

Glasgow City Council

Annual report on the 2012/13 audit



Prepared for Members of Glasgow City Council and the Controller of Audit
October 2013

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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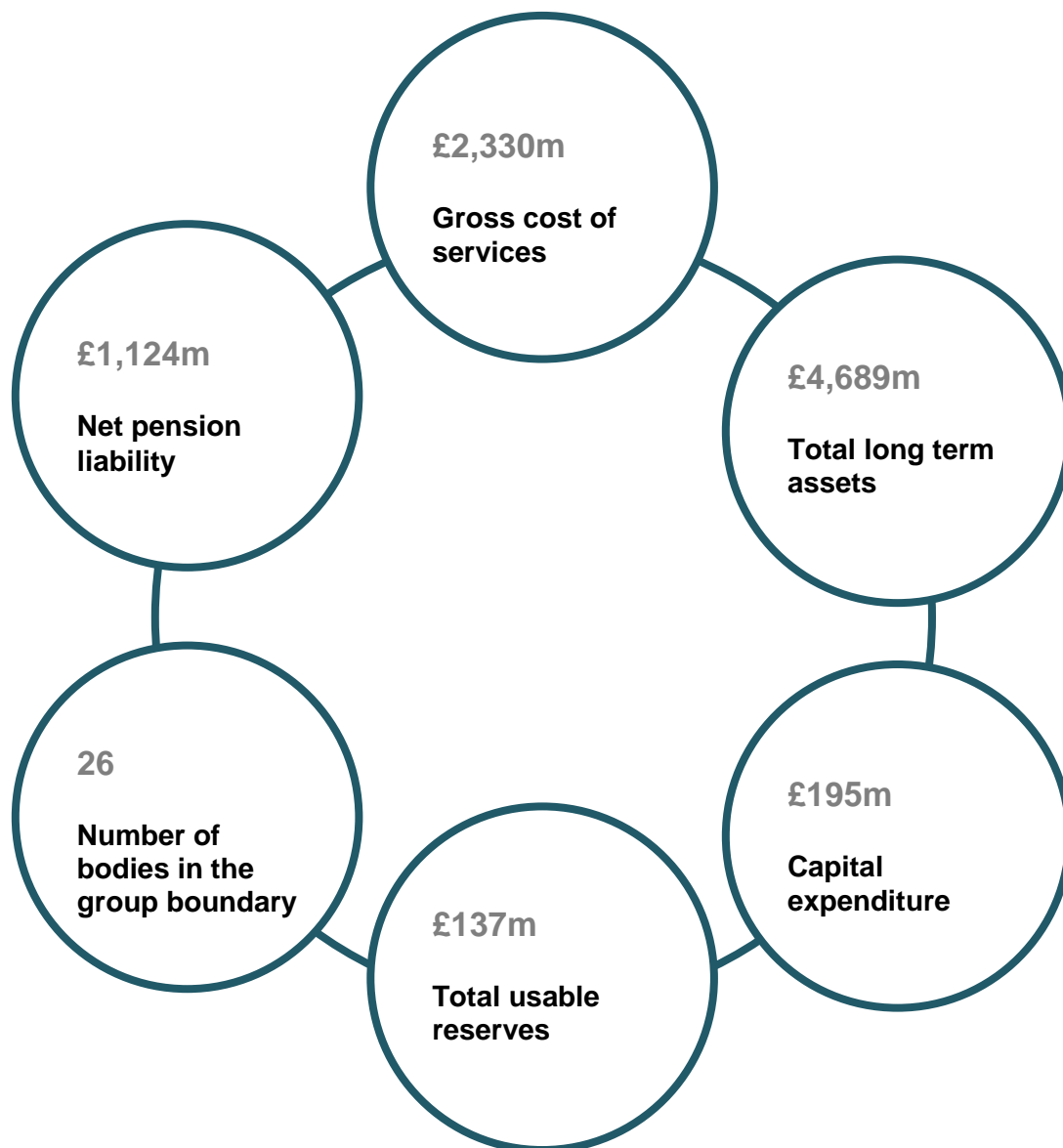
Key messages

2012/13 audit findings

This report summarises the findings from our 2012/13 audit of Glasgow City Council. As part of the audit we assessed the key financial and strategic risks being faced by the council. We audited the financial statements and reviewed the council's financial position and aspects of governance, best value, the use of resources and performance.

We have given an unqualified opinion on the financial statements of the council and its group for 2012/13. In our opinion they give a true and fair view of the financial transactions for the year to 31 March 2013 and the financial position at that date.

Some of the main facts for 2012/13 are:



Financial position

In 2012/13 the council spent £2.5billion on the provision of public services resulting in an accounting surplus of £48.3 million. Budgets were closely monitored throughout the year and the year end position was an overspend in service budgets of £4million (0.3%).

At 31 March 2013 the level of the council's usable reserves had decreased by £9.3million to £137.2million (£146.5million 2011/12). During the year £27.4million had been transferred to usable reserves to both finance expenditure during the year as well as augment closing balances, including a transfer of £17.6million to the Cultural and Recreational Fund.

The year end balance on the general fund was £43.5million (£57.7million 2011/12). The council has earmarked the majority of this balance for areas of future expenditure with £18.3million remaining at the year end as unallocated and available for unforeseen costs and contingencies. At 1.3% of net revenue expenditure, this falls short of the council's agreed strategy of holding reserves at 2% of net revenue expenditure over the medium term. The council needs to continue to ensure that it strikes a balance between meeting current obligations and preparing for future commitments and/or reductions in funding.

The council's financial planning demonstrates a strategic approach to cost reduction measures and there is a well established process for monitoring and reporting progress against service reform targets. Senior officials and elected members are able to monitor the achievement of efficiency targets and financial plans are subject to scrutiny before approval.

Governance and accountability

Overall the council's corporate governance arrangements in 2012/13 were soundly based and operated effectively. 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.

Performance and best value

The council continues to have a strong focus on performance management. There is a clear and systematic framework of performance measures and monitoring reports are produced based around the council's strategic plan and priorities. A themed approach to performance reporting is now in place across the council's service departments and its Arm's Length External Organisations (ALEOs). The council has over the last year been measuring performance across a new suite of corporate scorecard indicators, with regular monitoring reports going to the Extended Council Management Team.

The council has shown a commitment to the benchmarking of services through the adoption of SOLACE benchmarking indicators. Work is currently on going across council service departments and ALEOs to identify the most appropriate benchmarking families and activities.

Outlook

Scotland's public bodies will continue to face increasing demand and cost pressures for their services in the foreseeable future. The council forecast a funding gap of £48.8million for the two year period 2013-2015 and have identified efficiency plans to meet this shortfall, including further service reforms and revised charging policies. While the council has a good track record of delivering target savings the need to secure even further efficiencies without impacting on services and with reduced staffing levels will be demanding.

Effective partnership working will be essential to make the best use of available resources as well as continued strong leadership and clear strategic direction. Audit Scotland is to carry out an audit of the Glasgow Community Planning Partnership and partnership working in Glasgow during 2013/14.

There are still uncertainties over the impact of the implementation of the Universal Credit on the council's services and resources, and a period of ongoing change lies ahead in relation to integrated health and social care services and partnership working with the reformed Police and Fire services.

During 2013/14, planning for the XXth Commonwealth Games in July 2014 will continue to be of the highest profile for the council, both in terms of delivery and securing a successful legacy.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Glasgow City Council. 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. Reports should be available to 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. 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 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. 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 2012/13 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2013 and of the income and expenditure for the year then ended.

