

Stirling Council

Annual Audit Report 2012-13

October 2013

Draft for discussion



Contents

1.	Executive Summary	3
2.	Introduction	5
3.	Financial Position	6
4.	Governance	11
5.	Performance	16

1. Executive Summary

Introduction

The Accounts Commission for Scotland appointed Grant Thornton LLP as auditors to Stirling Council under the Public Local Government (Scotland) Act 1973 for a five year period from 2012. This is the second year of our appointment.

This report summarises the findings from our audit work for the year ended 31 March 2013.

Overall Conclusions

We use the table below to highlight the key findings emerging from each aspect of our work during 2012-13.

Overall, we continue to observe strong leadership, and a well-developed approach to monitor performance and response to future financial pressures. Changes to the workforce, and to staff terms and conditions present a significant challenge to the Council over the next financial year.

The Council's Medium Term Financial Planning and Management Framework highlights a number of key challenges. There is continuing pressure on Councils' revenue and capital budgets which may present a challenge to continuing with current levels of service provision in some areas.

Plans to develop priority based budgeting offer an opportunity to meet the scale of the financial challenge ahead, while protecting key priorities for the Stirling area. These plans must, however, be underpinned by continuing robust self-evaluation and scrutiny.

Meeting future challenges

Revised scrutiny and audit arrangement continue to emphasise the importance of developing community planning arrangements as a mechanism for improving economy, efficiency and effectiveness in service delivery. The Council's revised Single Outcome Agreement is therefore critical to ensure that resources are directed to meet the priorities of the Council and partner bodies.

We note the outcomes from the recent Audit Scotland review of community planning partnerships which identifies a number of recommendations at a local and national level to improve joint working across organisations in the public sector. We will work with the Council in the coming year to support its development of community planning arrangements.

Key Findings

Reporting Area	Our Summary
Financial Position	<ul style="list-style-type: none"> The Council had a general fund balance of £13.65m at the year end. The uncommitted portion of the General Fund is £8 m, which is line with the Council's target for reserve balances. The Council recorded a minor underspend of £0.3 million against service budgets in the year.
Governance	<ul style="list-style-type: none"> The Council governance arrangement in general operate well. However, there have been significant changes to the governance structure in 2012-13. We will therefore continue to monitor scrutiny arrangements in 2013-14. The <i>Outcomes for Stirling</i> review has developed a revised Single Outcome Agreement and associated governance arrangements for 2013 and beyond. Preparatory work included workshops with communities, equalities groups and other partners. The Council also commissioned research from the Audit Commission to review the economic impact of public sector finances on the Stirling area.

Reporting Area	Our Summary
Performance	<ul style="list-style-type: none"><li data-bbox="362 495 1442 558">• Our review of internal controls found that they operate effectively, and that the internal audit service perform well.<li data-bbox="362 569 1442 632">• The Council has strong arrangements in place to monitor and report on performance, and performance against Statutory Performance Indicators continued to improve.<li data-bbox="362 653 1442 762">• The Assurance and Improvement Plan produced by local scrutiny bodies confirmed that there are no significant areas of concern within Stirling. We do, however, note that rent arrears have increased since April 2013, placing additional pressure on the Housing Revenue Account.

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 second year of our appointment.

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

The Council's responsibilities

It is the responsibility of the Council and the Chief Finance Officer to prepare the financial statements in accordance with the Code of Practice on Local Authority Accounts in the United Kingdom 2012-13 (the Code).

This means that the Council must:

- prepare financial statements which give a true and fair view of the financial position of the Council and its income and expenditure for the year to 31 March 2013
- prepare group financial statements where there are material interests in subsidiaries, associates or joint ventures
- maintain proper accounting records which are up to date
- take steps to prevent and detect fraud and other irregularities.

Under the Local Government in Scotland Act 2003, the Council also has a duty to make arrangements which secure best value. Best value is defined as continuous improvement in the performance of the authority's functions.

