvement strands, including actions identified within the Best Value report, findings from the Public Service Improvement Framework (PSIF) assessments and residents surveys.

Performance management arrangements

The Best Value report noted that the Council has a good approach to self-evaluation and is therefore self-aware about areas of strength and weakness. The Council has adopted PSIF as a model for corporate self assessment. This has been rolled out to services. Each service also reports on performance monthly using the covalent reporting system, which is available publicly on the '*Stirling Performs*' website.

The Council also produces an Annual Report which has been improved during 2011-12 to provide clearer links to the Single Outcome Agreement, and how the Council works with its Community Planning Partners to deliver improved services.

Asset management arrangements

In the Assurance and Improvement Plan, the LAN partners assessed asset management as an area of uncertainty as we were not clear about the consistency of the strategic approach to asset management. We therefore undertook to review the Council's approach to inform the next Shared Risk Assessment.

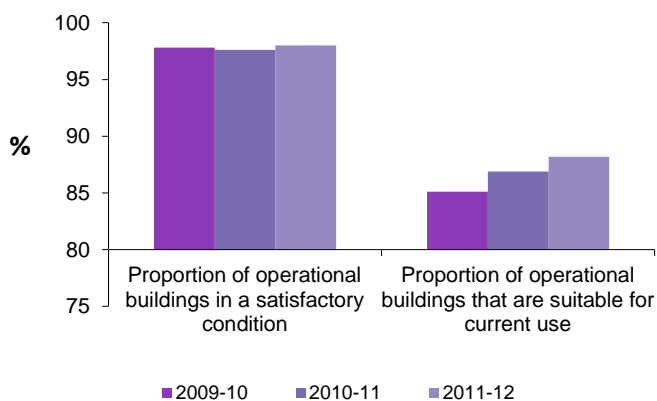
Under the Medium Term Financial Planning and Management Framework, the Council has set a target to deliver £1 million of savings through more efficient utilisation of assets. Around half of these savings will be delivered by the 'Big Move' project to rationalise city centre office accommodation. This will require significant changes in the way that council staff work, for example by making greater use of home working, hot desking and working at other council locations.

The Forth Valley Public Sector Property Group, launched in May 2010, aims to maximise utilisation of the assets at the disposal of all public sector bodies in the Forth Valley area. We found that to date, the level of joint working has been relatively small scale, although settlement planning offers the potential for much greater co-location, and therefore delivering the same level of service at reduced cost. The Council has also

recently announced plans to create an innovative care village for older people in Stirling with NHS Forth Valley partners. Further savings have also been identified as part of the Public Conveniences Service Review, which resulted in the closure of a number of public toilets, which have been replaced by comfort partnerships with private sector bodies.

An Asset Management Strategy is under development and is expected to be presented to the Council in December 2012. Figure 6 highlights the condition and suitability of the council's assets continues to improve. Benchmarking information from the Statutory Performance Indicators suggests that the Council's assets are in relatively good condition, and are significantly above national average. All property assets are now assessed as class A or B.

Figure 6: The condition and suitability of the Council's assets continue to improve.



Source: Stirling Council Statutory Performance Indicators

However, the real challenge for the Council will be to ensure that limited capital funding is applied in the right way to support the strategic priorities of the Council. This may include reviewing the asset base, particularly the Council's £7.6 million of investment assets. The Council currently owns 128 investment assets, realising rental income in 2011-12 of £0.3 million.

Statutory Performance Indicators

One of the key ways that members of the public can measure council performance is through the statutory performance indicators (SPIs). The Accounts Commission direction requires that councils report:

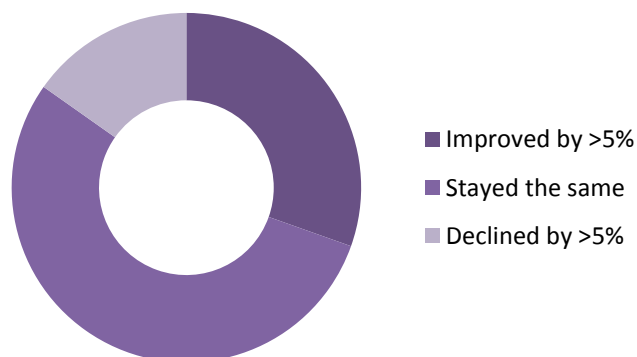
- a range of sufficient information to demonstrate best value in relation to corporate management (SPI 1)
- a range of information sufficient to demonstrate best value in relation to service performance (SPI 2).

Our review of SPI data submitted to Audit Scotland found that performance was maintained or improved for around 84% of the specified indicators (Figure 7).

