

Stirling Council

2018/19 Annual Audit Report



 AUDIT SCOTLAND

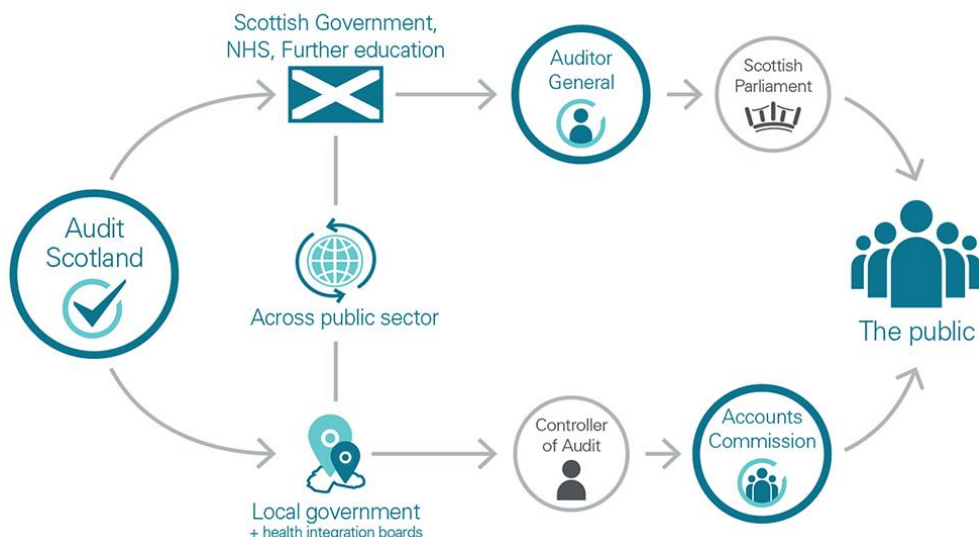
Prepared for the Members of Stirling Council and the Controller of Audit

29 August 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2018/19 annual accounts

- 1 Stirling Council (the council) financial statements give a true and fair view of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended, and were properly prepared.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 3 The statement of accounts of the three section 106 charities administered by the council are free from material misstatement.

Financial management

- 4 Financial management is effective with a budget process focussed on the council's priorities. The Council has an adequate level of reserves, consistently contains its expenditure within annual budgets and has met nearly all of its savings efficiency targets over the last five years.
- 5 Our testing of the operation of the key financial controls relating to the main financial systems concluded that procedures are designed appropriately and operating effectively.

Financial sustainability

- 6 While efficiency savings of over £38 million were approved between 2013/14 and 2018/19, around £9.5 million of these are scheduled to be implemented after 2018/19. In addition, the forecast budget gap for the five-year period to 2023/24 requires that further savings of £33.5 million still need to be identified and approved for the council to achieve a balanced budget over this period. This will place a strain on the council's capacity to deliver services at current levels. It is essential that the council's transformation programme, which is still being developed, identifies and delivers the level of sustainable savings required to meet the projected funding gap.
- 7 The council's five-year business plan and its 10-year financial outlook provide a good platform for determining the scale of the council's budget challenges in the coming years.

Governance and transparency

- 8 The council has appropriate governance arrangements in place that support the scrutiny of decisions made by the council and is transparent in the way it conducts its business.

Value for money

- 9** We published our Best Value Assurance Report (BVAR) on the council in April 2019. Our report recognises the progress the council had made since the previous Best Value Report in 2011, and highlighted improvements that are still required for the Council to be able to demonstrate Best Value. This included improvements to the council's approach to self-evaluation, development of a more effective performance management framework, and the requirement to complete and publish the remaining locality plans.
- 10** In response the Council has developed its BVAR improvement plan which has been presented to the full council together with a commitment to provide six monthly updates on progress. We will follow up progress against the improvement plan in our 2019/20 audit.
- 11** In the latest year for which comparable indicators are measured across Scotland (2017/18), the Council demonstrated sustained good levels of performance. Out of a total of 49 indicators, 39% of indicators were in the top quartile (2016/17: 41%) and 12% were in the bottom quartile (2016/17: 18%).

Introduction

1. This report summarises the findings arising from the 2018/19 audit of Stirling Council and its group (the council).

2. The scope of the audit was set out in our 2018/19 Annual Audit Plan presented to the 21/03/2019 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2018/19 have been:

- an audit of the council and its group 2018/19 annual report and accounts and the statement of accounts of the three section 106 charities administered by the council including the issue of independent auditor's reports setting out our opinions
- a review of the council's key financial systems
- audit work covering the council's arrangements for securing best value. This culminated in a [best value assurance report](#) being issued to Stirling Council on 26 April 2019.
- consideration of the four audit dimensions.

Added value through the audit

4. We add value to the council throughout the audit by:

- the findings and key recommendations in the best value assurance report
- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. In so doing, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- best value arrangements.

8. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2018/19 audit fee of £240,540 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

The financial statements give a true and fair view of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended, and were properly prepared.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The statement of accounts of the three section 106 charities administered by the council are free from material misstatement.

The council's accounts and its group annual accounts are the principal means by which Stirling Council accounts for its stewardship of resources and its performance in the use of those resources.

Audit opinions on the annual accounts

14. The annual accounts for the council and its group for the year ended 31 March 2019 were approved by the Audit Committee on 29 August 2019. We reported, within the independent auditor's report that the:

- financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

15. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, the information and explanations we received, or the achievement of prescribed financial objectives.

Audit opinions on section 106 charities

16. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Stirling Council are sole trustees, irrespective of the size of the charity.

17. Progress was made in 2017/18 to reorganise some of the charities included within the Consolidated Small Charitable Trusts financial statements. This resulted in 9 of the 19 trusts being wound up during 2017/18, with their assets being transferred to other charitable organisations who are better placed to meet the purposes for which the trusts were established. The Council are working with the Scottish Charity Regulator (OSCR) to reach agreement to transfer the remaining trust balances as appropriate. Until then, the Council continues to administer these charitable trusts.

18. We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in the independent auditor's reports that:

- the financial statements give a true and fair view (or properly present for receipts and payments basis) of the section 106 charity's financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

Submission of the council and its group annual accounts for audit

19. We received the unaudited annual accounts on 27 May 2019 in line with the agreed timetable set out in our 2018/19 Annual Audit Plan.

20. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly. Following discussions with us, the finance service has agreed to make some improvements to the management commentary in next year's accounts. These include:

- reporting performance information that more closely demonstrates a link to the key measures and indicators recorded in the council's five-year business plan
- being more specific regarding how the council aims to achieve its objectives over the next five years, and
- reporting progress against planned efficiency savings as a means of demonstrating to readers that planned savings were achieved.

21. The council's group accounts include the financial results of various bodies, including the Clackmannanshire & Stirling Integration Joint Board (the "IJB"). Although many of these bodies within the group are still to have their 2018/19 accounts audited, we are satisfied with the council's arrangements to agree year end balances between itself and its group bodies.

Risk of material misstatement

22. Appendix 2 provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have completed to gain assurance over the outcome of work to mitigate these risks.

23. We have no issues to report from our work on the areas we identified in our 2018/19 Annual Audit Plan as being at risk of material misstatement in the financial statements. Our Annual Audit Plan also identified risks from our wider responsibility under the Code of Audit Practice. These relate to:

- the need to identify sustainable savings to meet the medium-term funding gap; and deliver a balanced budget in future years, and
- the risk that services provided to the IJB cannot continue to be provided from within the council's budget.

We have commented on these in part 3 of this report and are included in the action plan at [Appendix 1](#).

Materiality

24. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

25. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and reported in our annual audit plan. On receipt of the annual accounts we reviewed our planning materiality calculations. The materiality levels we used are reported in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£4.600 million
Performance materiality	£2.750 million
Reporting threshold	£0.050 million

Source: Audit Scotland, Annual Audit Plan 2018/19

Significant findings from the audit in accordance with ISA 260

26. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.




27. The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Subjective aspects of the audit

28. We have no significant findings to report around the subjective aspects (e.g. accounting policies, accounting estimates/judgements, significant financial statements disclosures, impact of uncertainties etc) of the 2018/19 accounting practices.