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 2012-13 audit of Stirling Council. The scope of our work was set out in our Audit Approach Memorandum, which was presented to the Scrutiny and Audit Committee on 5 February 2013.

The main elements of our audit work in 2012-13 have been:

- participation in the shared risk assessment and publication of Assurance and Improvement Plan as part of our work on the Local Area Network
- 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.

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

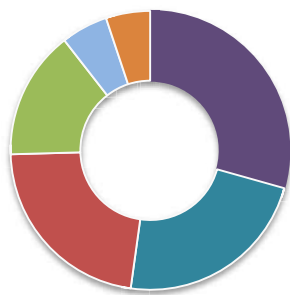
The Council has continued to generate savings in line with its Budget Strategy and has improved the General Fund balance from £10.5m in 2011-12 to £13.6m in 2012-13. The uncommitted element of the general fund has also increased to £8.0m from £5.2m, but current projections set out a funding gap of £23.5m to be bridged over the next four financial years.

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 2012-13, the Council set target savings of £4.1 million, 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 £4.6 million were identified in 2012-13, including £2.4 million from Education and Social Work budgets, and a further £1 million from efficiency and policy savings.

Figure 1: The Council delivered efficiency savings of £4.6 million during 2012-13



- Education £1.4m
- Social Care £1m
- Management Efficiency & Policy Savings Options £1m
- Other £0.7m
- Shared Services £0.25m
- Cost of Employment £0.24m

In June 2013, the Council's Finance and Economy Committee reviewed an updated Budget Implementation Strategy, which set out an estimated funding gap of £23.5 million to be achieved over next four financial years. Additional pressures highlighted within the revised strategy include the new Council Tax Reduction Scheme, funding of Change Fund (Early Years) and auto-enrolment of staff into pension schemes.

The Council has approved a budget reduction strategy to identify £24 million of savings in the period to 2016-17. To date, £9 million of savings have been identified within 2013-14, and a further £15 million to be delivered.

Current Projections for 2013-14

We have reviewed the Council's projections for 2013-14. The Council continues to seek to achieve efficiencies in 2013-14, using the budget workstreams within the Change Programme.

The Council prepared forecasts on order to inform the 2013-14 budget based on the macroeconomic forecasts for the UK and Scotland. This work highlighted cuts in public sector spending for the foreseeable future. The Council have prepared their budgets based on this assumption and have created ambitious savings targets for the medium term.

The Council anticipate that savings will be delivered within 2013-14 from three main sources:

- Efficiency Savings - £3.5 m
- Policy/ Service Redesign - £1.9m
- Costs of Employment workstream - £4.2 m

The Costs of Employment workstream was established in recognition that the largest element of cost in the revenue budget (around 44% in 2012-13) can be attributed to staffing. The Council has identified a series of options to managing this expenditure, including changes to the terms and conditions of employment. Senior managers have also been asked to reduce the Council's workforce by around 100 fulltime equivalent members of staff.

Changes to terms and conditions, including the length of the working week, are subject to ongoing negotiation with trade union representatives. Risks remain about the anticipated increase in productivity associated with longer hours, and therefore the ability to deliver the same level of service with reduced staffing.

The Budget Implementation Strategy also signaled a move to Priority Based Budgeting to deliver that future savings. This approach takes future service requirements into account, including demographics, service cost and location. Services will be prioritised based on consultation on service need and the flexibility of delivery options. We will continue to monitor progress in this area, but the Council's record on honest self-evaluation, partnership working and achieving efficiency savings, mean that it is well-placed to identify services with the highest value to Stirling. The challenge for the Council will be to develop the budget transparently, and with a shared understanding of the future priorities for Stirling.