Legality

11. Through our planned audit work we consider the legality of the council's financial transactions. In addition, the Executive Director of Financial Services and Deputy Chief Executive has confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the council's extended corporate management team, the financial transactions of the council were 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 and group accounts

12. 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.
13. Local authorities are required to prepare group accounts in addition to their own council's accounts where they have a material interest in other organisations. For the purpose of consolidation and incorporation within the group accounts the council has nine subsidiaries, five associates, the Common Good Fund and sundry trusts.
14. The overall effect of inclusion of all of the council's subsidiaries, associates and common good fund on the group balance sheet is to reduce both reserves and net assets by £2,393.8million. The group balance sheet as at 31 March 2013 discloses an excess of liabilities over assets of

£641.8million (2011/12 £74.99million), principally due to the accrual of pension liabilities in accordance with International Accounting Standards.

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.
16. Police and Fire functions transferred to the Scottish Police Authority and the Scottish Fire and Rescue Service on 1 April 2013. The group balance sheet position will not be affected in future years, as the council will no longer be required to accrue the pension liabilities of Police and Fire into its group accounts.
17. By way of illustration, the group balance sheet as at 31 March 2013, without the inclusion of the Strathclyde Police and Fire financial statements, would disclose an excess of assets over liabilities of £1,757million.

Annual Governance Statement

18. As part of our audit we review the disclosures made in the Annual Governance Statement included in the financial statements and the process for obtaining sufficient assurances to inform the content of the statement.
19. The 2012/13 annual governance statement reported issues in a number of areas where improvements are being progressed. These did not impact on our audit of the financial statements.
20. We are satisfied that the disclosures in the Annual Governance Statement are in line with the guidance contained in the CIPFA publication *Delivering Good Governance in Local Government*. Also, we are satisfied with the adequacy of the process put in place to obtain the necessary assurances from service directors and the Chief Executives of the council's ALEOs.

Remuneration report

21. We are satisfied that the remuneration report has been prepared in accordance with the relevant legislation. The disclosures within the 2012/13 financial statements include all eligible remuneration for the relevant council officers, employees of subsidiaries and elected members under a number of categories including pension benefits.

Accounting issues

22. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012 Code). We are satisfied that the council prepared the 2012/13 financial statements in accordance with the 2012 Code.

Accounts submission

23. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June 2013. A comprehensive working papers package was also available soon after this date. This enabled us to conclude the audit and certify the financial statements prior to the target date of 30 September 2013. The financial statements are now available for presentation to members and publication.

Presentational and monetary adjustments to the unaudited accounts

24. A number of presentational amendments, aimed at improving disclosures, were made to the unaudited financial statements.
25. A number of immaterial errors were also identified, which were not adjusted for in the financial statements. In accordance with normal practice, those errors were reported to senior finance officers and included within our ISA 260 Report submitted to the Finance and Audit Scrutiny Committee on 18 September 2013.

Prior period adjustments

26. Prior period adjustments can arise where there has been a change in accounting policy, or where there has been a material error which requires to be corrected. The following prior period adjustments have been made in the 2012/13 financial statements:
- the reclassification of leases, accounted for as operating leases during 2011/12, to finance leases. The impact on the balance sheet was to increase debtors and creditors by £14.2million and £13.5million respectively, being an increase in net assets of £0.7million.
 - the recognition of a lease of land by the council, effective from October 2010, and which resulted in the removal of £23.2million from the value of other land and buildings in the balance sheet.
 - the reclassification of a short term bank deposit of £25.5million, held as at 31 March 2012 within cash and cash equivalent balances, into short term investments.

We are content that the adjustments made to prior years' audited balances were appropriate.

Pension costs

27. Glasgow City Council is a member of the Strathclyde Pension Fund which is a multi employer defined benefit scheme. In accordance with pension accounting standard IAS19 'Retirement Benefits' the council has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation as at 31 March 2013 provided by the scheme's actuaries increased the council's share of the deficit from £950million last year to £1,124million this year.
28. There has been an increase in net pension liabilities of £174million as at 31 March 2013 compared with the net liabilities at 31 March 2012. Pension liabilities have increased more than pension assets have increased, due to the drop in discount rate which is aligned to

government bonds and the low level of interest rates. The scale of the movements in the council's net pension liability over the last 5 years, arising from the annual valuation, can be seen in Exhibit 1 below.

Exhibit 1: Movement in Net Pension liability 2008/09 - 2012/13

	2008/09	2009/10	2010/11	2011/12	2012/13
	£ million	£ million	£ million	£ million	
Net Liability	452	1,165	625	950	1,124

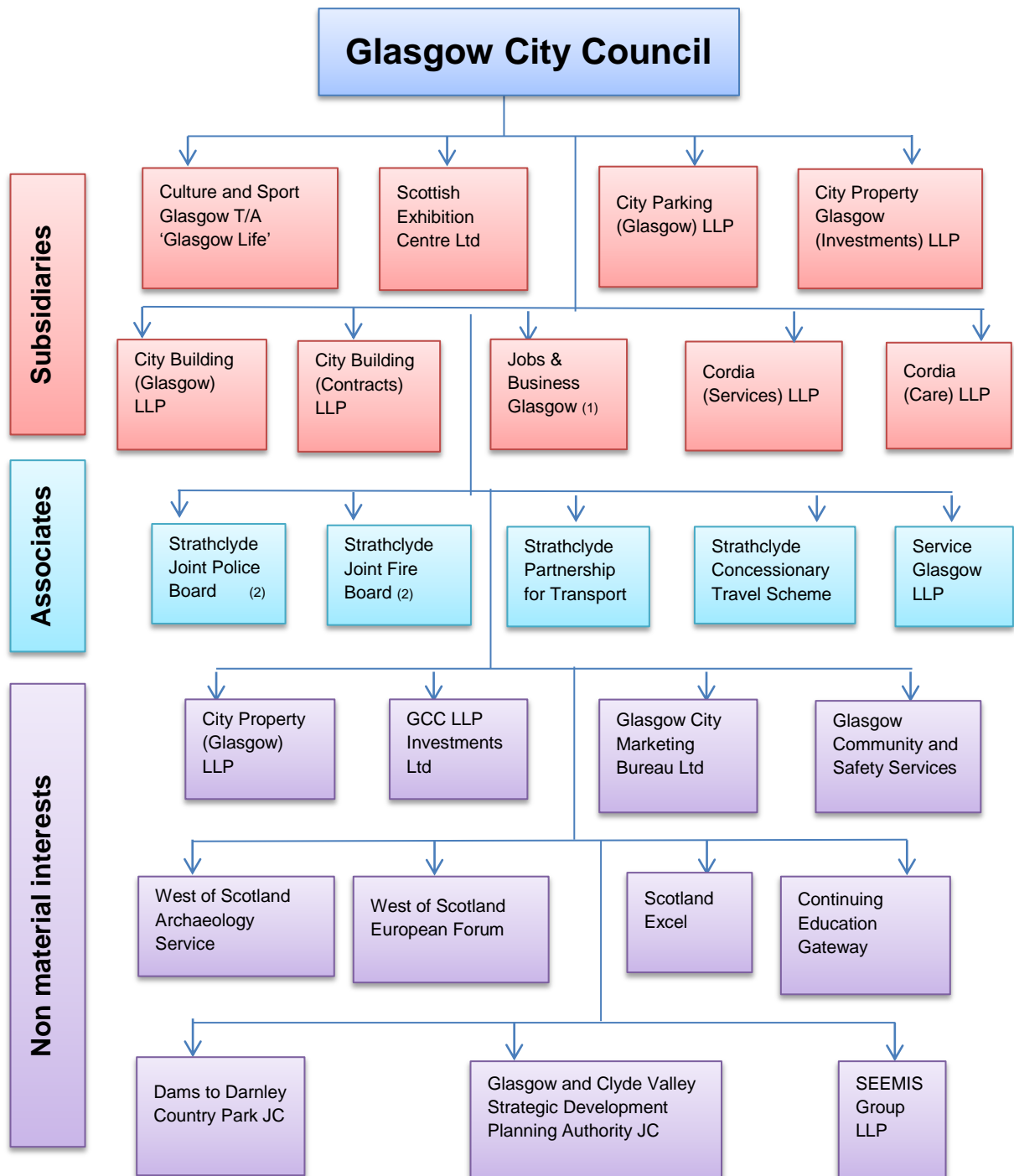
Source: Glasgow City Council audited financial statements

29. It is important to note however that this increase in the value of pension liabilities does not have any immediate impact on the council's financing requirements. The council will continue to make annual contributions to the Pension Fund, through employer contributions, in accordance with triennial valuations carried out by the scheme's actuary.