Exhibit 3 Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Amount due from Scottish Government to cover 2018/19 teachers pay award</p> <p>The Scottish Government advised local government bodies on the arrangements for accounting for teachers pay awards for 2018/19. This explained</p>	<p>This income will be included in the 2019/20 financial statement. We have included this in the schedule of uncorrected misstatement at Appendix 3</p>

Issue	Resolution
<p>that the share of the increase funded by the Scottish Government will be included in the 2019/20 grant. It advised councils to accrue their share in the 2018/19 financial statements. The amount due to Stirling Council is £0.182 million. The council has not accrued for this income in the 2018/19 financial statements.</p>	
<p>2. Severance costs - authorisation</p> <p>The former Chief Executive carried out an organisational restructure which included the deletion of a small number of posts. The subsequent severance costs in relation to these cases were processed under the council's voluntary severance arrangements.</p> <p>Our audit testing of three severance cases resulting from this restructure highlighted that there was no evidence of a comprehensive assessment of the impact on service delivery or the financial implications as required by the council's voluntary severance scheme, nor was there evidence of them being authorised by the senior manager responsible for the service in which the staff member worked. We acknowledge that an authorised "VS2" form was subsequently completed which provided relevant reasons for granting termination. However, this was not prepared until the date the formal offer of voluntary severance was issued to the employee.</p>	<p>The voluntary severances referred to were carried out as part of the previous Chief Executive's organisational restructure and, due to time constraints for these cases, the procedures followed did not fully adhere to the council's voluntary severance scheme. All severance payments were calculated in accordance with the scheme. The council are committed to following the procedures in the scheme. We have recommended that the council takes steps to demonstrate that a comprehensive impact assessment on service delivery is always completed and approved in accordance with its voluntary severance scheme.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>3. Severance costs – payback period</p> <p>The council's voluntary severances scheme has a guideline that severance costs incurred should, where possible, have a payback period which recovers these costs within two years.</p> <p>However, the payback period in the cases we tested did not take any potential service redesign costs into account. For example, we are aware of one case where the appointment of a new post would take on some of the old post's responsibilities.</p>	<p>The council considers that in most cases this would not have a significant impact on determining whether the payback period was less than or around the two-year guideline. We concur that this will be the position for most cases. Going forward, the council should fully consider and document the impact of any new costs as a result of any approved severances and make this more explicit in the calculation of the payback period.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>
<p>4. Debtor balances used to calculate the bad debt provision</p> <p>Our audit testing of the year end council tax debtor balance, the HRA debtors balance and the year end sundry debtors balance recorded in the accounts confirmed that each of these reconciled to the balances in the host system. However, there were differences between these balances and the age analysis of balances that were used to calculate the bad debt provision.</p> <p>These differences were minor and were due to the age analysis of debtors' reports being run at a different point in time using different parameters. In the case of the sundry debtors' balance, the age analysis used for the bad debt provision was based on the balance at 31 March 2019 after deducting</p>	<p>We are satisfied that the balances for council tax debtors, HRA debtors and sundry debtors reported in the accounts are accurate, but the reasons for the minor differences between the balances reported and the age analysis balances used to calculate the bad debt provision for council tax and HRA debtors should be investigated and documented. In the case of sundry debtors, a clearer audit trail should be provided to demonstrate how the age analysis balance used to calculate the bad debt provision is arrived at.</p> <p> Recommendation 3 (refer appendix 1, action plan)</p>

Issue	Resolution
<p>income received from debtors in the first two weeks of 2019/20 before calculating the bad debt provision. While we acknowledge that these are acceptable processes which would not have a significant impact on the bad debt provision, there was an absence of an audit trail to demonstrate this.</p>	
<p>5. Long term investment – thinkWhere Limited</p> <p>Long term investments include the council's 50% investment of £0.480 million in thinkWhere Limited. The unaudited accounts of thinkWhere Limited disclose a negative general fund balance. There is a risk that the council's investment is not recoverable. The council should review the value of its investment in thinkWhere Limited to:</p> <ul style="list-style-type: none"> • determine whether this investment is recoverable; and • identify what action may be required to improve the security of its investment 	<p>The council are reviewing its investment in thinkWhere Limited, including the extent to which its investment may be only partially recoverable. As this is not a material investment, we have accepted that no adjustment is required to the accounts while this review is underway.</p>
<p>6. Council tax credit balances</p> <p>Short term creditors include £0.823 million relating to council tax overpayments received by the council. This includes £0.515 million relating to the prepayment of April 2019 instalments (for 2019/20 council tax) that were processed in March 2019. The remaining balance of £0.308 million relates to overpayments or unidentified payments for previous years that go as far back as 1995/96.</p>	<p>We concur that £0.515 million of this balance is a timing difference that is properly reported as a council tax creditor. The council is currently reviewing the remaining council tax credit balances and will conclude this work shortly. Work done to date on the higher value balances has concluded that these should continue to be classified as a creditor.</p>
<p>Source: Audit of 2018/19 annual accounts</p>	

How we evaluate misstatements

29. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction this lies with those charged with governance considering advice from senior officers and materiality. There were no material adjustments to the unaudited Annual Report and Accounts arising from our audit.

30. There was one misstatement which exceeded our reporting threshold of £0.050 million which has not been amended in the audited financial statements as management do not consider it to be material in the context of the financial statements. This relates to the amount recoverable from the Scottish Government to convert their share of the 2018/19 teachers' pay award and is explained at [Exhibit 3](#) and reported in [Appendix 3](#) uncorrected misstatements and their impact on the financial statements. We agree that this is not material.

Amendments to the accounts arising from legal and other judgements made after the accounts had been submitted for audit

31. Legal cases were brought against the government regarding the transition arrangements made in each of the pensions schemes for judges and firefighters. These arrangements came into effect as part of the move from a Final Salary Pension Scheme to a Career Average Pension Scheme in 2015 and included certain protections for active members of the schemes. The claimants successfully argued, in the resultant Employment Tribunal hearing, that some elements of the

protection measures were unlawful on the grounds of age discrimination. The Employment Tribunal's ruling on this matter was upheld by the Supreme Court in June 2019. As this would have an impact on the transition arrangements of all government backed pension schemes, the council instructed the actuary to the Falkirk Pension Fund to quantify the impact on the council's pension fund liability. The actuary estimated that the impact from this case is to increase the councils' pension fund liability by £2.358 million.

32. In the unaudited accounts, the council's share of the Falkirk Pension Fund liability was calculated using estimates for the return on investment assets held by the pension fund for the fourth quarter of 2018/19. Following the commencement of the audit, the council instructed the actuary to provide an update to the results of its actuarial valuation to reflect the actual return on investment assets in the final quarter of 2018/19. This was requested after our audit commenced since this information could not be provided by the actuary in time to enable the council to prepare the unaudited accounts. The updated valuation by the assessor resulted in a decrease in the pension fund assets of £3.015 million.

33. The combined impact of these adjustments resulted in a £5.373 million increase to the pension fund liability reported in the Balance Sheet from £249.661 million to £255.034 million, with a matching increase in the unusable pension reserve. This also results in a £5.373 million increase in the pension cost charge incorporated within the Comprehensive Income and Expenditure Statement in the accounts. As these adjustments are fully mitigated by a statutory adjustment, they have no impact on the £1.005 million surplus reported in the general fund reserve balance in the unaudited accounts.

Follow up of prior year recommendations

34. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

35. In total, five agreed actions were raised in 2017/18. Of these:

- three have been fully implemented
- two are being monitored on an ongoing basis and continue to be relevant

36. Overall the Council has made reasonable progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management as set out in [Appendix 1](#).

Integration Joint Board

37. The Council has appropriately included its share of the financial transactions of Clackmannanshire and Stirling Integration Joint Board (the IJB) within its group financial statements. We confirmed that the Council has processes in place for agreeing its transactions and year end balances with the IJB. In addition, we liaised with the auditor of the IJB to obtain assurances on the accuracy and completeness of IJB figures included in the accounts. Further information regarding the performance of services transferred to the IJB is included in [Part 4 of this report, Integration of H&SC](#).

Other findings

38. Our audit identified several presentational and disclosure issues which were discussed with management. This included the need to disclose more information regarding the restatement of prior year group accounts figures. These were adjusted and reflected in the audited annual accounts. This is normal audit practice and none of the presentational changes have any impact on the council's outturn for the year.

Objections

39. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations.

Part 2

Financial management



Main judgements

Financial management is appropriate and effective with a budget process focussed on the council's priorities.

Our testing of the design and operation of the financial controls over significant risk points confirmed that controls relating to financial systems and procedures are designed appropriately and operating effectively.

Good financial management is based in about appropriate financial capacity, sound budgetary processes, a robust and whether the control environment and the extent to which internal controls are operating effectively

Financial performance in 2018/19

40. The council approved its 2018/19 budget in February 2018. The budget was set at £213.1 million with no funding gap forecast for 2018/19. The budget was aligned to the council's main priorities as outlined in the council's five-year business plan. Minor budget adjustments and redeterminations of RSG resulted in the budget being increased by £0.171 million during the year.

41. The council has a good track record in delivering services within budget over the last few years. The general fund surplus of £1.030 million disclosed in the movement in reserves statement includes a surplus of £1.660 million relating to the earmarked element of the general fund for spending in future years, and a deficit of £0.630 million on the uncommitted element of the general fund. It should be noted that the £0.630 million overspend is stated after the transfer of £1.000 million from the uncommitted element of the general fund to the committed element of the general fund to replenish the council's risk fund to help to cover transformation activities in future years.

42. The £0.630 million deficit reported to members on 13 June 2019 was an improvement of £1.669 million from the forecast deficit of £2.299 million in April 2019. The improvement mainly arose due to the council clawing back £1.396 million of cost overspends from the Clackmannanshire & Stirling Integration Joint Board (IJB) as a result of the IJBs recovery plan and cost sharing agreement. Other improvements related to a refund against some of the council's share of the Bellfield Centre running costs.

43. Periodic general fund budget monitoring reports keep members informed of changes to forecast outturn and explanations for budget variances.

Housing revenue account

44. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. Dwelling rents income for the year increased

by 1.7% which is in line with the approved rent increase of 1.6% in 2018/19. This enabled the housing revenue account (HRA) to achieve a balanced budget for 2018/19.

45. This resulted in the an HRA balance of £0.986 million at 31 March 2019 (2017/18: £0.986 million) which is held to enable the HRA to address any future requirement to fund emergency repairs or other emerging issues.