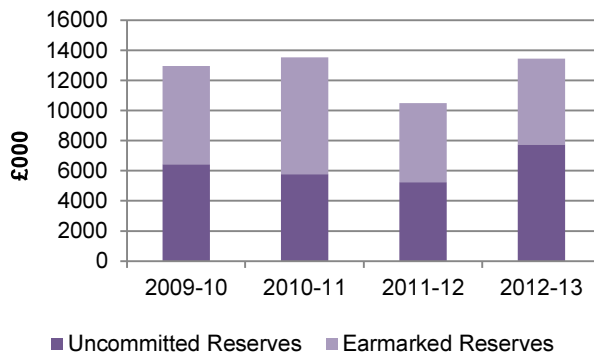
Financial Position

As part of our work in 2012-13, we continued to review the Council's financial sustainability. 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 2013, the Council reported a general fund balance of £13.6 million (2011-12: £10.5 m), of which £8.0 million is uncommitted. This is in line with the

Council's target level of reserves, at around 2.5% of budget.

Figure 2: The Council's uncommitted reserves increased during 2012-13



Source: Stirling Council Statement of Accounts

There are a number of key contributing factors to the Council's stability in reserves:

- The use of a Medium Term Financial Strategy
- Early adoption of identified savings
- Strategic asset management plans

The Council has taken a strategic decision to front load the savings to ease pressure in later years. This approach sees investment in the current and forthcoming financial year in order to generate future savings and maintain the reserves position.

This expenditure, met from General Fund balances included early payment of pension strain costs from the staff severance scheme, refurbishment works to the Smith Museum & Art Gallery and contributions to the Sporting Chance Initiative.

Comprehensive Income and Expenditure Statement

The Council reported significant movement in balances on the prior year within 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 income in year of £6.2 million (2011-12: expenditure of £19.6 million).

The key variances related to a significant reduction in actuarial losses on pension assets and liabilities. The primary reason for this was a change in the assumptions, which resulted in a swing to an actuarial gain on fund assets.

The table below shows that if there have been significant savings at a service level in recent years reflected by the reduction of £3.6 million in the Net Cost of Services.

Table 1: Financial Results for 2012 and 2013

	2013 £'000	2012 £'000
Net Cost of Services	204,172	207,774
Other operating expenditure	1,072	616
Financing and investment income and expenditure	18,662	14,387
Taxation and non-specific grant income	(233,822)	(226,561)
(Surplus)/deficit on the provision of services	(9,916)	(3,784)
Write down of Long Term Investments	0	5,480
(Surplus)/deficit arising on revaluation of non current assets	(1,675)	(8,910)
Actuarial (Gains) / Losses on Pension Assets and Liabilities	5,370	26,815
Total Comprehensive (Income) and Expenditure	(6,221)	19,601

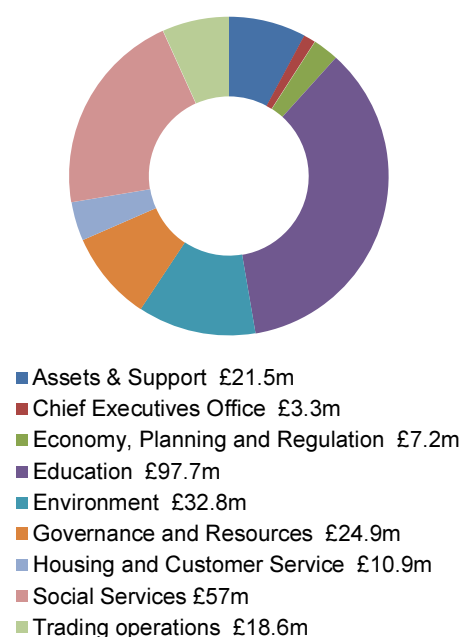
Source: Stirling Council Statement of Accounts 2012-13

In 2011-12, the Council reported a significant impairment to Long Term Investments in relation to a reduction in the value of assets at Stirling Development Agency Ltd. There were no such issue in the current year, which contributed to the move to the net comprehensive income position.

Service expenditure

During 2012-13, the Council spent over £274 million delivering services to communities. Figure 3 highlights that the Council spends the majority of its budget on Education (£97.4 m) and Social Services (£57m).

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



Source: Stirling Council Financial monitoring 2012-13

The Council reported a strong performance against budget, with all services apart from Social Services reporting an outturn below or close to the budgeted figures.