Group accounts

30. 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 2012/13 are unchanged from 2011/12 and are shown in Exhibit 2. The group boundary has not changed since last year and Glasgow's Regeneration Agency changed its name to Jobs & Business Glasgow on 11 March 2013.
31. 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.
32. We will continue to liaise with officers to introduce measures to further strengthen audit assurances as part of the group consolidation process for 2013/14.

Exhibit 2: Glasgow City Council Group Structure



(1) Formerly Glasgow's Regeneration Agency Ltd

(2) From 1 April 2013, these bodies were dissolved and replaced by new central government bodies.

Asset de-commissioning costs - landfill site

33. Authorities have an obligation to undertake restoration and aftercare work of landfill sites at the point where they commence depositing refuse in the site. Therefore it is expected that they should be recognising a provision no later than that stage under *IAS 37 Provisions, contingent liabilities and contingent assets*. It is also appropriate for the council to capitalise such costs within the associated asset, to be depreciated over the economic useful life of the asset. The council currently uses a landfill site but has not recognised such a provision for its restoration as at 31 March 2013 because the costs of restoration are as yet unquantifiable, due to on-going legal appeals concerning the timing of the restoration process and a possible extension period for the use of the landfill site by the council.
34. The council has, therefore, disclosed an un-quantified contingent liability in the financial statements in respect of the underlying financial obligation. We are satisfied that this is an adequate solution given the absence of reliable cost or probability information. However the council should quantify the level of likely costs involved.

Refer Action Point No. 1

Whole of government accounts

35. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. Due to issues with the consolidation pack template issued by the Scottish Government, the council was not able to submit the consolidation pack for audit by the deadline of 6 September 2013. The completed pack was received by audit on 15 October 2013 and has now been audited and the audited return submitted to Scottish Government.

Outlook

36. The Charities Accounts (Scotland) Regulations 2006, as amended (the 2006 Regulations), sets out the accounting and auditing rules for Scottish registered charities. These require for 2013/14 a full audit of all registered charities accounts where the local authority is the sole trustee and irrespective of the size of the charity. During 2012/13 the council has continued to review its sundry trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), to identify appropriate restructuring options so that the number of trusts can be reduced. To date, six funds have been set up which are subject to full charities financial statements audit for 2012/13. The overall number of trusts with charitable status, including these funds, has been reduced from 32 at 31 March 2012, to 16 at 31 March 2013. The council should continue its review process during 2013/14, in order to ensure full compliance with OSCR requirements.
37. A consultation exercise is currently underway in terms of the Local Authority Accounts (Scotland) Regulations. It is likely that for 2013/14 local authorities, if they do not already do so, will require an Audit Committee or similar to approve their audited accounts by 30 September 2013. We will liaise with the council to agree a timetable for 2013/14.

38. There are no significant accounting changes introduced in the Code of Practice on Local Authority Accounting in the United Kingdom which will apply to the 2013/14 financial statements.

Financial position

39. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
40. 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.
41. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

42. In 2012/13, as recorded in the comprehensive income and expenditure statement, the council spent £2.5billion on the provision of public services, resulting in an accounting surplus of £48.3million. However, this includes certain elements of income and expenditure that are accounted for to comply with the Code of Practice on Local Authority Accounting, and which are then adjusted to show their impact on statutory council reserves. Following these adjustments there is a decrease in the general fund balance of £14.2million. The budget set for 2012/13 was based on a Band D council tax of £1,213 (unchanged from 2011/12).

Budgetary control

43. The council's net service expenditure for the year reported to committee was £1,395million, resulting in an overspend of £4million (0.3%) against budget. The overspend arose principally within Social Work Services, offset by underspends in other service departments.
44. Budget monitoring of the council's ALEOs is done by the Operational Delivery 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 2012/13 the budgeted amount was £11.5million. Actual returns totalled £7.9million, with the shortfall of £ 3.6million mainly relating to the difficult trading conditions experienced by City Building LLP.
45. 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 so that appropriate action can be taken.

Financial position

46. Usable reserves are part of a councils' strategic financial management and councils will often have target levels of reserves.
47. Exhibit 3 shows the balance in the council's usable reserves at 31 March 2013 compared to the previous year. During the year £27.4million was transferred into reserves including £17.6million to the Cultural and Recreational Fund to help support the Commonwealth Games and the council's cultural events programme.
48. The transfers to reserves were funded from a number of sources including:
- An underspend on financing costs
 - Police and fire reserves
 - Insurance Fund contribution not required
 - Budget surpluses on trading operations and better than expected levels of council tax income collection.
49. The net closing balance at the year end on usable reserves was £137.2million representing a net decrease of £9.3million from 2011/12.

Exhibit 3: Usable reserves

Description	31 March 2012 £ million	31 March 2013 £ million
General Fund	57.7	43.5
Capital Reserve Fund	14.6	8.9
Capital Grants Unapplied	3.6	8.9
Repairs & Renewal Funds	24.5	20.4
Culture & Recreational Fund	27.6	40.4
Insurance Fund	18.5	15.1
Total Usable Reserves	146.5	137.2

Source: Glasgow City Council 2012/13 financial statements

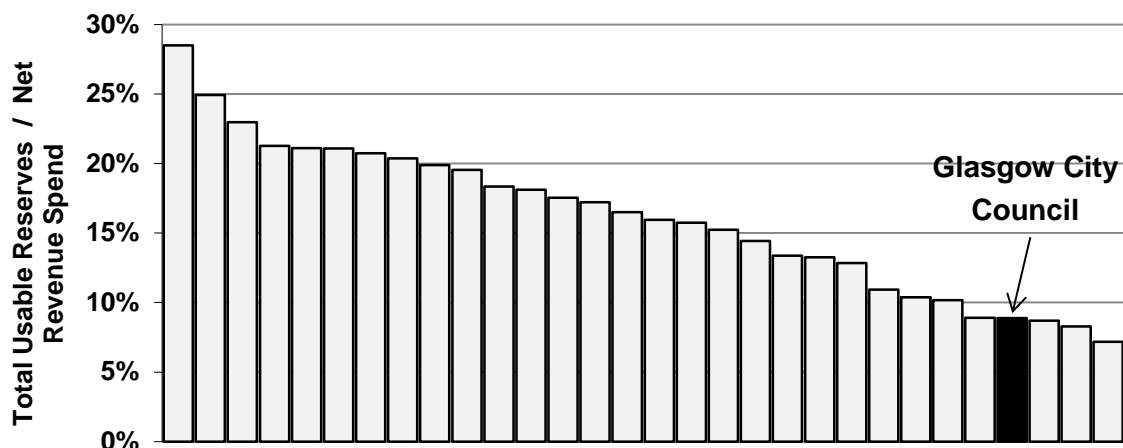
50. The net movement in the general fund balance for 2012/13 was £14.2million, reducing the general fund balance to £43.5million as at 31 March 2013. This balance is made up of earmarked commitments of £25.2million and an unallocated balance of £18.3million, or 1.3% of net cost of services (2011/12: 1.6%). This position is not currently in line with the council's policy, which is to maintain uncommitted reserves at a minimum of 2% of net service cost over the medium term. The council plans to return to the preferred position over the medium term.

51. The main earmarked general fund balances include amounts relating to :
- Commonwealth Initiatives Programme
 - Opportunities for All
 - Waste Management
 - Claims and other legal expenses
 - Disaggregation of Police Joint Board Reserves
(to be offset against 2013/14 Scottish Government funding).