Reserves

46. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the council increased from £32.502 million in 2017/18 to £36.088 million in 2018/19

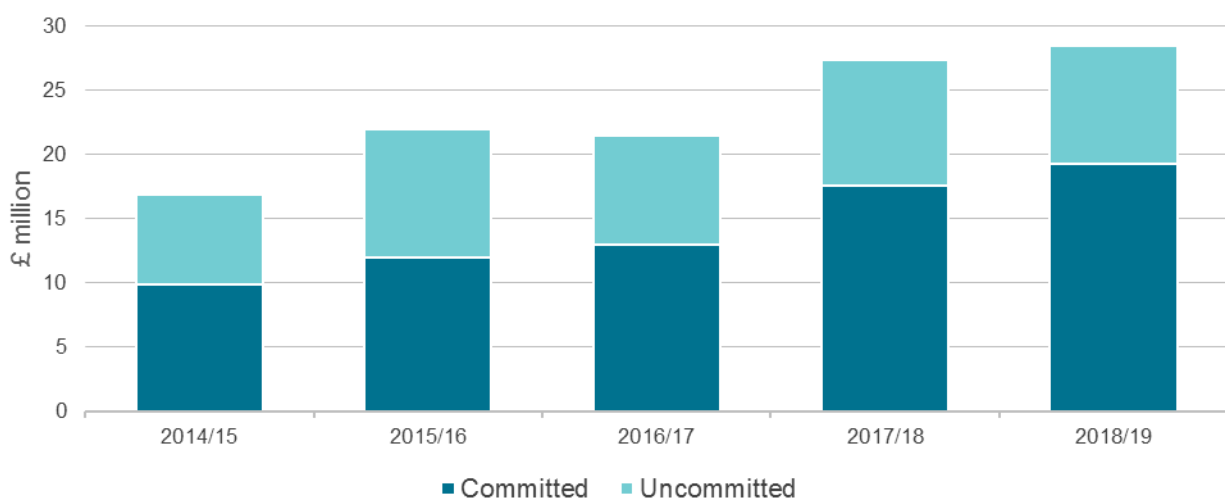
47. The general fund is the largest reserve and accounts for £28.463 million (79%) of usable reserves. This reserve is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows.

48. The council reviews the level of its uncommitted general fund balance when setting the budget each year. The council's approved reserves strategy specifies that uncommitted reserves should be between 2% and 2.5% of net revenue, while accepting that for a period of time they will be at a level higher than target. The level of uncommitted general fund reserves as at 31 March 2019 was £9.192 million which is approximately 4.4% of the net budget. This is in line with the current reserves policy.

49. Exhibit 4 provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. This shows a considerable increase in recent years in both the committed and uncommitted element. The council considers that the financial uncertainty around local government funding makes it important for the council to hold a sufficient level of reserves to help deal with the implementation of change that will be needed to achieve balanced budgets, and to enable the costs of change to be met.

50. Committed elements of the general fund balance increased to £19.271 million at 31 March 2019. This includes a number of corporate initiatives, including a risk fund, which held a combined balance of £2.403 million at the year end, an increase of £0.338 million from the previous year, which was principally financed from savings in loan interest costs during the year.

Exhibit 4 Analysis of general fund over last five years



51. The level of reserves held by the council is in line with its reserves strategy. The overall level of usable reserves (of which the general fund is the most significant) is around the median compared to other Scottish councils.

Efficiency savings

52. With reducing funding from government and increasing demand for council financial services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

53. The 2018/19 budget was set using the council's Priority Based Budgeting (PBB) approach and identified savings options based on future requirements, aligned to council priorities. This includes service managers being made aware of the criteria for identifying savings options, what they need to measure the options this against, together with the quality of information required to support the validity of the proposed savings option this. Each savings option needs to demonstrate how it will impact service priorities and risks, and a quality impact assessment is prepared for each option

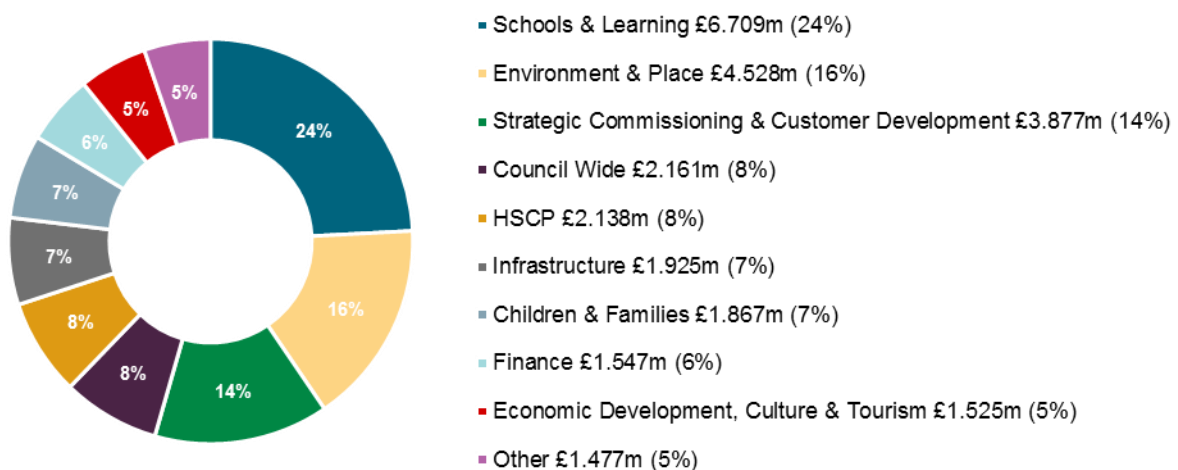
54. The Council achieved £4.772 million (86%) of its planned efficiency savings of £5.569m in 2018/19. Savings of £0.346 million which were planned in 2018/19 have been deferred until 2019/20 with the remaining planned savings of £0.451 million not being achieved.

55. From the £4.772 million of savings achieved some £0.847 million (18%) were delivered from alternative measures than those planned in order to help deliver a balanced budget. These measures included delaying recruitment to vacant posts and restricting expenditure to essential spending only. These are non-recurring savings which do not reduce the base budget.

56. To date the Council has achieved cumulative savings of £27.755 million over the first 5 years of PBB against a target of £28.644 million (96.9% achieved). This level of savings is key to ensuring the council meets its savings targets it has identified for the period to 2023/24. An analysis of savings achieved is shown in [Exhibit 5](#) below. Overall, 97% of the savings achieved have been assessed as recurring savings. This is covered further at part 3 of this report.

Exhibit 5

Cumulative efficiency savings achieved



Source: Stirling Council – efficiency savings 2014/15 to 2018/19

Capital programme 2018/19

57. Total capital expenditure in 2018/19 was £34.909 million. Of this, £22.718 million related to general fund capital expenditure with the remainder being HRA capital expenditure.

58. The main general fund capital projects carried out during the year included:

- the completion of Strathyre primary school refurbishment
- the energy efficient street lighting project
- Roads Improvement works
- Springkerse district heating system
- provision of equipment at the Bellfield Centre, and
- investments in internet connectivity and digital transformation.

59. General fund capital projects reported slippage of £3.742 million (14.1%) million in 2018/19 against a budget of £26.460 million. This principally related to rural projects connected to the City Region Deal, the Callander, Stirling and Bridge of Allan flood alleviation scheme, the community and customer care access hub, and Springkerse district heating system. The remaining funding for each of these has been re-profiled into 2019/20 and are expected to be completed this year.

60. Members are provided with regular progress reports of the capital programme, and are made aware of slippage in any projects, together with the reasons why this occurred. Progress is reported through the system of green, amber, red status updates. Projects assessed as green are progressing well and remain on track. Projects assessed as amber are facing some issues (time or cost variances) which could impact delivery. Projects assessed as red are facing issues which are causing progress to stop or stall. Of the 60 projects in the 2018/19 capital programme, 49 were assessed as green at the financial year end with 11 assessed as amber. The status for each project, together with the reasons for slippage is clearly reported to members in the progress reports.

61. The housing capital programme reported expenditure of £12.192 million in 2018/19, representing slippage of £2.307 million (15.9%) against the budget of £14.499 million. The underspend was mainly due to delays in the 'New Build' Programme. The anticipated purchase of 10 completed properties at Drymen did not commence due to the owner/developer's inability to secure investment. This has been removed from the capital programme. Other delays, such as the council's commitment to the external development of 57 houses in Raploch and internal development projects have been carried forward into 2019/20.

62. The HRA capital programme underspend resulted in a lower than planned level of borrowing during the year, with of £3.368m being borrowed against a budget of £5.568m.

63. While slippage in the HRA capital programme is unusual, the slippage in the general fund capital programme continues a trend from each of the previous four years. While we acknowledge that regular capital budget monitoring reports are provided to members, and these continue to demonstrate that most capital projects are categorised as "green" status, there is a risk that continued slippage on the general fund capital programme or re-profiling of capital expenditure into future years could impact on service delivery in future.



Recommendation 4

Ensure that slippage and reprofiling of general fund capital projects does not have a significant impact on strategic priorities that are dependent on capital projects being completed on time.