The Social Services budget is mainly demand led and can therefore be unpredictable. The areas facing financial pressures in the current year were Children's Social Services, Older Peoples Services and Learning Disability Services. The Council did some extensive work in identifying the cause of the financial pressures and identifying actions to reduce the overspend.

Through the actions identified by the Council the overspend was reduced from a projection of £1.4 million to just under £1 million.

The Council's Social Care & Health Committee recently received a paper on the Adult Care Budget Implementation Framework for 2013 and beyond. This sets out the service's response to the overspend, and planned actions to reduce financial pressures in future years.

Significant Trading Organisations

The Council maintains four trading accounts: Road Repairs, Grounds Maintenance, Refuse Collection and Building Cleaning. 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. We noted that the statutory surplus had increased from £0.5 million in 2010-11 to £1.5 million in 2012-13.

Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure account reported a surplus for the year of £2.18 million (2011-12 £1.14 million), although rent arrears continued to rise during 2012-13 for both current tenants and former tenants.

For the year ending 31 March 2013, the Council had total HRA reserves of £0.23 million, which places it at one of the lowest in Scotland.

At 31 March 2013, we noted that tenant rent arrears had decreased slightly from 11.2% in 2011-12, to 10.8% in 2012-13, against a national average of 6.8%. Only East Lothian Council has a higher arrears level in Scotland, at 11%.

Welfare Reform presents a further significant risk to the future financial health of the Housing Revenue

Account. In April 2014, the under-occupancy charge was introduced as part of a package of welfare reform. Rent arrears have steadily increased since April, and had reached 13.3% in September 2013.

During 2012-13, £5.28 million 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, £2.07 million was met from capital grants and contributions applied to capital financing.

Capital Expenditure

General Services capital expenditure was £22.88 million in 2012-13. The budget was increased during the year by £1.9 million, to £24.9 million, principally to reflect increased expenditure on the school estate, offset by a reduction of expenditure on the HQ rationalisation

Figure 4: Capital expenditure fell marginally during the year



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 2012-13 and managed capital expenditure within these approved limits.

Equal Pay

The Council has continued to recognise a provision for the payment of equal pay compensation claims, based on the number of claims and the likely outcome. The provision has decreased from a balance of £3.4 million in 2011-12 to £1.3 million in 2012-13.

The Council is at an advanced stage of forming agreements with trade unions, and we therefore anticipate that this provision will be significantly reduced in 2013-14.

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.

The Council invested a large amount of time and resource during 2012-13 to review the content of the financial statements. The Council have taken on board key messages from the Audit Commission report 'Cutting the Clutter' and our own report 'Clear and Concise.' This process demonstrated the commitment of the Council to improving the quality of corporate reporting and to ensuring that disclosures were relevant and targeted to meet the needs of users.

We have worked with the Council to ensure that the amended financial statements remain compliant with applicable accounting standards. Through early engagement we agreed the changes before production of the financial statements, which reduced the amount of work to be completed after the year end.

We reviewed the disclosures in all areas of the accounts as part of this de-cluttering process:

- The Chief Finance Officer's Foreword provides a good summary of the Council's financial performance for the 2012-13 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, which enhances comparability across Scottish Councils.

- Disclosures within the Remuneration Report provide a good level of transparency.
- The Primary Financial Statements and notes to the accounts were prepared through using the concepts of proportionality and materiality which results in more concise financial disclosures which met the required accounting standards.

Looking Forward

From 2013-14, the Accounts Commission has extended our appointment as auditors of the Council to audit all registered charities where the Council is the sole Trustee. The Council is currently reforming the governance of these charities, working to reduce the number of charities that will be subject to audit in 13-14.

We will complete a full audit of the charities in line with International Auditing Standards, performing our work on the charities alongside our work on the Council's financial statements. We will have regard to the small size of the charities and the simplicity of its transactions when planning our work.