Financial ratios

52. 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. 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 2012/13. Some of the key ratios have been included in this report.
53. Exhibit 4 below presents the council's usable reserves position in relation to net revenue spends for the year in comparison to other Scottish local authorities. As indicated, the council position is lower than the median level of 15.75%. The council needs to continue to ensure that it strikes a balance between meeting current obligations and preparing for future commitments and/or reductions in funding.

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



Source: Scottish councils' unaudited 2012/13 financial statements

Capital investment and performance 2012/13.

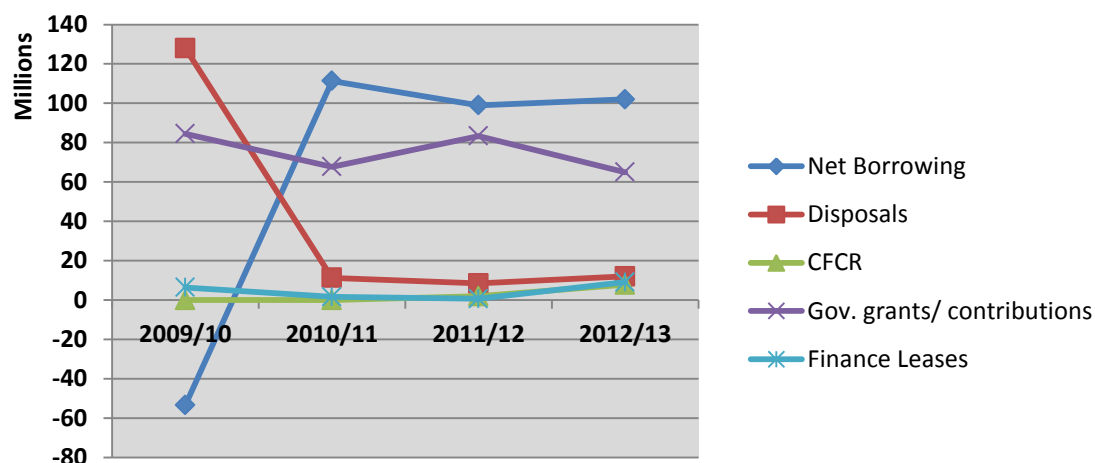
54. The original budgeted capital programme for 2012/13 was for £173.2million with additional capital approvals during the year resulting in actual expenditure for the year totalling £195million.

55. During the year progress was made on a number of capital projects including:

Completion of National Indoor Sports Arena and Velodrome	£15.3million
Pre 12 Strategy	£10.1million
Tomorrow's Office	£14.4million
Tollcross Pool	£11.0million
Residential and Day Care Services	£12.4million
Roads programme	£28.6million

56. Exhibit 5 shows the sources of finance for capital expenditure in 2012/13. The graphical presentation shows the funding from disposals at £12.4million compared with a target of £10million and funding from government grants reducing from £83million to £65million. The increase in the value of borrowings net of investments has been restricted to £3million.

Exhibit 5: Sources of finance for capital expenditure 2009/10 - 2012/13

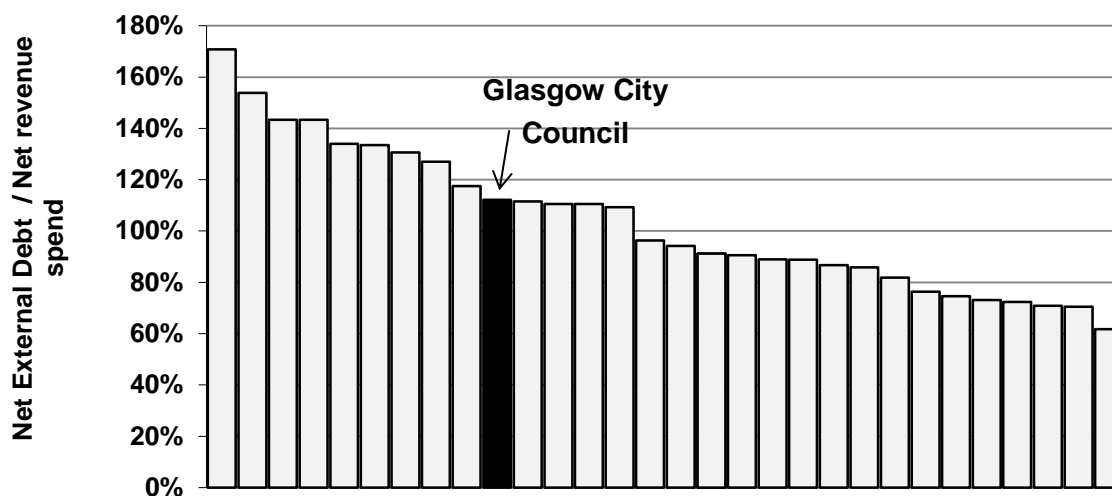


Source: Glasgow City Council Annual Accounts 2009/10 to 2012/13

Treasury management

57. The council's level of net borrowing in 2012/13 has increased marginally. The council's net external debt as a proportion of net revenue spend continues to remain in the middle range relative to other Scottish councils (refer exhibit 6). At 31 March 2013 the council had total borrowings of £1.669billion (2011/12 £1.543billion), a significant proportion of which is at a fixed rate.
58. 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.
59. 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 2012/13.
60. The current economic climate means that interest rates on investments are low, resulting in only £5.3million in investment income being received this year from £400million of investments, compared to £3million last year from £286 million of investments. As the council has a significant proportion of its historic debt at fixed rates the average cost of borrowing over the year was 4.6% compared with 4.7% in 2011/12.

Exhibit 6: Net external debt as a proportion of net revenue spend



Source: Scottish councils' unaudited 2012/13 accounts

- 61. The council had originally approved a capital programme of £280.7million for 2013/14. Due to subsequent changes to the programme, the current value of the programme is £264.7million. Major investment is planned in residential and day care services, roads infrastructure, the pre 12 schools strategy and Commonwealth Games projects.

Financial planning to support priority setting and cost reductions

Service reform

- 62. The council has an extensive service reform programme, "Tomorrow's Council", which has played a critical role in the identification and delivery of savings. The service reform programme has now been in place since 2009/10 and over the three years to the end of 2011/12 was reported to have secured savings in excess of £129 million. Some of the major areas of reform have included: reductions to the workforce, the rationalisation of office space and changes in ways of working, and an area based integration of front line land and environmental services.
- 63. The council had identified the need to deliver £48.8million of additional savings over the period 2013-15. The savings approved by the council totalled £54million with the excess re-directed to Social Work Services. These savings will be additional to those already included in the original service reform programme. The programme has been further developed, as "Tomorrow's Glasgow", to deliver a new range of savings programmes going forward to 2015. It is likely that many of the more readily achievable savings have already been made and it will be a significant challenge for the council to deliver target savings.
- 64. One of the new reform programmes under way is Tomorrow's Support Services. This is a council wide programme to transform the delivery of support services. It will see changes to the way of working and scale of services provided by Customer and Business Services (CBS).

Around 2,300 staff are to transfer from across various council service departments to CBS. Tomorrow's Support Services has a target to deliver annual savings of £5million by 2017/18.

Refer Action Point No. 2

Workforce reduction

65. To date, workforce reductions have contributed to a significant part of the overall savings made by the council in response to budget pressures. In November 2009, the council approved a voluntary severance scheme (the Tomorrow's Workforce Scheme) to offer all staff aged 50 and over the option of voluntary redundancy / early retirement over a three year phased period, with employees to leave the council by 31 March 2013.
66. The total costs of the Tomorrow's Workforce ER/VR scheme was £130million with estimated recurrent savings of £55 million. The total costs of £130million are made up of:
- Redundancy costs £37million
 - Pension added years' lump sum £14million
 - Strain on the fund costs £79million
67. Under the Tomorrow's Workforce ER /VR scheme approximately 2,800 employees will have left the council. The potential adverse impact of reductions to the council's workforce is a significant risk which will need to be carefully managed. Audit Scotland's Performance Audit & Best Value Group has carried out a national review of workforce planning across the public sector. The council was selected as one of the bodies to be included in the audit fieldwork and interviews were held with a number of senior council officers. The report "Reshaping Scotland's public sector workforce" is due to be published at the end of November 2013.