Borrowing in 2018/19

64. The council's outstanding loans at 31st March 2019 were £147.508 million, a decrease of £8.910 million on the previous year. This is in line with its approved borrowing strategy and wider financial plans and budgets.

65. Interest payable on borrowing (excluding PFI/PPP) fell by £0.043 million in 2018/19 to £7.734 million. The average interest rate for all loan debt held at 31 March 2019 (excluding PFI/PPP) was 5.11% (2017/18: 4.93%), all of which is held on fixed repayment terms.

66. The Council's overall borrowing position, as a proportion of its income, is lower than the average for councils in Scotland and appears sustainable. The Council's treasury management strategy highlights that the Council will continue to consider the affordability of future borrowing.

Budgetary process

67. The council's budget and savings plan is aligned to the council priorities as set out in its five-year Business Plan. This is consistent with good practice.

68. The detailed scrutiny of financial performance is delegated to the Finance and Economy Committee which receives revenue and capital monitoring reports at each meeting. All changes in forecast outturn were reported to the Strategic Leadership Group and to members during the year. Budget monitoring reports provide an effective overall picture of the budget position at service level and support both members and officers in carrying out scrutiny of the council's financial position.

Systems of internal control

69. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

70. Our findings were included in our interim management report that was presented to the Audit Committee on 28 May 2019. We concluded that the key controls were operating effectively. Areas where existing controls could be improved were included in the action plan which we will follow up as part of our 2019/20 audit. No significant control weaknesses were identified which could affect the council's ability to record, process, summarise and report financial and other relevant data and thus result in a material misstatement in the financial statements.

Internal audit

71. We reviewed the council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit.

72. To avoid duplication of work we seek to use the work of internal audit wherever possible. While we did not use their work regarding our audit of the council's

financial statements, we did use internal audit's work as part of our wider dimension work in the following areas:

- Roll out and implementation of 'Easybuy' purchase to pay system; and
- Cyber security and information governance.

73. Internal audit completed all significant elements of the work contained in their 2018/19 audit plan and provided assurance on the council's overall framework of control for the year to 31 March 2019. A small number of areas have been deferred until 2019/20 and the deferral of this work has no direct impact on our financial statements or wider dimensions work.

Standards of conduct for prevention and detection of fraud and error

74. The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current. For example, the anti-fraud strategy is currently being updated.

75. The council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

National Fraud Initiative

76. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

77. NFI activity is summarised in [Exhibit 6](#). Good progress has been made in reviewing the matches from the 2018/19 exercise with 1256 of 4144 matches having already been processed during the year. This number will continue to increase as the year progresses and the outcomes of investigations will be recorded within each match. The council's approach to NFI is not specifically referred to in the council's Anti-Fraud & Corruption Strategy. This is being addressed as part of the update to this document that is currently underway.

Exhibit 6 NFI activity



4144

Matches



2325

High risk matches



1,256

Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

78. Senior Management and members are well informed on the progress and findings arising from the National Fraud Initiative and updates are taken to the Audit Committee through the Fraud and Irregularities reporting which provides an

analysis of progress to date with regards to NFI. No frauds have been identified thus far although the advertising of NFI continues to help act as a deterrent to fraud.

Dependency on key suppliers

79. The impact of a failure or collapse of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or, disruptions in the continued provision of vital services.

80. The Council has a number of key non-public sector providers, particularly in the social care environment, including care home providers and care at home providers. The council has taken steps to ensure its exposure to undue costs or risks is mitigated. Contracts for all care home providers are awarded under national care home contract arrangements set by COSLA, and the rates charged by care at home providers are reviewed annually to ensure that they are competitive. The council uses various providers for these services which ensures that they are not over reliant on one provider. There are limited providers who provide care at home in rural localities and the council recognises the impact that this could have on costs.

ICT controls

81. As part of our audit work in 2018/19, we have reviewed the ICT control environment within the council. This work included a review of access controls, security arrangements and consideration of the business continuity and disaster recovery plans. We concluded that the council had adequate arrangements in place.

Good practice points

82. The council tracks the progress of all efficiency saving projects that are currently in place. When it became apparent in 2018/19 that not all efficiency savings would be met, alternative savings were sought to mitigate the impact.

Part 3

Financial sustainability



Main judgements

While efficiency savings of over £38 million were approved between 2013/14 and 2018/19, around £9.5 million of these are scheduled to be implemented after 2018/19. In addition, the forecast budget gap for the five-year period to 2023/24 requires that further savings of £33.5 million still need to be identified and approved for the council to achieve a balanced budget over this period. This will place a strain on the council's capacity to deliver services at current levels. It is essential that the council's transformation programme, which is still being developed, identifies and delivers the level of sustainable savings required to meet the projected funding gap.

Long-term financial plans are in place that are aligned to the council's priorities and demonstrate how it will address future budget challenges.

The Council has a robust approach to its service and financial planning through the adoption of priority based budgeting which has formed the basis for its financial planning since 2014/15.

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning

83. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the council's strategies, and which reflect the impact of future pressures on the council.

84. The Council has a robust approach to its business and financial planning through the adoption of priority based budgeting (PBB) which has formed the basis for its financial planning since 2014/15. This has identified options for reducing budgets to match available funding, and to drive service improvements. Budget reductions of over £38 million have been approved to date through PBB phases 1 to 5, with a further £1.9 million approved in PBB 6 (2019/20)

85. The council's approach to budgeting will continue to be reviewed and updated. It is expected that the existing mechanisms will remain in place, but with an increased focus on public consultation and option appraisal. The council recognises the need to have broader discussions with communities. Previously, PBB was used to identify a list of cost reduction options, which were outlined to senior staff and community councils for comment. Efforts to promote community engagement with the development of the 2019/20 budget started earlier than in previous years, and were expanded to ensure that a broader range of community groups were included. This included, but was not limited to, more focused meetings with disability groups, mother and toddler groups, care home residents and libraries, and using other means to engage with communities.

86. The council's five-year business plan 2019-2024 sets out how services will be delivered in line with the council's key priorities and outlines the anticipated

financial position over this period. It is refreshed each year and is updated to reflect a more detailed understanding of the cost pressures, planning assumptions and Scottish Government settlement figures.

87. The rolling five-year plan identifies the different factors and budget projections that impact on the development and delivery of services and thus form the financial environment within which the council will operate over the medium term.

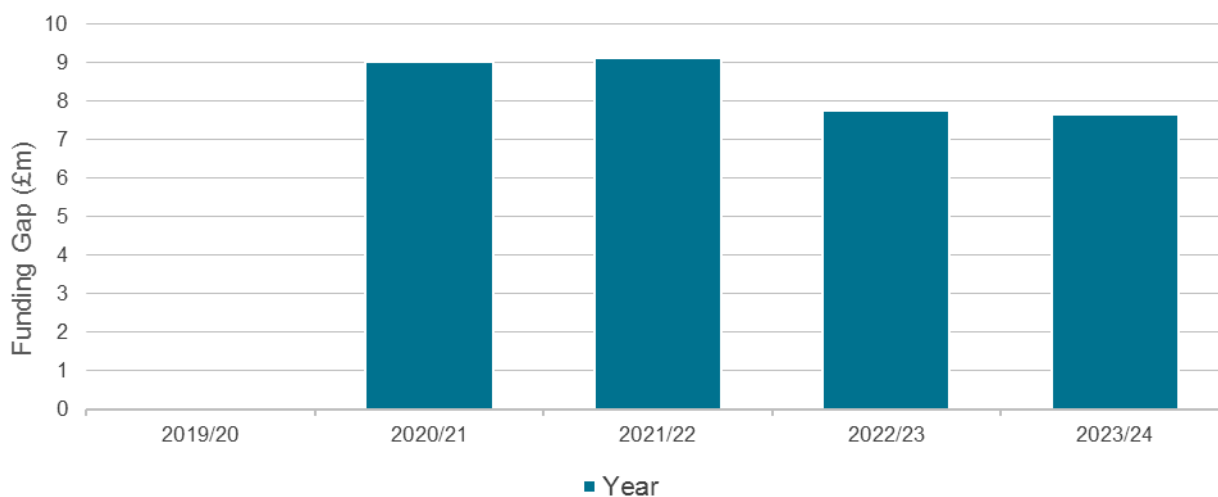
88. In September 2018, the council also introduced a ten-year financial outlook covering the period 2019-2029. Its format is in line with the five-year plan and considers the estimations and financial assumptions over a longer period. It also considers different scenarios and the impact this could have on future funding gaps.

Funding position and savings plans

89. The council is facing several challenges in maintaining a sustainable financial position over the medium to long term. These include rising demands for services, increasing cost of services and reductions in funding from central government.

90. A break-even budget has been set for 2019/20, based on spending of £213.8 million. However, when setting the 2019/20 budget in February 2019, the cumulative budget gap over the five-year period to 2023/24 was £31.945 million. Since then, the council has revised some of its assumptions with the main impact being due to a worsening of grant assumptions for 2021/22 (based on Scottish Fiscal Commission estimates) resulting in an updated forecast budget gap of £33.545 million for the five-year period to 2023/24 as outlined in [Exhibit 7](#) below.

Exhibit 7 Identified annual funding gaps 2019/20 – 2023/24



Source: Stirling Council: 5-year budget scenario (revised June 2019)



91. By way of comparison, the cumulative five-year budget gap has increased by £13.045 million (from £20.500 million) since the 2018/19 budget was approved in February 2018. In line with the five-year business plan, work will continue to set balanced budgets for future years.