Areas of improved performance included sickness absence rates for employees, which are 1.4 days fewer than the national average, at 9.4 days per employee.

The Council also continued to reduce the cost of administering benefits. The cost per case at Stirling Council is £26.74, compared to a national average of £45.40.

Figure 7: The Council improved or maintained performance in 84% of specified indicators



Source: Stirling Council Statutory Performance Indicators

Areas where performance declined in year include the number of visits to swimming pools, which fell by over 13% during the year.

The number of housing tenants owing more than 13 weeks rent continued to rise. Although the level of arrears as a percentage of net rent due fell slightly from 11.6% to 11.2%, we noted that this continues to be the highest level in Scottish councils who maintain housing stock. The national average is 6.1% of net rent due.

National Studies

Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland.

Audit Scotland ask us to ensure that local government bodies review the national studies relevant to them and action them accordingly.

In 2012, Stirling Council introduced a protocol to summarise national reports for the Scrutiny and Audit Committee. This allows the Committee members to ask for further work to be done, or for copies of the full reports.

During 2011-12, Audit Scotland asked us to follow up the following reports:

- Maintaining Scotland's Roads
- Modernising the Planning System
- Transport for Health and Social Care

We review whether the council has considered the national report at a council committee and whether the council has carried out a self-assessment against the national report and plans to take forward any improvements.

Maintaining Scotland's Roads

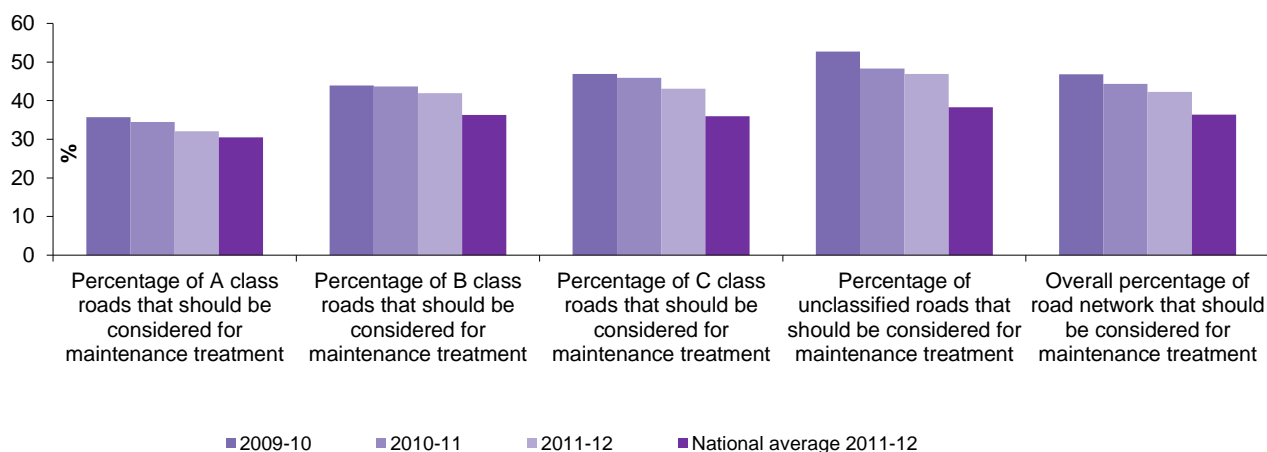
Audit Scotland has published two national reports on Maintaining Scotland's Roads, in November 2004 and February 2011. The second, follow-up, report was published after the severe winter of 2009-10 and examined changes in the condition of the roads network across Scotland since the publication of the original report.

The follow-up report found that nationally little progress had been made to improve road maintenance since the first report was published. Less than half of councils reported their backlog maintenance to elected members, and only a third of councils had a Road Asset Management Plan in place. The condition of the roads had also worsened. In March 2012, only 63.6% of Scotland's roads were in an acceptable condition.

In Stirling, Figure 8 highlights that the roads condition has improved over recent years, but is lower than the national average in each category.

The Council's internal auditors team had scheduled to review the Roads Maintenance service during 2012. Internal audit therefore agreed to complete the questionnaire provided by Audit Scotland on our behalf, to avoid any duplication of work and minimise the impact on the Roads Maintenance team

Figure 8: The condition of Stirling's roads is improving, but remains behind the national average



Source: Audit Scotland Statutory Performance Indicators

Internal audit's work confirmed that the Council has a Roads Asset Management Plan in place that meets the requirements of the Society of Chief Officers of Transportation in Scotland (SCOTS). The Plan includes a description of the size and value of the roads assets, as well as an analysis of current performance and future demands.