The Council's Group Accounts and group financial position in 13-14 will be significantly different due to the change in structure of Police and Fire and Rescue service. A share of the reserves of these bodies will no longer be included in the Council's Group Accounts in 2013-14, which will significantly reduce the Group's liabilities.

We will work with the Council to ensure the changes to the Group Accounts are compliant with the Code and that the changes are clearly explained in the accompanying narrative.

4. Governance

The Council has adopted an Annual Governance Statement within the Financial Statements which is supported by a well-developed Assurance Framework. There have been significant changes to the scrutiny arrangements in place during 2012-13.

A revised Single Outcome Agreement was approved by Scottish Ministers, but a key challenge for all Scottish Councils is to ensure there are strong governance and accountability structures in place for Community Planning Partnerships.

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 2012-13. This is the second year Stirling Council has prepared an AGS.

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. It was noted as part of the review process that the arrangements for creating the AGS had been changed with the view to ensure the disclosures were meaningful and concise in line with the Council's work on cutting the clutter in the financial statements. The processes in place ensured that the good practice identified in 2012-13 was further improved.

Review of Internal Audit

Internal Audit follows a risk assessment approach and operates to an Annual Audit Plan. The 2012-13 planned resources were 915 days including coverage of two Arm's Length Organisations, Central Scotland Joint Police Board and Active Stirling Ltd.

We review the work of Internal Audit on an annual basis to ensure that our work is 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 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 Audit Committee that "reasonable assurance can be given on the operation of the governance arrangements within the Council."

Public Sector Internal Audit Standards

A common set of Public Sector Internal Audit Standards (PSIAS) was adopted by the Relevant Internal Audit Standard Setters, for implementation as from 1 April 2013, with the aim of promoting further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

The new standards, interpreted for the UK public sector, encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework and replace the existing standards. They apply to all internal audit service providers, whether in-house, shared service or outsourced.

The Council considered the new standards at a meeting of the Audit Committee in May 2013. Internal audit noted that the 2012-13 Audit Plan had been based on the CIPFA Code of Practice for Internal Audit in Local Government in the UK. Going forward there was a commitment to comply with the new standards and

there were plans to update the existing Internal Audit Manual with the requirements of the PSIAS, including the development of an Internal Audit Charter.

Specific requirements of the PSIAS

■ An internal audit charter

The charter must formally define the purpose, authority and responsibility of the internal audit activity. It will also cover arrangements for avoiding conflicts of interest if the internal audit provider performs non-audit activities.

■ A quality assurance and improvement programme

The programme is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. This should include:

- on-going internal quality monitoring and self-assessment
- a five-yearly, independent, external assessment of the internal audit function
- effective communication.

In this context effective communication refers to the engagement of the committee's membership – and of the chair, in particular – in discussions with the chief audit executive about:

- the Council's risks and assurance requirements
- the level of assurance provided
- issues of concern raised by audit work undertaken
- the implementation of agreed recommendations and the enhanced assurance arising.

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.

Following the elections in May 2012, the new administration replaced the Executive, Education and Finance Committees with the following five Committees:

- Social Care and Health Committee
- Education Committee
- Finance and Economy Committee

- Environment and Housing Committee
- Community Planning and Regeneration Committee

In addition to this the Scrutiny and Audit Committee was replaced by an Audit Committee. The Council approved the revised arrangements in February 2013. In order to support the changes revisions were made to the Standing Orders, Scheme of Delegation and Financial Regulations.

The aim of each Committee is to tackle policy, performance, projects and strategic objective delivery. Under the scheme of delegation, each Committee also has a role to scrutinise service plans for implementation of the Council's policies and priorities for service delivery, establishing appropriate targets and performance indicators and approving arrangements for the management of risk.

Councils' scrutiny functions are becoming increasingly important due to the difficult decisions councils have to make in the current political and socio-economic climate. Council scrutiny should be robust, transparent and must explore all options thoroughly. Most importantly, they should focus on decision-making allied to their council's strategic goals. During 2013-14, we will therefore review the effectiveness of the Council's revised arrangements to ensure the scrutiny function effectively responds to the changing risks facing the Council.