92. [Exhibit 8](#) shows that over the five-year period to 2018/19 in which PBB has been used, recurring savings of £38.1 million have been approved. £28.6 million of these savings were scheduled for the period up to 2018/19. This means that the remaining approved savings of around £9.5 million from PBB 1-5 still also need to

be implemented between now and 2022/23 in addition to addressing the existing funding gap of £33.545 million.

Exhibit 8

Priority Based Budgeting saving targets

PBB phase year	£ million									
	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	Total
 2014/15	3.6	3.4	2.1	1.2	0.6					10.9
 2015/16		0.2	0.4	0.4	0.2	0.1				1.3
 2016/17			6.5	4.8	3.9	4.4	3.4			23.0
 2017/18				0.5	(0.1)	-	-	-		0.4
 2018/19					0.9	0.8	0.4	0.1	0.3	2.5
In-year	3.6	3.6	9.0	6.9	5.5	5.3	3.8	0.1	0.3	38.1
Cumulative	3.6	7.2	16.2	23.1	28.6	33.9	37.7	37.8	38.1	-

Source: Stirling Council

93. There is a risk to future service delivery if the Council does not address the projected funding gap or if it cannot continue to meet the existing efficiency savings requirements it has set. The total column in Exhibit 8 shows that new sustainable savings of only £0.4 million and £2.5 million were approved in 2017/18 and 2018/19 respectively. Further savings of £1.9 million were approved when setting the 2019/20 budget. This level of savings will not be sufficient to bridge projected future years budget gaps.

Changing landscape for public financial management and medium to long term financial planning

94. The council recently set out a longer-term update for the ten-year period to 2028/29. This considers a range of issues that currently affect the financial strategy or that may affect it in future. Although many of the assumptions cannot be made with any degree of certainty, this provides the council with a sense of how each of the assumptions might change in future, and how, collectively, they will form a picture of what the longer-term financial outlook may be. Periodic updates on the ten-year outlook were provided to members in December 2018 and June 2019.

95. The Scottish Government's medium-term financial strategy together with recent papers by the Scottish Fiscal Commission have been used to help predict future grant settlements. Other key forecasting information used in the long-term financial outlook include the National Records for Scotland (NRS) projections of Scottish household numbers and distribution across Scotland. Assumptions around other key factors such as local taxation, pay awards and energy costs have also been factored in. Cumulatively, using the median scenario, this projects a cumulative budget gap of around £60 million to 2028/29.

96. Reducing services or posts while, at the same time, ensuring that service delivery continues, is a difficult balancing act. The council considers that this has been achieved thus far without any significant service implications. The council now feels that management and supervisory capacity is stretched, and the ability to take forward new initiatives needs to be planned very carefully to ensure that core service delivery can be maintained and/or any desired improvements attained. Any

further significant reduction in management and supervision capacity in future will be much more difficult to achieve.

97. The council's transformation agenda has identified projects aimed at reviewing and changing the way some services are delivered. It intends to align this portfolio of projects with the five-year business plan and determine where it needs to fundamentally transform delivery of services in order to meet the goals within the Stirling Plan and the five-year business plan. As noted earlier, the council has set aside some of its general fund balance to help finance this.

98. The council will need to work closely with all partners as it develops its approach to achieving future savings and efficiency requirements. It is essential that the council's transformation agenda identifies alternative means of service delivery that will deliver sustainable savings to meet the projected cumulative budget gap.



Recommendation 5

The council must ensure that its transformation programme identifies and delivers the sustainable savings required to meet the projected funding gap. This will include alternative means of service delivery and, in some cases, may result in service reductions. As part of this, the council should work with its local and national partners to identify the key areas where efficiencies and savings can be made achieved.

EU Withdrawal.

99. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

100. The council has an EU Exit Working Group in place. This group was established to ensure the council is prepared for the outcome of Brexit and to deal with any issues which may arise. The group meet regularly and consider a very wide range of potential issues (including a range of potential scenarios that could occur on EU withdrawal), how they might impact Stirling Council, and the council's arrangements for addressing these issues.

101. The council has an EU withdrawal risk register. This lists various risks, together with a risk score dependant on whether a "deal" or "no deal" situation materialises. Controls in place to mitigate the impact to the council are recorded in the risk register.

102. Overall, we consider that the council is well prepared in most areas that could have an impact on the council following EU withdrawal.

Good practice points

103. The Council's PBB has been in place for six years. This is, therefore, an established process which brings together the budget, the five-year business plan and the strategic workforce plan. Each of these are refreshed concurrently each year in advance of the budget being set. The five-year business plan provides an update on the cost pressures, planning assumptions and Scottish Government settlement figures. It also sets out how services will be delivered in line with the Council's key priorities. The strategic workforce plan is aligned to the five-year business plan and the PBB.

104. More recently, the council has prepared a ten-year outlook. This takes cognisance of the Scottish Government's medium-term financial strategy together with recent papers by the Scottish Fiscal Commission to help predict future grant settlements. Other key forecasting information used in the long-term financial outlook include the National Records for Scotland (NRS) projections of Scottish household numbers and distribution across Scotland. Assumptions around other key factors such as local taxation, pay awards and energy costs have also been factored in. This provides a good basis for forecasting the council's future funding position and the consequent reduction in costs that will be required to achieve a balanced budget in future years covered by the ten-year outlook.

Part 4

Governance and transparency



Main Judgements

The council has appropriate governance arrangements in place that support the scrutiny of decisions made by the council.

The council demonstrates a commitment to transparency in the way it conducts its business.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Governance arrangements

105. The Council has a committee structure in place which is underpinned by clear roles for members and officers; and procedural documentation regarding decision making. The Council's decision and delegation arrangements, and its organisational structure are regularly reviewed and updated to ensure they continue to support its key priorities.

106. We attended all Audit Committee meetings, most Finance & Economy Committee meetings and some Council meetings during 2018/19. The papers provided by officers are of a good standard and provide members with a good overview of the issues being covered, together with more detailed information as appropriate. This helps to ensure that issues are debated at committee meetings.

107. Councillors provide effective scrutiny and challenge across all service committees. The council's Audit Committee comprises six elected members and is well attended by relevant officers. The role of convener is undertaken by the leader of the opposition party.

108. As noted in the Best Value Assurance report issued in April 2019, there is an extensive training and development programme for councillors in place, but uptake has been variable. Members have a responsibility to take advantage of the training opportunities available. Officers now need to work with members to understand reasons for low attendance at some training courses and agree on actions to improve attendance. Members should work with officers to review their personal training and development needs and agree a plan to ensure they have the skills required to effectively fulfil their scrutiny and challenge roles, including their duty to scrutinise the council's Best Value arrangements.

109. Overall, the governance arrangements within Stirling Council are operating effectively and support good governance and accountability.

Openness and transparency

110. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and

scrutiny. There are increasing public expectations for more openness and transparency as citizens want to understand how public money is used and, to support their participation in local service design and delivery.

111. There is evidence from several sources which demonstrate the council's commitment to transparency. Members of the public can attend meetings of the full council and other committees. Minutes of these committee meetings and supporting papers are readily available on the council's website. Most items on committee agendas are covered in open session at meetings rather than in private.

112. The council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website encourages the public and staff to become involved in the participatory budgeting process and welcomes suggestions on how services might be delivered in a more effective and efficient manner.

113. The management commentary that accompanies the financial statements clearly explains to readers how the council has performed against its revenue and capital budgets and how this is reconciled to the financial statements.

114. Participatory budgeting is a way of giving local people a greater say in how the council spends some of its money. Stirling Council is committed to enabling citizens to make decisions on at least one per cent of its mainstream budgets through participatory budgeting by 2020/21. In 2019/20, £700,000 will be divided equally between the seven council ward areas based on priorities identified locally.

115. Overall, we conclude that the council demonstrates a commitment to openness and transparency through the processes outlined above.

Integration of health and social care

116. The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.

117. The Clackmannanshire & Stirling Integration Joint Board (IJB) is provided in partnership with NHS Forth Valley and Clackmannanshire Council. The council was slower to delegate operational responsibility for adult care services to the IJB than other Scottish councils. The transfer of adult social care services was completed in September 2018. A joint inspection report of adult services in November 2018 noted that the different governance arrangements from the three constituent bodies created challenges around the understanding of financial accountability. It also observed that the IJB functions as three separate financial contributing bodies.

118. The unaudited accounts of the IJB show that it incurred a deficit of £0.383 million, however, this was reported following additional funding from constituent authorities and other recovery measures. The Council's outturn in the areas within the strategic responsibility of the IJB was an overspend of £1.714 million although under the cost sharing agreement for 2018/19 the council received a rebate of £1.396 million from partners against the overspend.

119. The scale of this overspend highlights the financial pressures faced by the council's adult social care services. It is projected that the number of over 75 year olds in Stirling will almost double between 2014 and 2039, and this will increase the demand pressures on social services. The council is working with its IJB partners towards a more sustainable budget over the next three years, however, this is dependent on how the IJB implements its refreshed strategic commissioning plan for 2019-22 and its three-year budget which is currently in development.