Refer Action Point No 3

Outlook

2013/14 budget and beyond

68. In February 2013 the council approved its budget for 2013/14 based on the 3 year budget settlement from the Scottish Government. In setting its 2013/14 budget the council agreed to freeze its council tax, maintain teacher numbers in line with pupil numbers and secure places for all probationers under the teacher induction scheme.
69. The net service expenditure budget set for 2013/14 is £1,427.9million and represents a reduction of 7.9% on that set for 2012/13 (£1,550.2 million).
70. A spending gap of £48.8million has been identified to meet known spending pressures and planned growth for the two year period 2013 - 2015. To address the spending gap and allow a resource re-direction to Social Work Services, the budget included £11.4million of previously agreed savings and savings of £22.1million and £20.5million for 2013/14 and 2014/15 respectively, relating to both service specific programmes and corporate, council-wide projects.

71. The most recently reported financial position for 2013/14 anticipates an over spend of £7.5million for the year mainly as a result of overspends within Social Work Services and Education Services. The council and its ALEOs are seeking to identify measures to contain this overspend within the overall budget.
72. It is clear that the outlook for public spending remains challenging for the foreseeable future. At the same time there will be increasing demands placed on services through an ageing population and the effects of the current economic conditions on the levels of employment. Continuing to deliver public services with a reducing budget will be challenging.

Refer to Action Point No. 4

Governance and accountability

73. 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.
74. 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, in monitoring these arrangements.
75. 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.
76. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

77. The council has a well-defined corporate governance framework in place. The council policy and decision making process is delivered through an executive committee and five policy development committees. There are also two scrutiny committees with distinct areas of responsibility.
78. The remit of the Finance and Audit Scrutiny Committee (FASC) includes controlling and monitoring the council's revenue and capital budget, risk management, asset management and consideration of internal and external audit reports. The committee is well attended by officers and overall there is a good level of questioning and challenge by committee members.
79. The Operational Delivery Scrutiny Committee (ODSC) has responsibility for scrutinising and monitoring the operational performance of council service departments and ALEOs. Quarterly performance reports on the council's ALEOs are submitted to members of the ODSC, covering performance against budgets, employee absence levels, risk management and business continuity. There is an agreed timetable of thematic reporting which involves joint reporting by council services and ALEOs against the council's strategic priorities. This is a relatively new approach to performance reporting to the ODSC with two thematic reports being

put to committee to date. We will keep the effectiveness of this new approach to performance reporting under review.

Review of internal controls

80. As part of our audit we reviewed the high level controls in a number of the council's main financial systems including general ledger, payroll, accounts payable, cash and cash equivalents, treasury management, council tax, non domestic rates and benefits. The findings from this work were reported to the Finance and Audit Scrutiny Committee in August 2013.
81. 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.

Review of Arm's Lengths External Organisations

82. Many of the council's functions are provided on its behalf by ALEOs. While the ALEO takes on responsibility for service delivery, the council remains accountable for the proper use of public funds and the delivery of best value. As part of our 2012/13 audit we have carried out a focused review of aspects of the service level agreements in place with:
 - City Parking (Glasgow) Limited Liability Partnership (City Parking)
 - Cordia (Care) Limited Liability Partnership (Cordia Care)
 - Cordia (Services) Limited Liability Partnership (Cordia Services).

We have also reviewed the council's arrangements for monitoring ALEOs performance.

83. Our main findings included the following :
 - the council has a clear and well structured framework for monitoring the performance of ALEOs
 - while the results of performance monitoring are being recorded, there is no formal link between the outcome of this monitoring and the council's decision to continue to extend its contracts with the ALEOs
 - under Teckal, the council has awarded work to City Parking, Cordia Care and Cordia Services without following a competitive tendering process, subject to the test of best value. One key element of this test is to ensure the competitiveness of costs. It is our view that the council does not systematically test the ongoing competitiveness of existing service agreements with alternative sources of service provision. Management has provided assurance that the current arrangements, which are not restricted to cost competitiveness, do test best value
 - the council's systems for checking and reconciling payments to Cordia Care and Cordia Services are well established and meet the overall requirements of the SLAs.
84. Our final report was issued on 14 October 2013 and will be submitted to Committee in the near future.

Internal audit

85. A key element of our work on internal controls is the extent of reliance that we place on the work of internal audit in terms of International Standards on Auditing 610 (Considering the work of internal audit). Our review of internal audit concluded that the service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government and has sound documentation standards and reporting procedures in place.
86. We placed formal reliance on aspects of the work of internal audit in several areas including accounts receivable, capital accounting and NDR billing and collection. This not only avoided duplication of effort but also enabled us to focus on other areas of risk.

ICT data handling and security

87. In June 2012 the Information Commissioner's Office (ICO) conducted a consensual audit of the records management and the security of personal data in selected areas of the council. The findings from this audit were reported to the FASC in December 2012. The ICO concluded that limited assurance was available in relation to the council's data protection arrangements and an improvement action plan was agreed.
88. As a direct result of the theft of two council laptops in May 2012, the ICO issued a Monetary Penalty Notice on the council amounting to £120,000 and an Enforcement Notice requiring the council to make a number of improvements including completing a full audit of all existing IT assets used to process personal data by 30 June 2013 and the creation of an asset register by 31 July 2013.
89. Based on the ICO audit recommendations, a sub group of the council's Information Security Board (ISB) was set up specifically to review policy and guidance on information security. An updated Information Security Policy was approved by members in September 2013. Also, in line with ICO recommendations, the Information Security Policy is to be subject to annual review. In May 2013 the FASC received a report which noted that the ICO now placed reasonable assurance on the council's arrangements for records management and the security of personal data.

Public Services Network

90. The council exchanges data with many other public bodies and in so doing makes use of Cabinet Office sponsored arrangements to share electronic data with other public sector bodies such as the Department of Works and Pensions.
91. The Government Secure Intranet (GSi) is the mechanism that allows the council to share data and services and the council must re-apply annually to the Cabinet Office to be allowed to connect to the government secure network. This year the government is replacing GSi with the Public Services Network (PSN).
92. From November 2012, all applicants had to apply to connect to PSN which entailed complying with the stricter PSN Code of Connection. The new code of connection is challenging and

uncompromising about security measures and aims to provide a substantial level of trust between organisations.

93. The council's initial application to the Public Services Network Authority (PSNA) was unsuccessful, and the Chief Executive was notified that non compliance would result in disconnection. However, the council, in conjunction with its IT provider ACCESS, has addressed the concerns which led to the risk of disconnection, or has put in place mitigating actions which have been agreed with the PSNA. The council's Code of Connection application has now been approved and a Compliance Certificate issued. This is subject to annual renewal, from June 2014, and constitutes a major risk to operations and service delivery council wide should there be any future non compliance issues. We will monitor the council's preparedness for renewal of its certification as part of our 2013/14 audit.

Refer to Action Point No. 5

Welfare Reform

94. The Welfare Reform Act 2012 represents the biggest reform of the UK welfare system for 60 years. The Corporate Welfare Reform Working Group is chaired by the Executive Director of Financial Services and Deputy Chief Executive and comprises members from the council, the ALEOs, the Glasgow Housing Association and the NHS. Regular reports are put to members, with the latest report to the Operational Delivery Scrutiny Committee in September 2013 identifying a number of emerging pressures and current issues. In brief these were reported as including:
- Increasing levels of rent arrears for Registered Social Landlords in the city due to the removal of the spare room subsidy and an insufficient number of smaller sized properties.
 - No evidence as yet of an increase in homelessness presentations but due to a shortage of one bedroom properties, increasing use of bed and breakfast accommodation and resulting budget pressures.
 - A four fold increase in the number of applications received for discretionary housing payments compared to same time in 2011/12, with £1.5million of the £3million budget already committed.
 - As is the case across other local authorities, underspends to date against the budget for the Scottish Welfare Fund.
95. Overall, we concluded that the council has been effectively monitoring and planning ahead to address the implications of welfare reform on resources and service provision.

Housing and council tax benefits performance audit

96. A risk assessment was carried out on Glasgow City Council's benefits service in 2011/12, by Audit Scotland's Benefit Performance Audit team, and a detailed report was issued in June 2012.

97. A follow up review was carried out in April 2013, which noted the staff reductions experienced by the benefits service since the previous report, and the actions which had been taken in response, in consultation with DWP. Other findings were:
- The backlog of outstanding claims had been cleared.
 - The time taken to process change of circumstances had worsened, but was beginning to improve.
 - Work was still on-going to improve financial accuracy in keying inputs to the system.
 - A centralised intervention team was introduced in April 2013.
 - There has been no real improvement in overpayment recoveries. A new overpayment recovery team was established in April 2013 to centralise expertise.
 - A review had still to be carried out on targets where fraud was found and overpayments raised.
 - There have been improvements noted in the areas of customer service and outstanding appeals work.
98. Based on the progress made it was concluded that no further scrutiny would be required at that stage. Progress on the council's action plan will be reviewed at the next round of risk assessments scheduled for 2014.

Prevention and detection of fraud and irregularities

99. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. We noted that Glasgow City Council has appropriate arrangements in place to help prevent and detect fraud, although it should be noted that no system can eliminate the risk of fraud entirely.

NFI in Scotland

100. Glasgow City Council participates in the National Fraud Initiative (NFI). The NFI exercise uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
101. The NFI exercise expects public bodies to investigate matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. The most recent data matching exercise collected data from participants in October 2012, with matches identified for follow-up in February 2013.
102. The council's current NFI data exercise identified 27,394 data matches, of which 23,397 were considered high priority. Of these, 4,657 were the responsibility of DWP to investigate, leaving 18,740 high priority matches to be investigated by the council. Total matches included 10,074 creditor matches which were included for the first time. Discounting these, the number of matches to be processed was similar to volumes experienced in previous NFI exercises.

Matches are currently being investigated across relevant council service departments and an update on investigations carried out will be provided to members of the FASC.

103. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

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

104. 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

105. Part of Audit Scotland's duties as 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 2012/13 we followed up correspondence received relating to the competition to redesign George Square.
106. In the light of the correspondence, we examined whether the council had adopted a proper and effective approach to managing and procuring the project, including sound decision-making and risk management. Our findings were:
- Once established in August 2012, the governance framework for the project was proper.
 - The council chose a design contest to progress the project on the advice of its internal architectural advisers and the Royal Incorporation of Architects in Scotland. This took place while the project governance structures were still being developed and, in the absence of a procurement strategy or equivalent document, there was no documented record made of the risks of the design contest route. However, a governance structure had been implemented before the Executive Committee approved the design brief for George Square in September 2012.
 - The council progressed the design contest between July 2012 and January 2013 under significant time and resource pressure. Overall, it progressed this part of the contest effectively.
 - The council did not satisfy the original ambition of the design contest to deliver a wholesale redevelopment of George Square by June 2014. The shortlisted designs generated a range of public objection which caused the council to shelve its 'radical redesign' strategy. Taking account of those objections the council is now pursuing a more conservative refurbishment strategy over a longer timescale.
 - The council incurred costs for itself and third parties in developing proposals for the radical redesign that ultimately did not come to fruition.

107. The council should complete a review of lessons learned from its experience so far in this project; and it should prepare a business case as the basis for continuing the progress of the phase 2 upgrade of George Square. In line with best practice, business cases incorporating a procurement strategy that assesses the risks and benefits of applicable procurement options should be prepared for all major projects.

Refer to Action Point No.6

108. A complaint was lodged during 2012/13 with the Commissioner for Ethical Standards in Public Life in Scotland (the Commissioner) on behalf of the Council of the Royal Incorporation of Architects in Scotland. The complaint concerned alleged contraventions of the Councillors' Code of Conduct by the Council Leader, Councillor Matheson, in connection with the George Square design competition, in particular, a breach of the provisions of the Code relating to relationship with council employees and taking decisions on quasi-judicial or regulatory applications. The outcome of the Commissioner's investigation was that Councillor Matheson had not contravened the Councillors' Code of Conduct.

Outlook

109. Welfare reform will continue for several years to come and from October 2013 the Universal Credit will start to be rolled-out nationally. This will replace a range of existing means-tested benefits and tax credits for people of working age including housing benefit. The timing of the roll out of the Universal Credit in Glasgow is currently unknown. There are financial implications for both citizens and the council arising from the implication of the reforms. In addition there are likely to be workforce implications from the implementation of the Universal Credit as the council will no longer process Housing Benefit. Aspects of this are still being developed by the DWP and should continue to be closely managed through the various work streams of the Corporate Working Group.

Refer to Action Point No.7

Best Value, use of resources and performance

- 110.** Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. 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 are also required to review and report on an audited body's progress against its Best Value improvement plan.
- 111.** This section includes a commentary on the Best Value and performance management arrangements within the council. We also note any headline performance outcomes and measures used by the council and comment on any relevant national reports and the council's response to these.

Management arrangements

Best Value

- 112.** The council actively monitors its Best Value improvement plan and reports progress to members every six months. The Best Value improvement plan is wider than the improvement actions identified through the Best Value audit process and represents a summary of corporate continuous improvement actions identified from various sources including the Shared Risk Assessment, the council's European Foundation for Quality Management (EFQM) self assessments and audit reports and inspections.
- 113.** In our previous annual audit reports we referred to a full Best Value audit of the council which was planned to take place in 2013/14. Over recent years the risk profile of the council has changed and it was therefore appropriate to review this. The Shared Risk Assessment process has identified that the risks around corporate assessment of management arrangements have reduced over time and that these are areas where scrutiny is not required. Given this, and the fact that partnership working is central to delivering improved outcomes for the people of Glasgow, we have agreed, in consultation with the council, that an audit of the Community Planning Partnership and partnership working in Glasgow would be a more appropriate form of scrutiny for 2013/14. A number of meetings have already been held with partners to inform the scoping of the audit and it is envisaged that the audit fieldwork will be completed by the end of 2013 and results reported in the first quarter of 2014.

Performance management

- 114.** The council has a clear focus on performance management and has good structures in place for measuring and reporting performance against strategic priorities. Performance

management arrangements are framed around the five key priorities of the Council Strategic Plan 2012-2017 as approved by members in November 2012.

115. Another key strategic document included within the performance management framework is the Single Outcome Agreement (SOA). Subject to delivery of a number of agreed improvements to the SOA and Community Planning Process, the SOA was approved by the Scottish Government in July 2013. Work is on going to develop a performance management framework around the three priority SOA areas of alcohol, youth employment and vulnerable people.
116. A recent development in the council's approach to performance management has been a move to thematic and standardised performance reporting. The Operational Delivery Scrutiny Committee (ODSC) has the remit to scrutinise and monitor all operational performance and received the first of these thematic performance reports in August 2013, covering the priority of economic growth.
117. The council has started to measure performance against the new Corporate Scorecard performance indicators. These are a suite of thirty nine key measures which have been aligned with the themes of the Council Strategic Plan 2012-15 and which apply across council services and ALEOs. Performance is reported to the Extended Corporate Management Team on a quarterly basis.
118. The council has incorporated into its performance management framework the SOLACE benchmarking indicators. The indicators cover measures such as unit costs, productivity and satisfaction levels and can be used by the council to identify where there is scope for further improvements through the identification of alternative practises in other comparative bodies. Services have identified the initial benchmarking exercises they intend to conduct. To ensure a like for like and meaningful comparison, further consideration is being given to such issues as cost bases, definitions of activities and the council's most relevant benchmarking family.

Overview of performance in 2012/13

119. The first Annual Performance Report on the Council Strategic Plan includes examples of ways in which the council has progressed each strategic priority and also includes feedback from the most recent household survey of Autumn 2012. The report summary highlights in particular good progress in investment through the school refurbishment and roads investment programmes, the ongoing planning for the delivery of the Commonwealth Games and progress in various sustainability projects. The Annual Performance Report will be a key part of the council's arrangements for public performance reporting and is published on the council's website along with links where people can find more performance information such as statutory performance indicators and performance information at a service level.
120. The latest progress report on the council's Best Value Improvement Plan was put to the Finance and Audit Scrutiny Committee in May 2013. This reported all actions as being either complete or on schedule apart from the completion of the EFQM assessment by council

ALEO, Glasgow City Marketing Bureau, and the development of an Internal Communications Strategy.

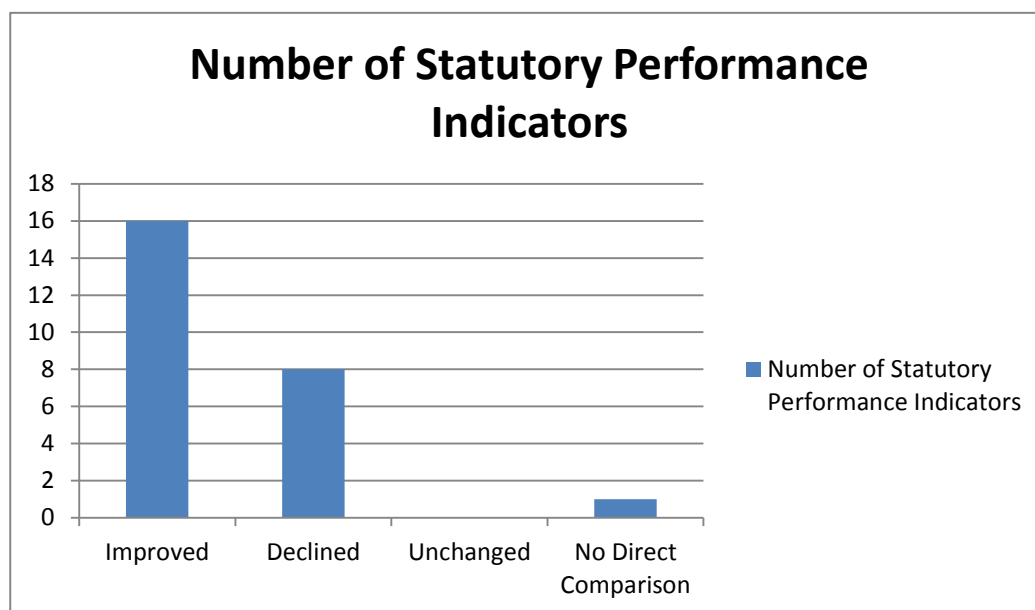
121. Each service in the council is required to produce an Annual Service Plan and Improvement Report (ASPIR) which outlines key performance measures as well as budget proposals and targets. Individual reports are considered by the relevant Policy Development Committee. In addition a summary report on the ASPIRs was put to the Executive Committee in June 2013. This report outlined, for each service, its key priorities, budget and staffing summary.
122. The annual report on the Corporate Scorecard indicators for 2012/13 highlighted that of the 38 indicators being reported, five (13%) showed a red status (5% or more outwith their target performance). These included three measures within the council's vulnerable priority area. The indicators falling most behind targets were:
 - % of looked after and accommodated children aged under 5 (who have been looked after for 6 months or more) who have had a permanency review (*target 90%, actual 72%*)
 - % of older people reviewed within 12 months for home care (*target 85%, actual 75%*)
 - % of decision notifications issues within 28 days of initial presentation (temporary accommodation) (*target 95%, actual 80.2%*).

In addition the average indicator for the first three quarters of 2012/13 relating to the percentage of older people reviewed within 12 months for residential care was 43% compared to the target of 100%.

Refer to Action Point No.8

Statutory performance indicators

123. Auditors of local government bodies 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 issued by the Accounts Commission. In 2012/13, a total of 25 SPIs were required and these indicate a mostly improving picture of performance as illustrated by exhibit 9 below.

Exhibit 7: Improvements demonstrated by SPIs (total of 25 indicators)

Source: Glasgow City Council SPI data returns

124. In comparison to 2011/12, improved performance was recorded for several areas, for example those indicators relating to the percentage of home care clients receiving personal care, a service during the evenings or weekends or a service over night. However, with respect to the number of working days lost due to sickness absence for teachers, government workers and craft workers in particular, performance was poorer than last year. The number of working days lost increased by 0.6 days for teaching staff and 0.5 days for all other staff. Levels of sickness absence are regularly monitored by the ECMT and actions have been agreed to improve performance in this area.

Local performance audits

125. *Scotland's public finances: Addressing the challenges* was published by the Auditor General and the Accounts Commission in August 2011. The report provided an overview of the scale of budget cuts expected to be faced by the Scottish public sector in the period 2010/11 to 2014/15, and how public bodies were beginning to respond to the challenges of reducing expenditure. A follow-up audit of this report was carried out in all 32 councils in Scotland as well as health bodies and 20 central government bodies.
126. Our follow up review at the council focused on two areas, namely whether the council has sustainable financial plans which reflect a strategic approach to cost reduction and whether senior officials and elected members demonstrate ownership of financial plans. Our report was presented to the FASC in September 2013. Overall our conclusion was positive. The council's financial planning demonstrates a strategic approach to cost reduction measures and there is a well established process for monitoring and reporting progress against service reform targets. Senior officials and elected members are able to monitor the achievement of efficiency targets and financial plans are subject to scrutiny before approval.

National performance reporting

127. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports of direct interest in 2012/13 are outlined in the exhibit below.

Exhibit 8: A selection of national performance reports 2012/13

- | | |
|--|--|
| <ul style="list-style-type: none">• Responding to challenges and change - An overview of local government in Scotland 2013• Improving community planning in Scotland• Major capital investment in councils | <ul style="list-style-type: none">• Protecting consumers• Using cost information to improve performance - are you getting it right?• Health inequalities in Scotland• Reducing reoffending in Scotland. |
|--|--|

Source: www.audit-scotland.gov.uk

128. The expectation is that Audit Scotland's performance reports are presented to an audit or scrutiny committee for members to consider and hold management to account for local performance. It is noted that the council has taken the positive steps of regularly reporting the findings from our national reports to members including an assessment of current practices against good practice and, where relevant, areas for further improvement.

Commonwealth Games 2014 - progress report 2: Planning for the delivery of the XXth Games

129. The report by the Auditor General and the Accounts Commission *Commonwealth Games 2014 Progress report 2: Planning for the delivery of the XXth Games* was published on 22 March 2012. Audit Scotland has subsequently reviewed the progress made against the report's recommendations and the key risks identified. A copy of the follow up report was issued to council officers in May 2013 and was also presented to the meeting of the Scottish Parliament Public Audit Committee of 12 June 2013.
130. The follow up review found that, overall, the strategic partners have made progress against all of the recommendations in the 2012 report. In addition, they are continuing to manage and reduce the key risk areas highlighted in the report, although they will remain risks until the Games are delivered.
131. Audit Scotland will carry out the final planned audit on the Commonwealth Games after the Games have been held. This is likely to be reported in spring 2015.

Assurance and improvement plan update 2013-16

132. The Local Area Network of scrutiny partners for the council conducted a Shared Risk Assessment (SRA), and produced an Assurance and Improvement Plan (AIP) covering the period 2013 to 2016. This was published on Audit Scotland's website and was submitted to

the Finance and Audit Scrutiny Committee on 22 May 2013 for information and consideration by members.

- 133.** The AIP identified only one area where scrutiny was required to provide public assurance. This related to the difficulties experienced by users of the homelessness service and the problems encountered by the council in accessing temporary accommodation. The actions to address this issue include a review and relaunch of the Homeless Duty Protocol and the development of local strategies to improve relationships with Registered Social Landlords. The Scottish Housing Regulator is to carry out a review of aspects of the homelessness service and is currently coordinating a joint approach with Audit Scotland as part of the audit of Community Planning and partnership working.
- 134.** There were only two areas identified in the AIP where further information was required. These related to financial and funding pressures and, due to the changes underway in personnel and the changes planned for the buildings and services, aspects of directly provided care homes and day centres. As outlined in the financial position section of this report, the council managed the funding pressures well in 2012/13. In addition the council's assurances to the FASC regarding directly provided care homes and day centres included processes such as planned audits for each unit and 6 monthly performance reviews as part of the monitoring and quality assurance framework. We will revisit these areas as part of the Shared Risk Assessment process for 2013/14

Equality Act 2010

- 135.** The Equality Act 2010 introduced a new public sector duty to ensure equality is mainstreamed into public bodies' core work and is not a marginal activity. The key requirements of the legislation included the publication of a set of equality outcomes and an equality mainstreaming report by April 2013.
- 136.** The council has fulfilled these requirements. A comprehensive equality mainstreaming report and a set of equality outcomes and related actions and measures were reported to members in April 2013.

Outlook

- 137.** The pressures faced by council in terms of resources and demands on services are unlikely to abate and may require councils to consider options, which they had previously ruled out, to balance their budgets.
- 138.** Effective partnership working will be essential to make the best use of available resources as well as strong leadership and clear strategic direction. The council's strong culture of performance management and well defined frameworks will play vital parts in ensuring the delivery of key priorities during times of increasing demands on services and funding pressures.

Appendix A: audit reports

External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	28 February 2013	27 March 2013
Assurance and Improvement Plan	22 March 2013	22 May 2013
Internal controls management letter	26 June 2013	21 August 2013
Scotland's Public Finances - local follow-up audit	30 August 2013	18 September 2013
Report on financial statements to those charged with governance	12 September 2013	18 September 2013
Audit opinion on the 2012/13 financial statements	26 September 2013	18 September 2013
Audit opinion on the 2012/13 Whole of Government accounts consolidation pack	31 October 2013*	N/A
Report to Members on the 2012/13 audit	31 October 2013*	20 November 2013*

* *Planned date*

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	34	<p>Landfill site de-commissioning costs</p> <p>The cost of restoring the existing landfill site is subject to an outstanding legal appeal and therefore at this time the costs cannot be quantified.</p> <p>Risk: <i>The council is not aware of and is not adequately planning ahead for the costs of landfill restoration.</i></p>	When the legal process has been exhausted the Council will make appropriate action to ensure restoration of the landfill site.	Executive Director of Land and Environmental Services	Upon Completion of the legal process
2	64	<p>Savings from Service Reform</p> <p>The council has set ambitious savings targets to be delivered through its service reform and change programme. This includes the transformation of the delivery of support services involving changes in ways of working and the transfer of 2,300 staff to the Customer and Business Services section.</p> <p>Risk: <i>Planned savings may not be delivered and changes to the way</i></p>	The council has a well-established framework for delivering its Service Reform Programme. Tomorrow's Support Services is managed through this framework with 650 staff transferred to date. The remaining staff will transfer between now and Spring 2014.	Executive Directors	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>of working could result in the disruption of services until new processes are established.</i>			
3	67	<p>Workforce Reduction</p> <p>There has been a considerable reduction in the council's staffing levels through early retirements / voluntary redundancies.</p> <p>Risk: <i>The reductions in staffing levels could have an adverse impact on service provision and staff performance and morale.</i></p>	Workforce Reduction is monitored by services through the Service Reform programme	Executive Directors	Ongoing
4	72	<p>Future financial pressures</p> <p>The council's latest financial forecast has identified a funding gap of £48.8million for the period 2013 to 2015.</p> <p>Risk: <i>The continued need to deliver savings may have an adverse impact on services and the delivery of strategic priorities.</i></p>	The council has approved the delivery of savings to meet this spending gap for 2013-15 and the delivery of these are monitored through the well-established Service Reform programme and reported to the Executive Committee.	Executive Director of Financial Services and Deputy Chief Executive.	Ongoing through 2013-2015
5	93	<p>Public Services Network</p> <p>The council's Code of Connection Compliance Certificate is subject to annual renewal (June 2014).</p>	Robust monitoring of compliance criteria and action plan through Information Security Board	Executive Director of Corporate Services	Ongoing Review January 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		Risk: <i>Future non compliance issues could present a major risk to operations and service delivery council wide.</i>			
6	107	<p>George Square redesign</p> <p>The council chose a design contest to progress the project while the project governance structures were still being developed and, in the absence of a procurement strategy or equivalent, there was no documented record of the risks of such a route.</p> <p><i>Risk: The lack of a robust procurement strategy at the initial stages of a project could result in the risks and benefits of applicable procurement options not being fully assessed.</i></p>	<ul style="list-style-type: none"> • Procurement strategies will be prepared in all major projects • A lessons learned review will be carried out for the project to date • A business case for the phase 2 upgrade of George square will be prepared. 	Executive Director of Corporate Services and Executive Director of Development and Regeneration Services.	Ongoing During 2014 When required
7	109	<p>Welfare reform</p> <p>The timing of the roll out of the Universal Credit in Glasgow is currently unknown and there are aspects of Welfare Reform which are still being developed by the</p>	Universal Credit is one of the work streams of the Corporate Welfare Reform Working Group and officers will continue to review information as and when released by the DWP and report it to the Working	Executive Director of Financial Services and Deputy Chief Executive	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		DWP. <i>Risk: Uncertainties over the timing of the roll out of the Universal Credit could limit the extent of forward planning that is possible.</i>	Group. The Group will also continue to oversee other aspects of Welfare Reform as these are published and report to committee as required.		
8	122	Corporate Scorecard indicators for Vulnerable People priority There are a number of corporate scorecard indicators relating to the council's vulnerable people priority for which performance is falling considerably below target. These are the time taken to review older people for home or residential care, the percentage of looked after and accommodated children who have had a permanency review and the percentage of decision notifications issued within 28 days of initial presentation for temporary accommodation. <i>Risk: Performance does not improve and the council's strategic priority for looking after vulnerable people is not</i>	The Reshaping Care agenda has high priority in Social Work. Given the number of older clients in scope for review both at home and in residential settings; it is necessary within current resources to develop a review model that offers a range of scrutiny options tailored to the needs and priority of each service user. In addition, the auditing of individual cases has shown there are data quality issues in relation to the correct recording and completion of review activity. This is being addressed as high priority. Performance in relation to children and their permanency reviews increased significantly between 2011/12 and 2012/13 and continues to improve during 2013/14. This issue has been tackled by increasing worker awareness through city-wide learning events which focus on the issues and challenges of this	Executive Director of Social Work Services	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>met.</i>	<p>area and, in addition, mechanisms have been put in place to train new staff of the importance of planning timeous reviews.</p> <p>Performance in relation to access to temporary accommodation for homeless households was affected by the transition and modernisation of Homelessness Casework Services during 2012/13. This has been identified with local management and remedial actions are now being put in place.</p> <p>It may also be necessary to develop this indicator to better reflect the outcomes around completion of duty and the volume of notifications issued.</p>		