During 2012-13, we attended and observed the Scrutiny and Audit Committee, which became the Audit Committee in February 2013. We found that the Committee has effective arrangements in place, to manage the agenda and ensure that key areas of focus are controls, the assurance framework and risk management.

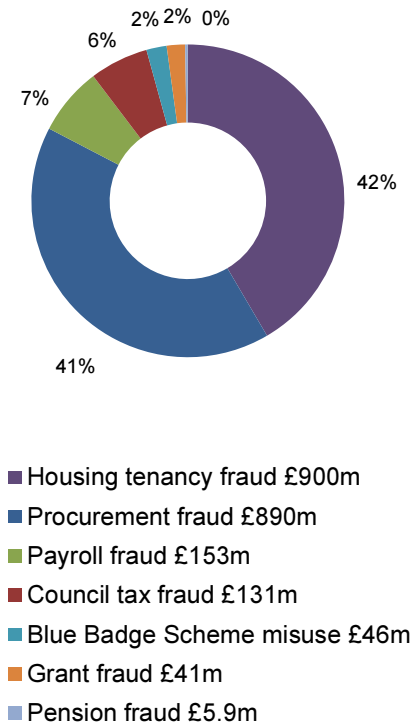
Prevention and detection of fraud and irregularity

Our audit was planned to provide a reasonable expectation of detecting material misstatements within the financial statements resulting from fraud and irregularity.

As part of our governance work we reviewed the Council's arrangements to prevent and detect fraud and irregularity. Following consultation with internal audit, we agreed to place reliance on their findings to ensure that we did not duplicate work.

The National Fraud Authority's Fighting Fraud Locally Local Government Strategy estimates fraud loss across local government at £2.2 billion annually. Figure 5 outlines that the majority of fraud cases relate to housing and council tax benefit fraud, and procurement fraud.

Figure 5: Sources of fraud across the UK local government sector



Source: Fighting Fraud Locally Local Government Strategy, National Fraud Authority 2012

We reviewed Stirling Council's arrangements for fraud prevention and detection during our interim audit visit. The Council's Benefit Fraud Investigation Team are

responsible for investigating allegations of Housing and Council Tax Benefit fraud and to liaise with the Department for Work and Pensions Fraud Investigation Service. An annual counter-fraud business plan is prepared and approved by the Council's Audit Committee. Progress against the plan is reported to the Committee on a quarterly basis.

We were also satisfied that arrangements are in place to prevent and detect procurement fraud, via the Council's procurement procedures and Council's Contract Standing Orders. The Council has also recently agreed to adopt a register of interests for staff, which will enhance procedures, although there is already a requirement to disclose any interests when staff participate in a tendering evaluation.

Overall, we have concluded that the Council's internal controls and financial procedures are adequate to prevent and detect material fraud and irregularity. We will continue to work with internal audit to make improvements against recommendations within the Fighting fraud Locally Strategy. For example, it is good practice to ensure that up to date fraud and whistleblowing policies, and the methods available for raising concerns are available on the Council's external website.

During the course of the year, internal audit has made us aware of a small number reported frauds and allegations, but these are at a low level.

Arms-Length External Organisations (ALEOs)

In 2011-12, we highlighted the number and scale of the Council's arms-length organisations as a key audit risk area. During 2012-13, the Council has taken steps to rationalise the number of associated bodies, by winding up companies such as the Stirling Enterprise and Economic Development Company (SEEDCO) and Stirling Business Centre. The Council has also significantly improved the financial health of the Stirling

Development Agency, and we therefore no longer regard this as a significant area of concern.

Reports on the performance and strategic direction of each associated body was presented to the Scrutiny and Audit Committee in November 2012 and February 2013. We would encourage the Audit Committee to continue to monitor governance and accountability arrangements. We note in particular, that Active Stirling no longer uses the Council's internal audit service, and will instead adopt internal arrangements. Revised arrangements must be reviewed to ensure they provide the Council's Audit Committee with the assurance they need.