Recommendation 6

The council should continue to work with its IJB partners to ensure the council's adult care services are provided on a sustainable basis and are aligned with the IJBs strategic priorities.

120. The council and its partners have taken steps to make health and social care integration work effectively, however, further steps to improve integration still require to be taken. Audit Scotland's publication [Health and Social Care Integration- Update on Progress](#) (November 2018) sets out areas which need to be addressed if integration is to make a meaningful difference to the people of Scotland.

Part 5

Value for money



Main judgements

National data shows the majority of council services perform above the Scottish average and are improving. However, the council cannot demonstrate that it is achieving all aspects of Best Value as its approach to self-evaluation and continuous improvement has been inconsistent. A more systematic approach is required.

Since the previous Best Value report in 2011, there has been a lack of effective officer and political leadership in focusing improvement against the council's priorities. Development of an effective performance management framework has been slow. While the council reports on its performance, it does not provide a clear summary of performance against all its priorities or key performance measures to councillors or the public. The council acknowledges this and plans to address this in 2019

Value for money is concerned with using resources effectively and continually improving services.

Best value

121. Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period.

122. During 2018/19 we undertook a review of best value within the council. The findings from this review were reported in the BVAR for Stirling Council which was published on 26 April 2019. Within this we highlighted the following key messages:

- Stirling Council has a clear strategic vision and there is currently a strong sense of collective purpose. National data shows the majority of council services perform above the Scottish average and are improving. However, the council cannot demonstrate that it is achieving all aspects of Best Value as its approach to self-evaluation and continuous improvement has been inconsistent. A more systematic approach is required.
- Since the previous Best Value report in 2011, there has been a lack of effective officer and political leadership in focusing improvement against the council's priorities. Development of an effective performance management framework has been slow. While the council reports on its performance, it does not provide a clear summary of performance against all its priorities or key performance measures to councillors or the public. The council acknowledges this and plans to address this in 2019.
- There have been several structural and personnel changes in recent years, including the resignation of the previous chief executive in August 2018. The number of changes in senior management over a short period of time has

slowed the council's pace of improvement, it has been unsettling for some staff and has contributed to a loss of corporate memory. The current corporate management team (CMT) recognises this and is now operating more effectively. A period of stability is required for the leadership to deliver improvements.

- The council demonstrates effective financial management and its robust budget process has approved £38 million savings over the last five years. The medium-term financial plan estimates a cumulative funding gap of £33 million for the five years to 2023/24. Innovative service reform through transformation programmes will be needed to achieve this and secure the sustainability of services.
- The council has effective workforce planning arrangements, with a rolling five-year workforce plan that is linked to the council's budget and five-year business plan. This demonstrates the council's strategic workforce priorities and is monitored by the CMT.
- There is evidence of community engagement influencing the way that services are delivered. But the council and its partners have been slow to progress elements of the Community Empowerment (Scotland) Act 2015, including the publication of locality plans. The council is now taking steps to learn from other councils how it can further improve the way it involves citizens.
- The council works well with a range of partners. This includes its City Region Deal partners to boost economic growth. The Community Planning Partnership has a shared plan but reporting structures need to be improved and performance against outcomes reported. The Integration Joint Board is unique in Scotland as it is the only one covering three statutory organisations (two councils and one health board) and its size and complexity makes decision-making challenging.

123. The BVAR contained 10 recommendations for Stirling Council to take forward. A BVAR improvement action plan has been developed by the council. This contains specific action points to address the recommendations in the BVAR. The improvement action plan was presented to the Council on 27 June 2019, together with a commitment to provide six monthly updates on progress. We will continue to monitor the council's progress against the improvement actions and will report progress in our 2019/20 annual audit report.

Community engagement

124. The BVAR noted that the council has a well-established community engagement team which works with communities across the council area. It also noted that the council still needs to do more to communicate with its communities. The last residents' survey took place in June 2011. The council has since used other ways of engaging with communities. For example, as part of the PBB process, staff talked face to face with established community groups as well as the general public and used online voting. The council recognises that community engagement could be further developed to ensure that the most vulnerable and disengaged can meaningfully take part in decision-making processes. The council is helping communities to build capacity so that they can take on a greater role in prioritising and providing services.

125. There are plans to reintroduce a residents' satisfaction survey later in 2019 and to explore other ways of engaging with the public. The council aims to gather user views in a number of ways and help people influence decision-making, for example through a large-scale survey, citizens' panel, website, question of the week and face-to-face discussions. Staff have been in discussion with other councils, such as East Ayrshire Council, to learn from their good practice in this area.

126. There is the potential to further develop community engagement. The council should demonstrate how it uses the results from its proposed improvements to approaches to inform future council decisions.

Following the public pound

127. Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

128. Stirling Council has 12 Arm's Length External Organisations (ALEOs). Funding provided by the council to these bodies in 2018/19 totalled £1.974 million, the majority of which was paid to Active Stirling. There are service level agreements in place with all ALEOs. The other ALEOs provide a range of services including employability and skills training in Stirling and the wider area; corporate geographical information services; and the promotion of industrial and commercial activities that make accommodation available for letting.

129. There are effective governance arrangements in place to monitor the performance of ALEOs. An annual report has been in place since 2016/17 which is presented to the Audit Committee. It covers the activity and performance of the council's ALEOs and strategically funded bodies. From May 2019 the Audit Committee is provided with a summary of the relevant decision-making committees who receive more detailed reports for each body, together with the reporting frequency to committees.

130. An independent review of the seven ALEOs which focus on the local economy was carried out by consultants and reported to the Finance and Economy Committee in April 2018. This found that there was evidence to suggest that the ALEOs are contributing to growing the Stirling economy but there was less evidence to suggest the arrangements are contributing directly to council income. While the report looked at various options for alternative delivery of services, its recommendations mainly focused on renegotiating the terms of contracts with ALEOs for services to assist ongoing delivery. The BVAR recommended that the council should review and report on whether the structure of its ALEOs remain fit for purpose.

Performance management and reporting

131. The council's performance management arrangements were considered in our BVAR issued in April 2019. We identified that while the council has an established performance management framework in place, improvements were still required. At the time of our BVAR audit, the council were unable to demonstrate that this framework had been effective in focusing improvement against its priorities. Our report highlighted that the council should improve how it uses benchmarking to identify where improvements should be made. For example, the council does not use the family groups of the Local Government Benchmarking Framework (LGBF). In addition, there is no evidence that any analysis that the council carried out on LGBF data has led to the development of any action plans to improve services.

132. The council's committees receive regular performance reports throughout the year. These monitor progress against the council's service objectives based on performance scorecards. These reports were updated in October 2018 to reflect the council's six priorities. The BVAR acknowledged that service management use this data to address the poorer performance in certain areas. However, the council needs to make more use of the data at a corporate level and ensure that the data is used to trigger required improvement activity. The BVAR also noted that external reporting of performance should show a clear summary of the council's performance against priorities.

133. Steps are being put in place to address these issues. We will follow up the new arrangements as part of our 2019/20 audit.

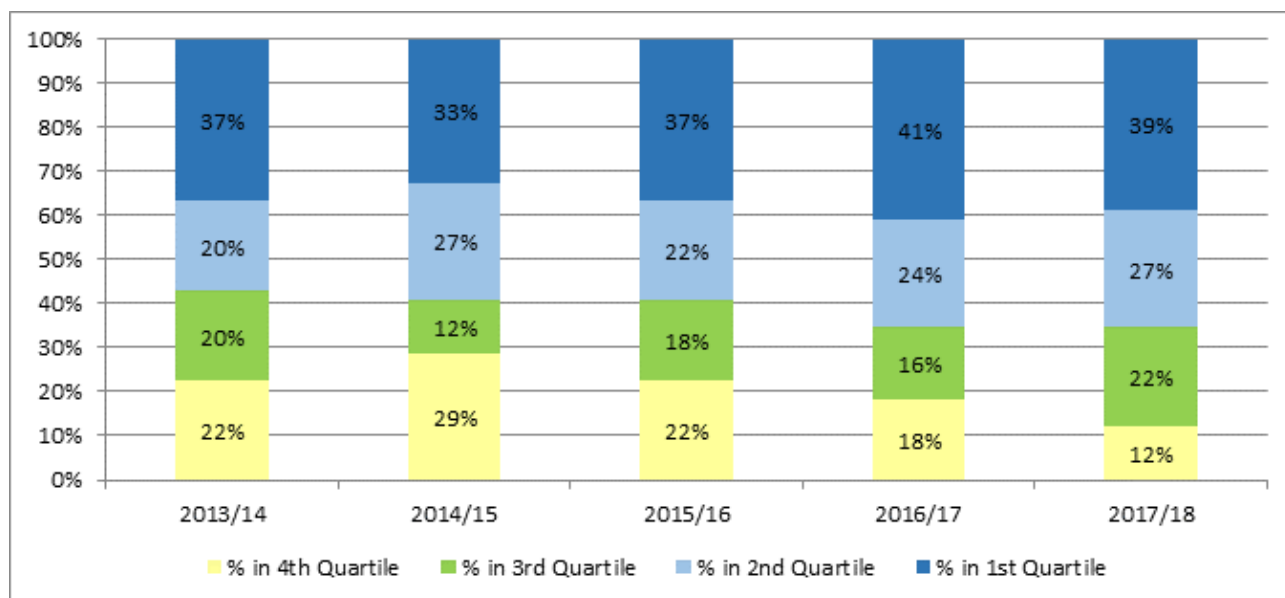
Overview of performance targets

134. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

135. The most recent [National Benchmarking Overview Report 2017/18](#) by the Improvement Service was submitted to the council's Corporate Management Team (CMT). Going forward, a Corporate Governance Board has been set up which will review council performance at a corporate level and make recommendations to the CMT. Their remit will include reviewing all council performance data including LGBF data. The council continues to perform well in comparison to other councils as shown in [Exhibit 9](#).