Plans for future improvement include the development of outcome performance indicators and the consideration of further joint working with Clackmannanshire Council to directly interface the roads asset management system with existing costing systems.

Modernising the Planning System

This report aimed to assess whether recent reform and modernisation of the planning system is making it more economic, efficient and effective. Audit Scotland evaluated the overall progress made by public bodies in modernising the planning system and the impact that modernisation is having on councils' performance in managing planning applications. They found that despite the modernisation and falling numbers of applications, few councils are performing well against timescales set for processing planning applications.

Stirling Council is the only council in Scotland to have increases in both householder and non-householder planning applications. The Statutory Performance Indicators highlight that the overall percentage of planning applications dealt with within 2 months was 67.1%, against a national average of 67.7%. Audit Scotland acknowledge that time is only one indicator of performance, and further work will support a national performance framework for Planning.

We understand that the Scottish Government and Heads of Planning Scotland are currently working together to develop a new comprehensive framework for measuring, benchmarking and reporting planning performance. Stirling Council's Planning service has developed and implemented a comprehensive performance framework for Planning Services comprising a balanced set of indicators covering customer service, processes and resources, with a focus on continuous improvement and customer satisfaction.

Stirling Council's Planning Service has also produced a Service Improvement Plan that covers the Development Planning, Development Management and Enforcement

functions of the Planning Service, and focuses on key business priorities, reviews performance and sets out service improvements within an action plan, with timescales and statement of monitoring.

Transport for Health and Social Care

The availability of transport is an essential part of making health and social care services work efficiently. Older people, those with long-term health or social care needs and people who live in remote and rural areas may need support to get to a hospital appointment or to access services such as their local day centre. This includes help with paying for transport or getting to their appointment in transport provided by the ambulance service, councils, NHS boards or the voluntary sector.

Audit Scotland found that nationally transport services for health and social care are fragmented and there is a lack of leadership and monitoring of the services provided. Public services are not working together effectively to deliver transport for health and social care or making best use of available resources. They conclude that improved joint planning could lead to more efficient services, and there is scope to save money by better planning and management of transport for health and social care without affecting quality.

We found that transport had already been identified as a workstream for review under Stirling Council's change programme. The national report supported the Council's recommendations for an integrated transport unit and therefore provides a basis for a planning improvements, including an integrated transport unit, integrated scheduling system and greater co-ordination throughout the Council.

Looking Forward

Audit Scotland's recent How Councils Work series, *Managing Performance: are you getting it right?* continues to stress the critical role of self-evaluation and good quality performance information in allowing councils to demonstrate that they are delivering efficient and effective services.



The report highlights the role of elected members in setting priorities and ensuring that useful, high-level indicators are in place to help members assess performance at a corporate level.

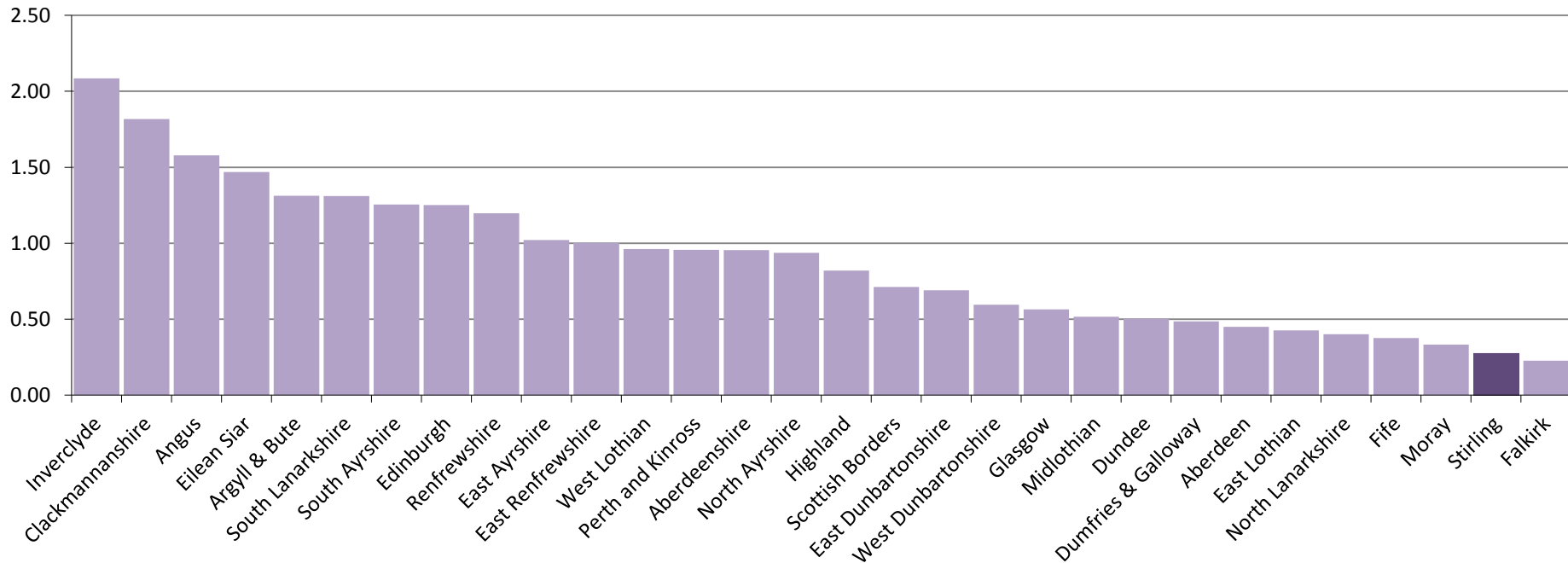
During 2012-13 we will follow up the report to ensure that elected members have access to the information they require to fulfill their role, and that performance management arrangements reflect the priorities of the Council.

We also note that revised arrangements for the LAN shared risk assessment mean that the council will have the opportunity to provide self-assessment evidence. The quality and openness of self evaluation materials may therefore influence the level of external scrutiny.

Appendix A: Financial Ratios

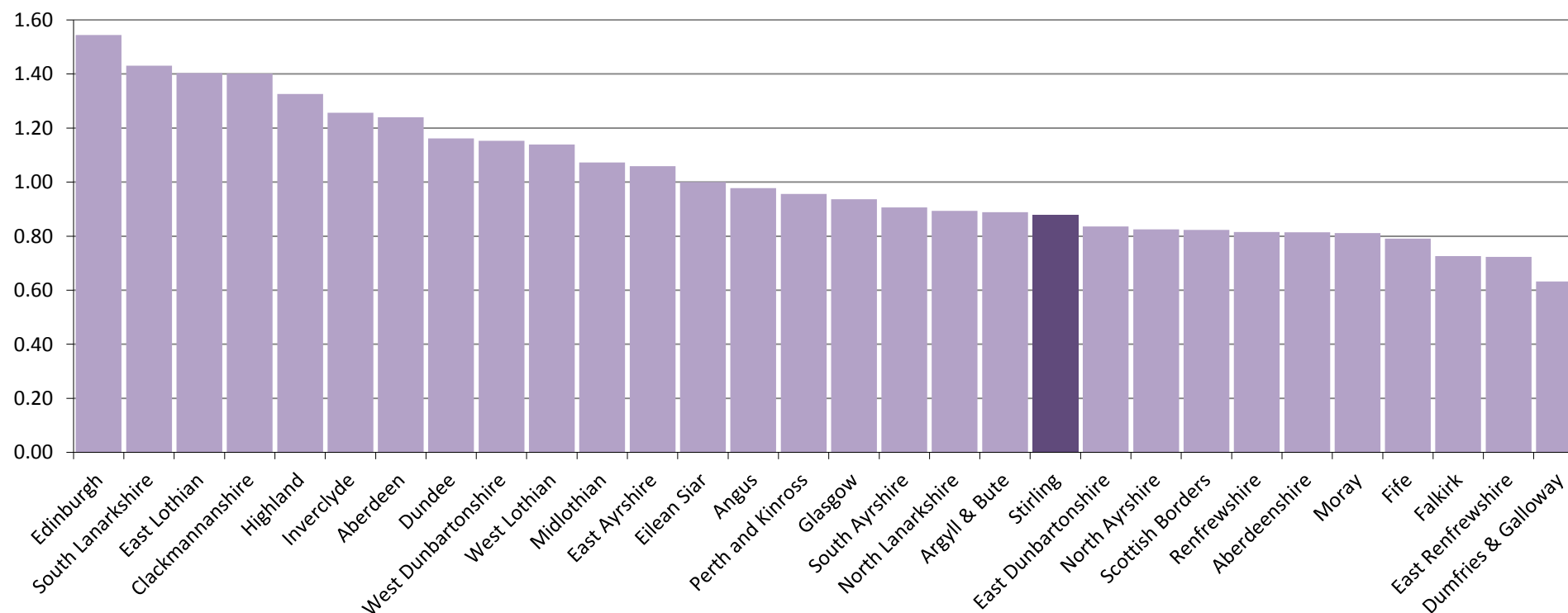
1. Working Capital Ratio

How it is calculated	What it means	Stirling Council's position
Current assets / current liabilities	<p>Indicates if a council has enough current assets to cover its current liabilities.</p> <p>A ratio of less than one means that current liabilities exceed current assets.</p> <p>A high working capital ratio is not always a good thing; it would indicate that an authority is not investing their excess cash.</p>	<p>Stirling has one of the lowest working capital ratios in Scotland. This can partly be explained by the Council's treasury management strategy to use cash balances, earning minimal interest, to reduce reliance on borrowing, with higher interest rates.</p> <p>During the year, the Council reduced the level of long term borrowing by £2.3 million, but the Council must satisfy itself that arrangements are in place to meet their liabilities.</p>



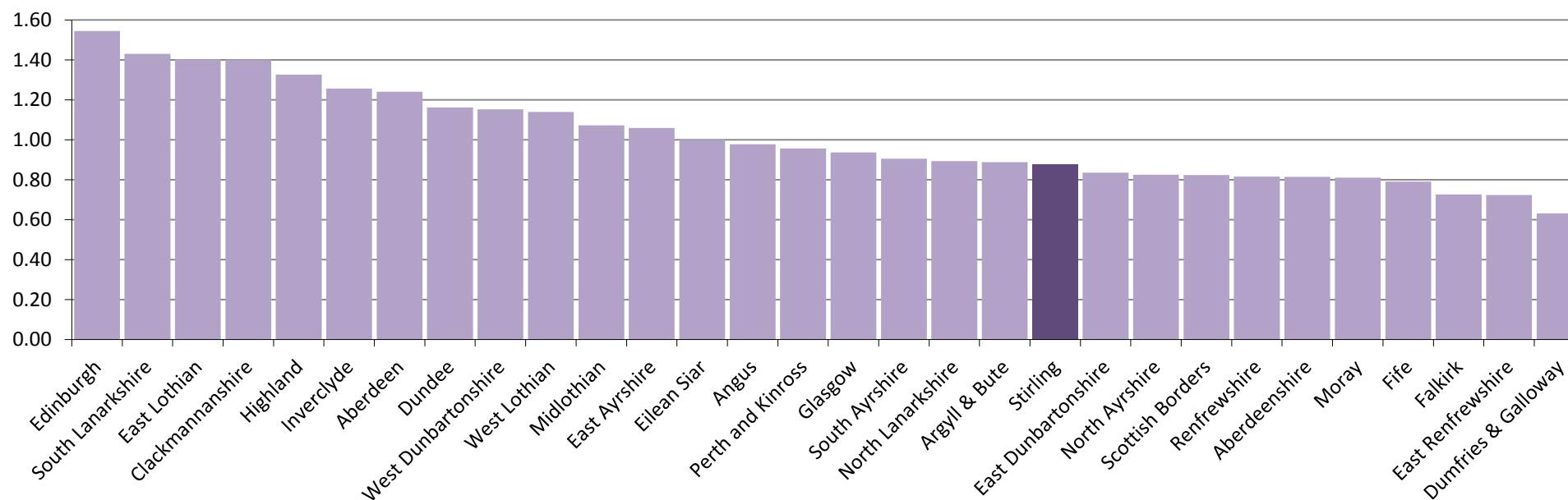
2. Long Term Borrowing: Tax Revenue

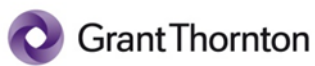
How it is calculated	What it means	Stirling Council's Position
Long term borrowing / tax revenue	Councils with high levels of long-term borrowing need to ensure that their medium term financial strategies adequately reflect the repayment profile for that borrowing to ensure that any future impact on service delivery is minimised. A ratio of more than one means that long term borrowing exceeds tax revenue.	Stirling Council has a ratio of 0.9, which is broadly in line with other councils in Scotland.



3. Long Term Borrowing: Long Term Assets

How it is calculated	What it means	Stirling Council's Position
Long term borrowing / Long term assets	Councils need to understand the historical reasons for high levels of long-term borrowing. The relationship between borrowing and assets should be considered year-on-year, to assess the potential implications of changes in the ratio for the medium-term financial strategy. A ratio of more than one means that long term borrowing exceeds long term assets.	During 2011-12, the Council reduced its long term borrowing by £2.3 million, while long term assets increased by £13 million, principally as a result of fixed asset additions, including the new site for the HQ, Kildean Business Park and the Council's programme of improvements to housing stock.





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