Community Planning Arrangements

The Scottish Government published new Single Outcome Agreement (SOA) guidance in December 2012, requesting that each Community Planning Partnership (CPP) produce a new SOA to be submitted in April 2013.

As part of this process the Scottish Government and COSLA developed a Statement of Ambition for Community Planning Partnerships. A key focus of this statements was that community planning partnerships have distinct responsibilities which requires strong governance and accountability arrangements.

Stirling Council presented the approved Single Outcome Agreement to the Council in September 2013. As part of this report the Council set out the proposed governance arrangements for the CPP, which consists of three components:

- The Leadership Group, who are responsible for the functions of the CPP Board and the delivery of the SOA
- The Partnership Group, which acts as a forum for statutory community planning partners and provides a vehicle for advice, consultation, involvement and communication
- Delivery vehicles/ task groups, which operate as programmes or problem solving groups and are

responsible for delivery of priority intervention and prevention areas.

Audit Scotland recently published *Improving community planning in Scotland* which looked at CPPs in Scotland with an aim to contribute to the overall improvement. The report identifies five key areas for CPPs to work on, to ensure they achieve their goals in future:

- creating stronger shared leadership
- improving governance and accountability
- establishing clear priorities for improvement and using resources more effectively
- putting communities at the heart of community planning and public service reform
- supporting CPPs to improve their skills and performance

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
- 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 2013-14.

Looking forward

The Police and Fire Reform (Scotland) Act 2012 created revised local scrutiny and engagement arrangements for local authorities. A collaborative statement has been issued by COSLA, the Scottish Government and the Improvement Service to provide guidance on good scrutiny and engagement.

The guidance identified five principles for good scrutiny and engagement which were based on good practice and promote the 'pillars' of public service reform:

- Focus on outcomes
- Understand local conditions and reflect the community voice
- Promote joint working to secure better outcomes and Best Value
- Provide strategic leadership in order to influence service delivery
- Support continuous improvement by providing constructive challenge.

Stirling will have to consider how they provide scrutiny over the local arrangements for police and fire bodies to ensure that effective governance arrangements are in place.

5. Performance

The Council's Assurance and Improvement Plan confirmed that there are no significant concerns in relation to performance at Stirling Council, and services continue to improve against Statutory Performance Indicators.

The Council is entering a challenging period, as significant changes will be made to the workforce and to staff terms and conditions. Plans to move to priority based budgeting must be supported by robust performance management and scrutiny arrangements to ensure that services continue to deliver best value.

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 April 2013. 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 2016.

The Council's AIP Update 2013-16 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 December 2013 to discuss initial assessments.

Managing Performance: *Are you getting it Right*

Audit Scotland's national report, *Managing Performance: are you getting it right?* was published in October 2012. The report stresses 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.

Since 2010 Stirling Council has been using the Public Sector Improvement Framework as its main method of self evaluation. The areas against which the Council has assessed itself are as follows:

- Leadership
- Service Planning
- People Resources
- Partners and Other Resources
- Service Processes
- Customer Results
- People Results
- Community Results
- Key Performance Results

An update on the self assessment process was presented to the Council in February 2013. The updated highlighted that three areas of potential concern over People, Customer and Community Results. These issues have now been incorporated into the Council Improvement Plan for action.

Each year the Council approves an Improvement Plan, which states the priorities for improvement for the next

three years, and an Annual Report to reflect improvement during the year, and progress against the Single Outcome Agreement. Each service also reports on performance monthly using the covalent reporting system, which is available publicly on the '*Stirling Performs*' website.

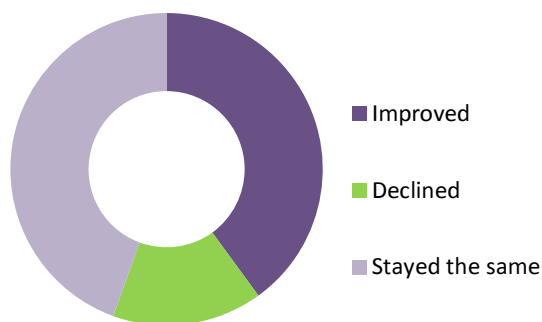
Statutory Performance Indicators

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 6).