Exhibit 9

Stirling Council LGBF relative performance 2013/14 to 2017/18



Note: Measuring council performance involves considering how all councils are performing, from lowest to highest for each indicator. From this, it is possible to see how one council compares with all other councils. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile contains the poorest-performing councils. The above data is based on 49 indicators which have been reported every year in the LGBF since 2013/14. Percentage figures will not always come to 100 per cent due to rounding.

Source: Audit Scotland, and Local Government Benchmarking Framework, Improvement Service, 2017/18

136. Areas that are underperforming according to the council's analysis are cost of waste services, waste collection rates, and the percentage of all roads that require maintenance. The BVAR noted that the council formed a waste task group in May 2018 to address the high cost of collection in the waste service and to find solutions to issues raised by staff. The council introduced bespoke technology to better support route planning, and to help increase staff engagement. Overall, collection rates improved from 91 per cent in June 2018 to 97 per cent in December 2018.

Statutory performance indicators (SPIs)

137. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The commission does not prescribe how councils

should report this information but expects them to provide the public with fair, balanced and engaging performance information.

138. For 2018/19 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value
- SPI 2: relates to the reporting of performance information as required by the [Local Government Benchmarking Framework](#).

139. We reviewed the council's arrangements for collecting, recording and publishing data in 2018/19. While the annual performance report for 2018/19 containing the outcomes for the council's key indicators is still to be published, we concluded that the arrangements in place to provide this information are satisfactory. The council intends to report all the measures identified in the five-year business plan and ensure that they are clearly linked to the council's six key priorities.

National performance audit reports

140. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, Audit Scotland published a number of reports were issued which are of direct interest to the council. These are outlined in [Appendix 4](#).

141. Arrangements are in place for the council to consider national reports. These are presented to the Audit Committee and the relevant service committee. Members are made aware of key issues. The council does not routinely report the council's position in respect of the key issues reported. Action taken in response to reports is dependent on the nature of the national report and the service to which it relates.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Severance costs - authorisation</p> <p>Our audit testing of the three severance cases resulting from the organisational restructure in May 2018 highlighted that there was no evidence of a comprehensive assessment of the impact on service delivery or the financial implications as required by the council's voluntary severance scheme, nor was there evidence of them being authorised by the senior manager responsible for the service in which the staff member worked.</p> <p>Risk: Severances may not be in accordance with the council's voluntary severance scheme.</p>	<p>The council should ensure that a comprehensive impact assessment on service delivery is always completed and approved in accordance with its voluntary severance scheme.</p> <p>Exhibit 3</p>	<p>Agreed action: The voluntary severance scheme procedures/process will be reviewed and communicated to ensure that a comprehensive impact assessment is noted as a mandatory requirement.</p> <p>Responsible officer: Chief HR Officer</p> <p>Agreed date: with immediate effect.</p>
2	<p>Severance costs – payback period</p> <p>Our audit testing of the payback period in the three severance cases we tested did not take any potential service redesign costs into account. For example, we are aware of one case where the appointment of a new post would take on some of the old post's responsibilities.</p> <p>Risk: The payback period may be longer than reported. This could impact the viability of the approved severance.</p>	<p>The council should fully consider and document the impact of any new costs as a result of any approved severances and make this more explicit in the calculation of the payback period.</p> <p>Exhibit 3</p>	<p>Agreed action: Procedures/process will be reviewed to ensure the impact of any new costs is identified and explicitly included in the payback calculation.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: with immediate effect.</p>
3.	<p>Debtor balances used to calculate the bad debt provision</p> <p>For council tax debtors, HRA debtors, and sundry debtors there were differences between the debtor balance in the accounts and the debtor balance used to calculate the bad debt provision.</p>	<p>The reasons for the minor differences between the balances reported and the age analysis balances used to calculate the bad debt provision for council tax and HRA debtors should be investigated and documented. In the case of sundry debtors, a clearer</p>	<p>Agreed action: Working papers will be updated to ensure the reconciliation between the closing debtor balances (used in the accounts) and the balance used for calculating the bad debts provisions is clearer.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk: The bad debt provision could be misstated.</p>	<p>audit trail should be provided to demonstrate how the age analysis balance used to calculate the bad debt provision is arrived at.</p>	<p>Responsible officer: Chief Finance Officer.</p> <p>Agreed date: with immediate effect and for 2019/20 accounts.</p>
4	<p>Capital programme 2018/19 - slippage</p> <p>Both the general fund and HRA capital programmes experienced slippage in 2018/19. The general fund has experienced slippage in each of the last five financial years.</p> <p>Risk</p> <p>There is a risk that ongoing slippage could impact the Council's priorities.</p>	<p>Ensure that slippage and reprofiling of capital projects does not have a significant impact on strategic priorities that are dependent on capital projects being completed on time.</p> <p>Paragraph 57</p>	<p>Agreed action: The 10-year capital programme setting project helps ensure capital programmes are planned & delivered to meet strategic priorities. The progress of all capital programme projects is regularly reported to members and approval to carry forward the unspent element of the project is approved. The monitoring of the capital programme will be done via the Capital Delivery Group and Operational Governance Board under their new remits during 2019/20.</p> <p>Responsible officer: Senior Manager Infrastructure and Chief Finance Officer</p> <p>Agreed date: with immediate effect.</p>
5	<p>Funding position and medium-term financial planning</p> <p>The cumulative budget gap over the five-year period from 2019/20 to 2023/24 is £33.545 million. This is an increase of £13.045 million over the five-year budget gap for the period from 2018/19 to 2022/23 when the 2018/19 budget was approved in February 2018.</p> <p>Risk</p> <p>There is a risk to future service delivery if the council does not address the projected funding gap or if it cannot continue to meet the existing efficiency savings targets it has set.</p>	<p>The council must ensure that its transformation programme identifies and delivers the savings required to meet the projected funding gap. This will include identifying alternative means of service delivery and, in some cases, may result in service reductions. As part of this, the council should work with its local and national partners to identify the key areas where efficiencies and savings can be made achieved.</p> <p>Paragraph 94</p>	<p>Agreed action: The budget process for 2020/21 and beyond is being addressed through the establishment of a new Budget Review Group, regular Service Single Point of Contact (SPOC) Meetings, and a Transformation programme which is looking at medium to longer term timescales for delivery of budget savings to meet future budget gaps.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: with immediate effect as the new process is underway.</p>
6	<p>Integration of health and social care</p>	<p>The council should continue to work with its IJB partners to ensure the council's adult</p>	<p>Agreed action: The Council continues to work with its IJB partners in line with the</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The council's Adult Services and the IJB have incurred significant overspends in each of the last two years. Projected increases in the number of people over 75 living in Stirling will increase demand on this service.</p> <p>Risk - services cannot continue to be provided from within the council's budget.</p>	<p>care services are provided on a sustainable basis and are aligned with the IJBs strategic priorities.</p> <p>Paragraph 116</p>	<p>established reporting and governance arrangements to ensure services are provided on a sustainable basis and aligned to the strategic priorities.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: on-going</p>
Follow up of prior year recommendations			
b/f 1	<p>Payroll deductions creditor reconciliation</p> <p>The Council stopped preparing payroll deduction reconciliations during the year. This resulted in the balance reported in the accounts being overstated by £0.090 million.</p> <p>Risk:</p> <p>The payroll deductions creditor could be misstated.</p>	<p>The payroll deductions creditor reconciliation should be re-introduced.</p>	<p>Updated response: The Payroll Team reinstated the process of monthly reconciliations.</p> <p>Responsible Officer: Payroll Manager</p> <p>Revised Date: n/a Implemented</p>
b/f 2	<p>Rechargeable repairs debtor</p> <p>Charges for rechargeable repairs are processed in the housing service Academy system. However, these are not input to the financial ledger until payment is received by the Council.</p> <p>Risk:</p> <p>HRA debtors and income could be understated</p>	<p>Charges for rechargeable repairs should be captured in the financial ledger at the point the account is raised.</p>	<p>Updated response: Rechargeable repair debtors are now incorporated into the financial ledger.</p> <p>Responsible officer: Housing accountant</p> <p>Revised date: n/a Implemented</p>
b/f 3	<p>Capital programme monitoring</p> <p>The Council received £2.162 million in the form of developer's contributions which was not incorporated into the capital expenditure plans or monitoring reports reported to the Finance & Economy committee.</p> <p>Risk</p> <p>The capital programme may not reflect all the capital funding available for spending on capital projects.</p>	<p>The Council should ensure that developer's contributions, together with any other external funding towards capital expenditure, is incorporated into the capital programme and all subsequent capital programme progress reports.</p>	<p>Updated response: developers' contributions are now incorporated, where appropriate, into capital expenditure programmes and monitoring reports.</p> <p>Responsible officer: Senior Manager Infrastructure & Chief Finance Officer</p> <p>Revised date: n/a Implemented</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
b/f 4	<p>General fund capital slippage</p> <p>The general fund has experienced slippage in each of the last four financial years.</p> <p>Risk</p> <p>There is a risk that ongoing slippage could impact the Council's priorities.</p>	<p>The Council should ensure that slippage and reprofiling of general fund capital projects does not have a significant impact on strategic priorities that are dependent on capital projects being completed on time.</p>	<p>Updated response: the 10-year capital programme setting project helps ensure capital programmes are planned & delivered to meet strategic priorities. The progress of all capital programme projects is regularly reported to members and approval to carry forward the unspent element of the project is approved. However, as the capital programme has not been delivered closer to budget as agreed in our 2017/18 report, this matter has been carried forward at issue 4 above.</p> <p>Revised action: see issue 4 above</p> <p>Responsible officer: Senior Manager Infrastructure and Chief Finance Officer</p>
B/f 5	<p>Funding position</p> <p>The cumulative budget gap over the five-year period to 2022/23 is £20.500 million. This is a £9.485 million increase over the equivalent budget gap reported last year.</p> <p>Risk</p> <p>There is a risk to future service delivery if the Council does not address the projected funding gap or if it cannot continue to meet the existing efficiency savings targets it has set.</p>	<p>The Council should ensure that savings plans are developed which identify how the remainder of the savings required to meet the residual funding gap of £20.500 million for the five-year period to 2022/23 will be made.</p>	<p>Updated response: The projected funding gap over the next five-year period has increased to £33.545 million. This matter has been carried forward at issue 5 above.</p> <p>Revised action: see issue 5 above</p> <p>Responsible officer: Chief Finance Officer</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>Focussed testing of regularity and cut-off assertions showed controls were operating effectively.</p> <p>No significant transactions outside the normal course of council business were identified.</p> <p>Conclusion: there is no evidence of management override of controls at the Council.</p>
<p>2 Risk of fraud over income</p> <p>Stirling Council receives a significant amount of income from several sources including income from fees and charges. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Appropriate processes for the authorisation, separation of duties and workflow associated with income.</p> <p>Internal audit's plan includes a rolling review of core financial controls.</p>	<p>Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>There is clear segregation of duties between those raising accounts/ credit notes and staff who process income.</p> <p>No significant frauds specific to Stirling Council were reported by internal audit.</p> <p>Conclusion: there is no evidence of fraud over income.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Risk of fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure, due to the variety and extent of expenditure in delivering services. Stirling Council incurs significant expenditure in areas such as welfare benefits and social care payments. There is therefore an inherent risk of fraud.</p>	<p>Clear schemes of delegation and authorised signatory databases are regularly updated.</p> <p>Appropriate processes for the authorisation, separation of duties and workflow associated with expenditure.</p> <p>Member scrutiny through regular cycle of committee reporting.</p> <p>Internal audit's plan includes a rolling review of core financial controls.</p>	<p>Completion of the NFI audit questionnaire identified good progress had been made by Stirling Council for recommended matches.</p> <p>A review of the Internal Audit Annual Report provided assurance on fraud over expenditure.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>There is adequate separation of duties between those generating transactions and amending supplier standing data from staff who process payments</p> <p>Conclusion: there is no evidence of fraud over expenditure.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of pensions and non-current assets.</p> <p>The council holds a material amount of assets at fair value. The valuations are significant estimates which are based on specialist and management assumptions. The council's housing assets will be subject to revaluation in 2018/19.</p> <p>The council's net liability relating to the Falkirk Pension Fund at 31 March 2018 was £210.965 million. This value is an estimate based on a number of assumptions.</p> <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Asset valuations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyor.</p> <p>Robust controls over process for updating asset register for in-year valuations.</p> <p>A year end timetable for producing the annual accounts has been prepared. This considers all aspects of cut off.</p> <p>Pension valuation completed by qualified actuary.</p> <p>Applicability of actuarial assumptions is reviewed by officers.</p>	<p>A number of estimations and judgements in the accounts were based on the opinion of experts. We assessed the reliability of these experts and reviewed their work.</p> <p>We tested samples of accruals and provisions and confirmed them to appropriate back up evidence.</p> <p>The Council's accounting policies are appropriate.</p> <p>Conclusion: estimations and judgements included in the financial statements are reasonable and evidence based.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>5 Financial Sustainability</p> <p>Local Authorities are continuing to face significant financial challenges through funding pressures and an increased demand for services.</p>	<p>Periodic updates to the 10-year financial strategy are provided to the Finance and Economy Committee and the Council.</p> <p>Budget monitoring reports advise members of the</p>	<p>The council continued to spend at or around its agreed budget, with explanations for movements in forecast outturn for the year contained within regular reports to members.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The council presented an update to the Ten-Year General Fund Financial Outlook in December 2018. This sets out the likely level of resources available and considers the level of provision required to meet ongoing cost pressures. The paper outlined a funding gap of £24.1m over the five-year period (2018/19 to 2022/23), which represented an increase of £6.4 million from the previously forecast position.</p> <p>The paper also provided information over the ten-year period (2018/19 to 2028/29) and shows that the council is currently forecasting an unaddressed gap of £57.7 million, which represents a major challenge for the council over the longer-term period.</p> <p>Since then, the council set its 2019/20 budget in February 2019. This forecast a funding gap of £32 million for the five-year period to 2023/24.</p> <p>There is a significant risk that the council is unable to identify or achieve the necessary sustainable savings measures in order to deliver a balanced budget in future years.</p>	<p>progress of savings options and provide an update to the five-year funding gap.</p> <p>The council carried out an extensive budget setting exercise that reviewed all costs over the next five-year period.</p> <p>This is aligned to key objectives contained in the five-year business plan and the workforce plan.</p> <p>The five-year business plan is reviewed every year and updated in line with changes in the council's priorities.</p>	<p>The five-year outlook and the ten-year financial strategy contain a range of estimates and assumptions which we consider to be robust. The Council is provided with periodic updates to its financial outlook which inform members of the key issues facing local government funding and costs, together with their impact on Stirling Council.</p> <p>The PBB process continued into year 6 (2019/20). This identified new savings options to be implemented from 2019/20, together with the budget gap over the five-year period to 2023/24. However, the five-year budget gap has increased to £33.5 million.</p> <p>The general fund balance increased from £27.433 million to £28.463 million at the year end. We consider this to be a reasonable level of general fund balance for the council to hold. The council intend to use some of this balance to help finance the transformation projects that are necessary to reshape services and reduce recurring costs in future years. Several transformation projects are in progress or being assessed. These projects, together with others yet to be determined, need to deliver the intended benefits to enable future savings requirements to be met.</p> <p>Conclusion; the council has a robust PBB process and an adequate level of reserves. However, the Council will continue to face significant financial challenges through funding pressures and increasing demand for services. It is essential that transformation projects deliver the intended changes in service delivery and consequent savings.</p>
<p>6 Financial management - impact of Health & Social Care Partnership (HSCP)</p> <p>The most recent Finance Monitoring report presented to the Clackmannanshire &</p>	<p>The IJB will continue to look at ways to mitigate the projected overspend whilst setting out and agreeing plans to bring the partnership into financial balance on a recurrent basis.</p>	<p>A recovery plan was presented to the partner bodies, however, most of this was addressed through additional funding by partners. The council element of the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Stirling Integration Joint Board (IJB) Finance Committee on 19th February 2019 projects a year end overspend of £2.538 million. Of this amount, around £1.900 million (more than 75%) relates to services linked to Stirling Council.</p> <p>The IJB has budget recovery measures in place, however the impact of these measures is expected to be limited and partner bodies will be required to contribute to any overspend.</p> <p>The council's Adult Services and the IJB have incurred significant overspends in each of the last two years. There is a risk that services cannot continue to be provided from within the council's budget.</p>	<p>Partners will meet to agree the basis for financing the projected 2018/19 overspend.</p>	<p>overspend, prior to the recovery plan, was £1.714 million.</p> <p>The council benefited financially from the basis agreed by partners to finance the IJB overspend, however, this basis applied to 2018/19 only and partners will review this in 2019/20.</p> <p>IJB funding for 2019/20 has been agreed with partners. The IJB needs to make efficiency savings of around £7.3 million to break even in 2019/20, of which around £4 million has still to be identified. It is assessing how this, together with further forecast funding gaps in 2020/21 and 2021/22 will be achieved over the three-year period to 2021/22.</p> <p>Conclusion: the IJB overspends continue to present a financial risk to the Council and its partners.</p>

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £0.050 million and request they be corrected.

There is only one uncorrected misstatement above the reporting threshold. This is below our performance materiality level and is highlighted below:

- The Scottish Government advised local government bodies on the arrangements for accounting for teachers pay awards for 2018/19. It advised councils to accrue their share in the 2018/19 financial statements. The amount due to Stirling Council is £0.182 million. The council has not accrued for this income in the 2018/19 financial statements. If this were accrued, it would increase income and the general fund surplus reported in the Movement in Reserves Statement by £0.182 million. It would also increase the debtors balance and the usable reserves balance disclosed in the Balance Sheet by £0.182 million.

Appendix 4

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Local government relevant reports

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

Stirling Council

2018/19 Annual Audit Report

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