Figure 6: The Council improved or maintained performance in 84% of specified indicators



Source: Stirling Council Statutory Performance Indicators

Areas of improved performance included the cost of collecting council tax per dwelling which had decreased from £9.59 to £8.71, this is compared to a national average of £13.29.

The Council also continued to improve the performance for tackling noise complaints with the average time between time of complaint and attendance on site now just 6 hours, compared to a national average of 43 hours.

Areas where performance declined in year include the number of homecare clients receiving service during evening/ overnight which fell by 15.77%.

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 11.2% to 10.8%, we noted that this continues to be the highest level in Scottish councils who maintain housing stock. The national average is 6.8% 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 2013, Stirling Council introduced a protocol to summarise national reports for the Audit Committee. This allows the Committee members to ask for further work to be done, or for copies of the full reports.

Major Capital Investment in Councils

Councils invest large sums of money every year on property and other assets that they will use over many years to provide public services. Council's spent £27 billion between 2000-01 and 2011-12 on capital projects. Of this figure, £4 billion of investment was procured through the use of Private Finance Initiative and Public Private Partnerships (PPP) contracts.

In March 2013, Audit Scotland published Major Capital Investments in Councils. The report reviewed a number of major capital projects over £5 million each, including the Bannockburn High School Refurbishment and Peak Sports Village in Stirling.

The report found that Councils completed only two-fifths of projects within the initial cost estimates, and less than half within the value of contract award. In Stirling, the Bannockburn refurbishment costed 38% more than the original cost estimate, relating to increases in client specification after awarding the contract. The Peak Sports Village was completed both for less than the cost estimate, and for 1.4% less than the contract award value.

Audit Scotland found that many councils do not have established processes for developing and using business cases, which means key performance information on aims, cost, time, scope and risk may not be clearly defined.

While Councils are clear about the broad goals for their investment projects, they rarely specify benefits expected or how these will be measured. Audit Scotland also noted that councils do not often proactively seek opportunities to work with other councils or other public bodies in planning and delivering their capital programmes.

The report resulted in a series of recommendations for Councils. Stirling Council had examined two projects, Bannockburn High School and The Peak. The only issue noted from the review was that there had been a cost overrun of 15% on the Bannockburn High School project.

An Overview of Local Government in Scotland 2013

In March 2013, Audit Scotland published the Local Government Overview Report: Responding to Challenges and Change, which is an annual report based

on the findings from annual audit reports on the 2011-12 accounts, and Best Value and performance audit work.

The report highlights that pressures on resources and demands on services mean that councils may now have to consider decisions, which they had previously ruled out, to balance their budgets. Most councils predict substantial funding gaps over the next three years.

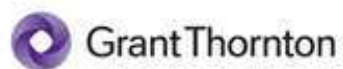
Pressures on finances and changes in the workforce give greater impetus for councils to be active and ambitious in considering alternative options for services. The report points to the importance of elected members in identifying priorities and in decision making. However, fully evaluating service options can be complex and councilors therefore need good-quality evidence from officers to support decisions.

Looking Forward

The SOLACE Benchmarking Project 'Improving Local Government' was developed in order to:

- Support SOLACE to drive improvement in local government benchmarking
- To develop a comparative performance support framework for Scottish local government
- To support councils in targeting transformational change in terms of areas of greatest impact – efficiency, costs, productivity and outcomes
- Focus on the 'big ticket' areas of spend plus corporate services

From 2013-14, the Council will have to report on 149 SPIs and KPIs (50 SOLACE Benchmarking and 99 key performance indicators). A review of the key performance indicators is planned for the autumn with the aim of streamlining this process, removing any duplication with the SOLACE indicators and to ensure that the KPIs continue to be a meaningful measure of Best Value.



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Limited (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk