

Stirling Council

**Report to Members and the Controller of Audit
on the 2009/10 Audit**

October 2010



 **AUDIT SCOTLAND**

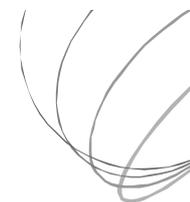


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Key Messages

We have given an unqualified opinion on the financial statements of Stirling Council. However, our opinion draws attention to the failure of a significant trading operation (building cleaning) to breakeven on a rolling three year basis. This significant trading operation made a deficit for the previous two years but has made a small surplus in 2009/10.

The accounts were certified by the target date of 30 September. They are now available for publication and are an essential means by which the council accounts for its stewardship of public money.

Overall the council's total spending was in line with the budget set. Additional spending of £2.9 million on implementing organisational changes arising from the diagnostics project was offset by savings in other areas.

The council has maintained a broadly consistent level of total reserves since 2007/08. The council has seen increasing pressure while it has managed its overall financial position during this period. Reserve levels provide some scope to manage the financial position in the short term, were this required, but the council has limited opportunity to use its balances to manage any significant reductions in income and recurring expenditure pressures.

We were satisfied with disclosures made in the statement on the system of internal financial control and the adequacy of the process put in place by the council to obtain assurances on systems of control. We assessed key financial systems as having a satisfactory level of control for our purposes.

Outlook

The financial challenges facing the Scottish public sector are well documented. There remains uncertainty about what the financial implications for Stirling Council will be and the settlement for local government is not likely to be finally known until January 2011. The council has shown a good understanding of the financial challenges it faces and has made good early progress in addressing these.

The council's most recent assessment is that aggregate savings of £30 million will be required by 2013/14. This is equivalent to 13.7% of the net revenue budget for 2010/11. Savings targets have been apportioned across specific workstreams, each of which has been making progress toward the target set. The council is currently assessing the likelihood of meeting these targets with regular update reports being presented to the all party Finance Review Group and to full Council. The size of the budget gap still to be closed will be better understood at this time. Decisions on future budgets have yet to be made, and options remain under discussion amongst elected members and senior officers.



In establishing its financial plans the council has made an allowance for a range of inflationary and other cost pressures and considered the extent to which new developments, priorities and responsibilities can be funded. Moving forward it is important that the council has a clear understanding of what its spending priorities are, developing these in partnership with other public sector organisations where appropriate. The immediate challenge is to balance the 2011/12 budget – particularly given the extent to which cuts are frontloaded - but this needs to be achieved in a manner that best supports the council's overall objectives and priorities. Real terms grant reductions are expected to continue until 2015/16 on current projections, and the council will continue to face tough decisions about spending and priorities. A finely balanced political position presents challenges in maintaining a clear sense of priorities and direction in difficult financial circumstances.

Reducing spending on staff will need to be a key component of the way in which the council responds to the challenges it faces. The speed at which spending reductions are required may mean that some pragmatic solutions need to be adopted in the short term. This will need to be balanced with the need to ensure that the council has the right people in the right place to take forward its strategic objectives and priorities, and that any up-front costs represent best value for money. The council's workforce planning will support this work. Improved vacancy management and the introduction of a voluntary early release scheme are key tools in addressing this area.

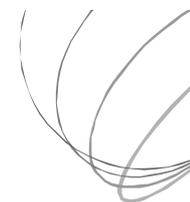
Effectively managing the council's performance will remain a key challenge as council budgets are reduced. It is unlikely that the council will be able to maintain or improve current performance levels across all of its existing services, and it will need to make difficult decisions about what areas are seen as priorities and in which areas will service levels need to be reduced. Crucially, the council will need to use its performance information to understand and manage the effect of spending decisions.

In June 2010, we submitted our final shared risk assessment and assurance and improvement plan (AIP) to the council. This document was produced by the local area network of scrutiny bodies and describes the work planned on corporate activities over the next three years. The local area network is led by Audit Scotland and we shall keep the council up-to-date with any changes to the AIP.

The co-operation and assistance given to us by Stirling Council members, officers and staff is gratefully acknowledged.



October 2010

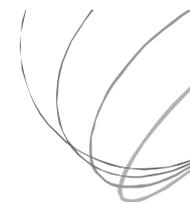


Introduction

1. This report is the summary of our findings arising from the 2009/10 audit of Stirling Council (the council) and other relevant work carried out by Audit Scotland. A number of detailed reports have already been issued in the course of the year in which we make recommendations for improvements (see Appendix A). We do not repeat all of the findings in this report. Instead we focus on the financial statements and any significant findings that have arisen from our review of the management of strategic risks.
2. The report uses the headings of the corporate assessment framework, which we and the other scrutiny bodies used as the structure for the recent shared risk assessment and assurance and improvement plan (AIP) <http://www.audit-scotland.gov.uk/work/scrutiny/docs/Stirling.pdf>. Where relevant, we comment on issues identified in the AIP for investigation or monitoring by the local auditor.
3. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council are:
 - Getting it right for children in residential care.
 - How councils work: an improvement series for councillors and officers - Roles and working relationships: are you getting it right?
 - Improving public sector efficiency.
 - Overview of local government in Scotland 2009.
 - Protecting and improving Scotland's environment.
 - Scotland's public finances – preparing for the future.
 - Making an impact – overview of best value audits 2004-09.
4. All of these reports have been sent to the council for consideration and we do not consider them in this report. They are available on our website www.audit-scotland.gov.uk.
5. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and have agreed to take the specific steps set out in the column headed *Planned Management Action*. We do not expect all risks to be eliminated or even minimised. What we are expecting to see is that the council understands its risks and has in place mechanisms to manage them. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to be duly assured that the proposed action has been implemented.



6. This report is addressed to members and the Controller of Audit. It will be published on our website after consideration by the council. The Controller of Audit may use the information in this report for his annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and it is also presented to the Local Government and Communities Committee of the Scottish Parliament.



Financial statements

Introduction

7. In this section we summarise key outcomes from our audit of the council's financial statements for 2009/10, comment on the significant accounting issues faced, and provide an outlook on future financial reporting issues.

Audit Opinion

8. We have given an unqualified opinion that the financial statements of Stirling Council for 2009/10 give a true and fair view of the financial position and expenditure and income of the council and its group for the year. We also certify that the accounts have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
9. We have, however, drawn attention to a failure to comply with the Local Government in Scotland Act 2003: the Building Cleaning significant trading operation (STO) failed to breakeven, on a cumulative basis, over a three year period. The STO made a deficit in the two previous years due to the impact of equal pay costs, but has made a small surplus in 2009/10. All other things being equal, the STO is expected to reach a three year break even position in 2011/12.
10. We were satisfied with disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place by the council to obtain assurances on systems of control.
11. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. The accounts were certified by the target date of 30 September 2010 and have now been presented to the Governance and Audit Committee and full Council, and published on the Council's website and in the local press. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

Accounting issues

12. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice (the SORP). With effect from 2010/11, local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS). Because local government has already adopted some aspects of IFRS, we expect the transition to be fairly smooth, but there are still significant issues to be addressed. The council's restated IFRS Balance Sheet as at 1 April 2009 has now been



submitted for external audit review. Work is currently progressing on preparing the 2009/10 IFRS shadow accounts with a target deadline of the end of December 2010. The council continues to work closely with CIPFA and PwC to prepare fully compliant IFRS accounts for 2010/11.

Action plan no.1

13. This year councils have to account for Private Finance Initiative (PFI) projects on an IFRS basis. Stirling Council has two such projects: the Balfron PFI and Schools PPP (Public Private Partnership) contracts. Under IFRS requirements, if it is considered that the council has control of a PFI/PPP asset, then the asset should appear on the council's balance sheet. Examples of control include specifying the services to be provided from a particular asset, and regulating the price paid for the services. As a result, it is deemed that the council does exert the necessary control aspects and accordingly the schools assets have been added to the council's balance sheet for 2009/10. The comparative 2008/09 figures have been restated for these accounting changes.
14. The impact of the economic climate is referred to in the Explanatory Foreword. The commentary could have been enhanced with more detail, in particular giving a wider range of specific examples of where and how the economic climate and the reduction in available funding have impacted significantly on the accounts. Looking ahead, the Foreword provides a valuable opportunity to explain the implications of reduced funding and set out how the council has managed this.

Action plan no. 2

15. The council has adjusted the financial statements to reflect audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Head of Finance and Procurement and the Governance and Audit Committee. Details of significant accounting issues arising in the course of our audit are summarised below.
16. As in previous years, audit adjustments in the areas of capital accounting and reserves had a significant effect on the draft accounts. These adjustments related to, for example, accounting for prior year adjustments for the inclusion of PFI/PPP assets in the accounts, the revaluation/impairment of assets and accounting for the recategorisation of fixed assets. The accounts have been amended to appropriately account for the PFI/PPP assets, revaluation/impairment and recategorisation of fixed assets.

Audit testing

17. As part of our work, we took assurance from a number of the council's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:
 - Payroll
 - Accounts payable
 - Accounts receivable
 - Benefits



- Housing rents
- Main accounting system
- Miscellaneous income
- Treasury management
- Capital accounting
- Council tax
- Non-domestic rates
- Budgetary control
- SWIFT
- MISC (costing system)

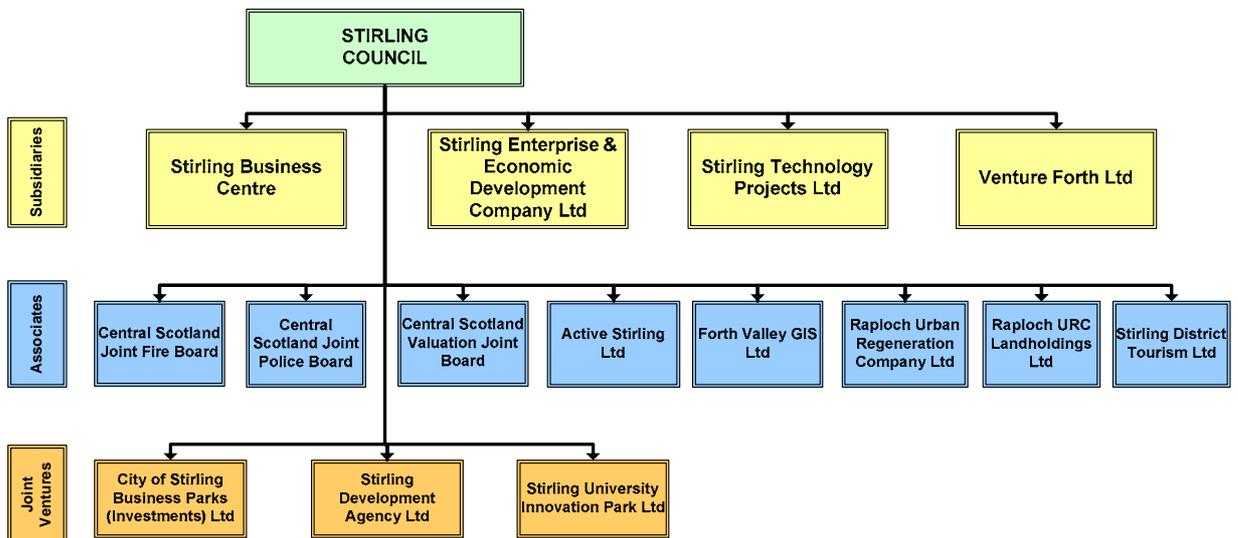
18. We relied on the work of internal audit on Teachers' Salaries to support our work.

Group accounts

19. The diversity of service delivery vehicles used by local authorities means that consolidated group accounts are required to give a true and fair view of a council's income and expenditure. The council has interests in four subsidiaries, eight associates and three joint ventures. They have been included in group accounts in accordance with the SORP (refer to Exhibit 1 below). Audit assurances were obtained through review of board minutes, internal audit reports, audited accounts and audit questionnaires received from the auditors of group entities.

Exhibit 1

Stirling Council Group Structure





20. We would like to highlight the following issues:

- all bodies within the group received unqualified audit opinions from their external auditors
- in accordance with recommended accounting practice, key policies for component bodies such as the valuation of fixed assets have been aligned with the council.

Trust funds

21. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund. However the Office of the Scottish Charities Regulator (OSCR) has deferred the date of full implementation until 2010/11. This means that reliance can be placed on the existing disclosures for trust funds in the council's financial statements, supplemented by appropriate working papers. In addition to these disclosures, the council prepares financial statements for each of its charitable trusts, and an independent examination is carried out by internal audit, to comply with OSCR's requirements.

22. The council is trustee for more than 50 trusts and endowments of which 20 are registered as charities. During 2009/10 the trusts received income of £0.009 million (2008/09 - £0.019 million), principally donations and interest earned on balances invested in the council's loans fund. Expenditure totalled £0.013 million (2008/09 - £0.013 million). The net assets of the trusts at 31 March 2010 amounted to £0.36 million.

Common good fund

23. In December 2007, Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note for practitioners. The guidance requires the common good fund to be disclosed within the financial statements and a separate common good asset register to be in place by March 2009.

24. A separate account for the common good is disclosed in Stirling's financial statements and a fixed asset register is also maintained for these assets. During 2009/10 the funds received income of £0.017 million (2008/09 £0.068 million) whilst incurring expenditure of £0.037 million (2008/09 £0.036 million). As at 31st March 2010 the funds had net assets of £1.49 million.

Legality

25. Through our planned audit work we consider the legality of the council's financial transactions. In addition the Head of Finance and Procurement confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the council's management team, the financial transactions of the council were in accordance with relevant legislation and regulations. There are no additional legality issues arising from our audit which require to be brought to members' attention.



Financial reporting outlook

26. A number of changes to financial reporting are expected to apply from 2010/11:

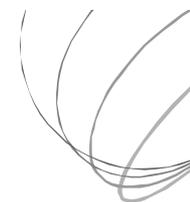
Full compliance with IFRS

27. This is not simply a technical accounting matter. Authorities need to: restate 2009/10 accounts by the end of December 2010 at the latest; produce 2010/11 skeleton accounts including disclosures; improve information and systems to analyse non-current assets into separate components; and ensure they have identified, reviewed and classified their lease arrangements.
28. The Scottish Government is in discussion with local government about areas where statutory adjustments are required to mitigate the impact on the general fund.
29. Stirling Council already operates component accounting, but has a lot to do to comply with the requirements of IFRS by the statutory 2010/11 financial reporting deadlines. This will require a considerable amount of time and effort from Finance staff.

Action plan no. 1

Carbon trading

30. From April 2010 a new system of charging for carbon emissions from large, non-energy-intensive business and public sector organisations was introduced via the Climate Change Act 2008. The council is required to purchase carbon credits to cover all of its metered, non-transport related energy use. The council is in the process of planning for this new system: officers have attended relevant training, are keeping abreast of new developments following changes to the scheme announced in the Comprehensive Spending Review, and are considering the accounting implications, including the likely future cost for the council. 2010/11 is the base year, with the first allowance sales for 2011-12 emissions now taking place in 2012 rather than 2011. The current estimated financial impact for 2011/12 is around £220,000.



Use of resources

Financial results

31. In 2009/10, the council spent around £315 million on the provision of public services, £282 million on revenue services and £33 million on capital projects. The council's net operating expenditure in 2009/10 was £222.2 million. This was met by central government and local taxation together totalling £214.7 million, resulting in a deficit of £7.5 million, 3.4% of the net expenditure for the year.
32. As the council is required to set its council tax on a different accounting basis this deficit is subject to further adjustments. The main adjustments are to ensure that capital investment is accounted for as it is financed rather than when fixed assets are consumed, and that retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned. The impact of these adjustments in 2009/10 is to reduce the deficit by £7.2 million, meaning general fund balances of £0.3 million were used during the year.
33. While the general fund movement is a key measure in managing the council's annual budget, the income and expenditure position indicates the underlying level of resources the council has consumed or built up during the year. The effect of this will ultimately impact on future revenue and capital budgets as assets are maintained and replaced and pension commitments met.
34. The budget set for 2009/10 was based on a Band D council tax level of £1,209 with no planned contributions from council balances. Overall, therefore, the council's total spending was in line with the budget set. Additional spending of £2.9 million on implementing organisational changes arising from the diagnostics project was offset by savings in other areas.
35. The council made significant savings (£1.0 million) on a prudent budget for interest and loan costs. As the public sector enters a period of significant financial constraint it is likely that interest budgets are likely to be under significant pressure, reducing the scope to use these areas to help manage the overall financial position of the council.

Financial position

36. Exhibit 2 shows the balance in the council's funds at 31 March 2010 compared to the previous year. Funds include a capital fund (capital receipts reserve) which may be used to defray capital expenditure or repay loan principal, and a repair and renewal fund to finance expenditure incurred in repairing, maintaining, replacing and renewing fixed assets. At 31 March 2010, the council had total cash backed funds of £16.446 million, a decrease of £0.455 million on the previous year.

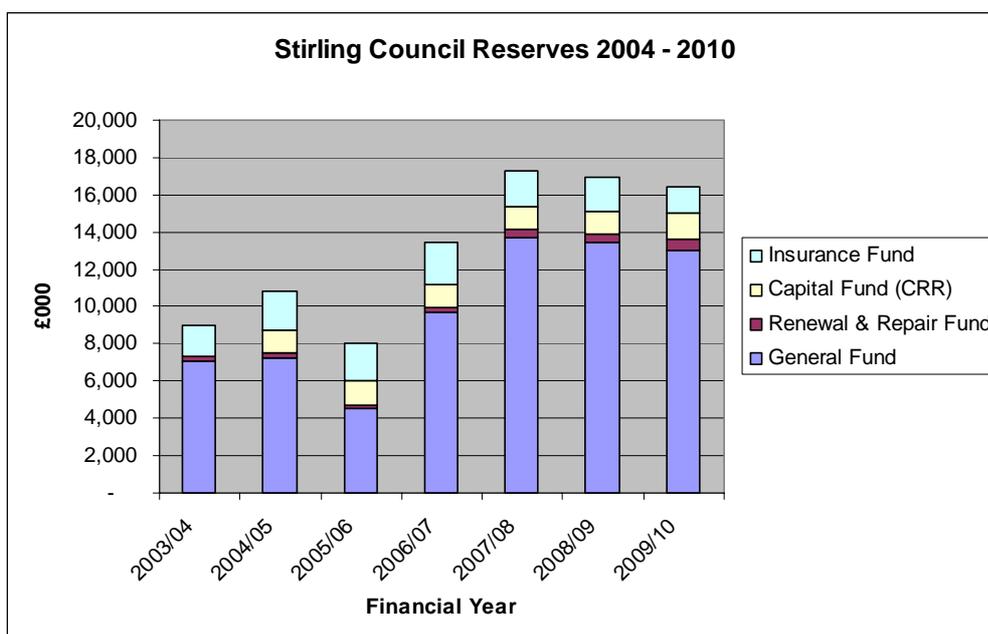


Exhibit 2
Reserves

Description	31 March 2009 £ Million	31 March 2010 £ Million
General Fund	13.412	13.029
Repair and Renewal Fund	0.450	0.591
Insurance Fund	1.809	1.436
Capital Receipts Reserve	1.230	1.390
	16.901	16.446

37. The general fund decreased by £0.383 million during the year to a balance of £13.03 million which equates to 5.9% of the council's net annual expenditure. Of this balance £6.6 million has been earmarked for specific purposes, including: income from council tax discounts on 2nd homes to be used for reinvestment in affordable housing (£2.1 million); housing revenue balances (£0.4 million) devolved education management balances held by individual schools (£0.15 million) and grants and other monies for specific purposes (£3.95 million). This leaves an unallocated balance of £6.5 million, slightly above the council's target range of balances to cope with any unforeseen circumstances (2% - 2.5% of the annual revenue budget).

Exhibit 3
Stirling Council cash backed reserves





38. The council has maintained a broadly consistent level of total reserves since 2007/08 (exhibit 3). This follows an earlier build up of general fund in the three years from 2005/06. The council has seen increasing pressure while it has managed its overall financial position during this period. Reserve levels provide some scope to manage the financial position in the short term, were this required, but the council has limited opportunity to use its balances to manage any significant reductions in income and recurring expenditure pressures.
39. Exhibit 4 provides some information about the council's financial position compared to other Scottish mainland councils.

Exhibit 4

Financial position indicators

Ratio	Description	Stirling Council		All mainland Councils
		2008/09	2009/10	2009/10
Working capital (Current assets as a ratio of current liabilities)	This is an indicator of the council's ability to pay its current liabilities in the short term.	68%	47%	33% - 191%
Useable reserves as a percentage of general revenue expenditure	This shows the proportion of revenue expenditure that could be met from reserves.	7.3%	7.4%	3.7% - 19.6%
Long term borrowing compared to tax revenue	This ratio illustrates the proportion of a council's tax related income that would be needed to pay off long term debt.	160%	152%	48% - 295%
Long term assets as a percentage of long term borrowing	This gives an indication of the ability to borrow to replace or repair assets.	590%	624%	200% - 755%

40. These ratios indicate the liquidity and financing position of the council. In making comparisons between councils, there are a number of factors which affect the indicators. These include the council's group structure, asset management arrangements (e.g. housing stock transfers) and financial strategies. We have compiled this information for the first time this year and it establishes a starting point to enable the council's financial stability to be monitored in the future. The council should consider whether the ratios indicate any areas for further consideration within the context of its financial strategies.



Group balances and going concern

41. The overall effect of inclusion of all of the council's subsidiaries, associates and joint ventures on the group balance sheet is to reduce net assets by £186 million, mainly because of pension liabilities. However, all group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.
42. The council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. All of these boards (Central Scotland Joint Police Board, Central Scotland Joint Fire and Rescue Board and Central Scotland Valuation Board) had an excess of liabilities over assets at 31 March 2010 due to the accrual of pension liabilities. In total these deficits amounted to £587 million (2008/09 £360 million), with the council's share being £188 million (2008/09 £115 million).
43. Active Stirling Ltd has net liabilities of £1.176 million after inclusion of a retirement benefit pension scheme deficit of £2.190 million. Forth Valley GIS Ltd has net liabilities of £0.750 million after inclusion of a retirement benefit pension scheme deficit of £0.966 million. Stirling Development Agency Ltd has net liabilities of £2.535 million including loans from the council of £4.001 million. The accounts of these companies have been prepared and consolidated on a going concern basis. The auditors of these companies have given an unqualified opinion in each case.
44. The council will need to keep under review the ability of its arms length companies to continue as going concerns in the current economic conditions, and the implications for the council of any financial difficulties experienced by the companies. In doing so, the council will need to consider the extent to which any continuing or additional financial support constitutes best value.

Action plan no. 3

Capital performance 2009/10

45. The council's prudential indicators for 2009/10 were set in February 2009. External debt levels and treasury management performance in 2009/10 complied with the prudential indicators. Capital programme expenditure in 2009/10 totalled £30.912 million, an underspend of £2.996 million (8.8%) against the annual budget of £33.908 million. The underspend arose from a variety of projects within the capital programme including:
 - City Transport Strategy: progress on the A91/B9124 Greenyards Roundabout was delayed due to protracted land negotiations;
 - Transport Implementation Fund: land negotiations also delayed a new accident remedial scheme at A81 Middle Ballat;
 - Torbrex House Re-provision: the social care assessments to ensure the design of the new facility met client needs took longer than anticipated, delaying the project start date;



- Play Areas/Out of School Care: assessments were required before the procurement exercise could start, to determine which parks were most suitable for improvement;
- Parks and Open Space: new drainage works and health and safety works at Dunblane were delayed due to the extreme winter weather.

Exhibit 5

Sources of finance for gross capital expenditure 2005/10

	2005/06 Actual £M	2006/07 Actual £M	2007/08 Actual £M	2008/09 Actual £M	2009/10 Actual £M
Borrowing	11.6	15.5	*(19.8)	21.4	17.8
Fixed Asset Disposal	5.4	5.7	68.2	17.9	1.8
Government Grants/Other	10.4	10.2	18.7	12.0	8.2
Current Revenue	5.9	3.4	2.0	6.3	5.6
Total	33.1	34.8	69.1	57.5	33.5

* - The council repaid debt in 2007/08.

Treasury management

46. The current economic climate means that interest rates are low – the council received £1.2 million in interest in 2009/10 compared to £3.4 million the previous year. Borrowing rates are also low, but the council has a significant proportion of its debt at fixed rates. This means that there is considerable certainty regarding the costs of financing debt, but that borrowing costs may remain above prevailing market rates. Ongoing careful management of the council's cash flow, the phasing of capital expenditure and continuing low levels of interest rates resulted in an average Loans Fund interest rate of 5.74%, down from 6.37% the previous year, and savings of around £1.5 million during the year.

Outlook

Financial planning

47. The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. In June 2010 the new UK Government set out an Emergency Budget, planning for a period of significant fiscal consolidation. It immediately implemented £6 billion of UK budget reductions. The Scottish Government agreed that it would defer its share of these 2010/11 cuts (estimated as £332 million) until 2011/12, and will have to implement these alongside continuing reductions in the Scottish budget.

48. There remains uncertainty about what the financial implications for Stirling Council will be. The UK government published its comprehensive spending review on 20 October and the Scottish



Government will publish the results of its own review in late November. A key issue will be the extent to which some priority services, particularly health, may be protected from budget reductions. The settlement for local government is not expected to be finally known until January 2011. Negotiations are continuing and the Scottish Government is consulting on an end to the council tax freeze.

49. While recognising this uncertainty, all Scottish councils have been working with the Centre for Public Policy and the Regions (CPPR) to estimate the potential impact on the government funding they receive. This provides a basis for financial planning and understanding the level of savings that they will require to make to balance future budgets. Current projections are that a 14% real terms reduction will be experienced over 2011/14, heavily weighted toward 2011/12 reflecting the deferral of 2010/11 cuts. In cash terms this is equivalent to annual reductions in grant of 4%, 1.7% and 1.7% respectively.
50. The council has shown a good understanding of the financial challenges it faces and has made some early progress in addressing these. In setting its 2010/11 budget the council agreed to freeze its council tax, identifying in-year savings of £2.5 million to meet known spending pressures and planned growth. The most recent corporate budgetary monitoring report anticipates the planned level of savings being delivered during the year, and a further reduction in spending of £0.526m for the year.
51. The council's most recent assessment is that aggregate savings of £30 million will be required by 2013/14. This is equivalent to 13.7% of the net revenue budget for 2010/11. Savings targets have been apportioned across specific workstreams, each of which has been making progress toward the target set. The council is currently assessing the likelihood of meeting these targets with regular update reports being presented to the all party Finance Review Group and full Council. The size of the budget gap still to be closed will be better understood after the Scottish Government spending announcement in November. Decisions on future budgets have yet to be made, and options remain under discussion amongst elected members and senior officers. The council's financial strategy seeks to maximise efficiencies first before consideration is given to service reductions.
52. As well as addressing the anticipated reduction in funding, councils also have to manage a range of cost pressures and consider the extent to which they can fund new developments, priorities and responsibilities. In establishing its financial plans, the council has made an allowance for these factors. This means that savings targets need to be greater than would be required to simply offset the anticipated reduction of grant.
53. Moving forward it is important that the council has a clear understanding of what its spending priorities are, developing these in partnership with other public sector organisations where appropriate. The immediate challenge is to balance the 2011/12 budget – particularly given the extent to which spending reductions are frontloaded - but this needs to be achieved in a manner that best supports the council's overall objectives and priorities. Real terms grant reductions are expected to continue until 2015/16 on current projections, and the council will continue to face tough decisions about spending and priorities.



Managing People

54. The significant reduction in funding in the years ahead will clearly have implications for the council's workforce. Reducing spending on staff will need to be a key component of the way in which the council responds to the challenges it face. The speed at which spending reductions are required may mean that some pragmatic solutions need to be adopted in the short term. This will require to be balanced with the need to ensure that the council has the right people in the right place to take forward its strategic objectives and priorities, and that any up-front costs represent best value for money.
55. The council has set a financial planning target of reducing the costs of staff by £10m over the next 3 to 4 years. It has estimated that this would be equivalent to a reduction of between 300-400 posts. The council's intention, however, is that the required reduction in costs will ultimately be achieved with a smaller level of job losses. Steps have been taken to reduce costs through introducing strict vacancy management arrangements, review of temporary contracts and the need for these, promotion of employees voluntarily reducing their hours, promotion of career breaks, use of flexible retirement, and use of a voluntary early release arrangement. All employees except teachers have been asked to indicate their interest in voluntary early release and voluntary reduction in hours. Following the receipt of this information the council is currently assessing the costs and benefits and service redesign that will be necessary.
56. The council is making progress with workforce planning and through the service redesign work and voluntary early release scheme, is seeking to achieve a more balanced workforce in relation to age profile and skills to support longer-term service provision. Work is taking place to continue to develop and better integrate longer term workforce planning with financial and asset planning to ensure resources are aligned within strategic priorities. The council has recently adopted an HR Strategy but it is too early to assess its impact. Progress has been made in relation to HR policy review and development including the launch in the summer of the Supporting Attendance Policy and the Attendance Capability procedure, the provision of E-learning and development sessions for managers. A Personal Review and Development Framework (Stirling Council's performance appraisal process) is currently being rolled out across the organisation.
57. Following implementation of Single Status terms and conditions of employment in February 2009 and the implementation of Job Evaluation affecting approximately 3,000 employees, further work was undertaken to modernise the Craft Workers (approximately 200 employees) terms and conditions and apply Job Evaluation, which took effect in November 2009. All job evaluation appeals are due to be heard by December 2010.



58. In August 2010 the principal local government employer negotiating body agreed to an imposed pay deal with non-teaching staff for the three years from 2010 – 2013. This means a rise of 0.65% in the first year and a pay freeze for the next two years. The council expects this to contribute savings in 2010/11 of almost £0.25 million.

Asset Management

59. The pressure to get the best out of the council's asset base and the money that is invested in it is greater than ever in the current financial circumstances. Effective management of council assets is essential to help the council achieve its objectives and priorities, while getting best value from its reducing resources. The wider economic situation also has serious implications for the management of the council's property portfolio, making it difficult to capitalise on surplus assets or maximise rental income.
60. The asset utilisation workstream of the council's change programme is intended to identify and deliver the required savings through better management and use of assets. As part of its Medium Term Financial Planning, the council set a target of reducing budgets related to assets by £1m. An early analysis of the council's asset base identified that the most significant opportunity for savings existed in the council's built property assets, and in particular its city centre office accommodation. Accordingly, an option appraisal has been completed and recommendations have been made that will lead to a reduction in office capacity in the medium term and cost savings in the region of £0.65m. Short-term savings have also been identified to be delivered through temporary closure of at least one city centre building. As part of the review, it has been possible to progress the council's long term ambition to open a city centre one stop shop to improve customer access.
61. Having made recommendations relating to the biggest savings opportunity, the asset utilisation workstream is moving next to consider the remainder of the council's property assets, specifically those located in communities outwith the city centre. The Workstream Group intends to build on work already underway between community planning partners across Forth Valley to review community facilities and is planning a series of workshops with NHS Forth Valley, Central Scotland Police, Central Scotland Fire & Rescue and other partners to take this forward with a specific focus on the Stirling Council area. Work is already under way to locate around 50 NHS staff into council headquarters.
62. In 2009, we published *Asset Management in Councils*. Our study found that strategic asset management was not well developed in most councils. For Scottish councils as a whole, over a quarter of all properties were in poor condition and slightly less than that were not suitable for the services being delivered from them. Stirling Council assessed 85.1% of its operational buildings as being suitable for purpose in 2009/10.



63. Stirling Council continues to develop its strategic asset management. The 2009 management restructure allocated responsibility and budget for various categories of assets to specific heads of service, for example land, roads, vehicles, ICT, etc. There is currently no overall asset management strategy for all types of asset. However, in addition to the buildings asset management strategy, progress is being made to develop the strategic management of other assets, particularly in relation to roads and ICT.
64. The asset utilisation workstream has prioritised property as its first area of scrutiny, as that is where the biggest savings are anticipated. However it has also identified vehicles, plant and ICT as other areas for review, and has noted the potential for land to be addressed. A specific transport workstream has now been established which will consider management of the fleet/vehicle transport asset.

Action Plan No. 5

Procurement

65. Improved procurement practices are an important source of savings. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement and to deliver value for money and increased efficiency through improved structures, capability and processes. In 2009, the Scottish Government promoted the use of an annual procurement capability assessment (PCA) to assess procurement performance in all public sector bodies and as a basis for the sharing of best practice and continuous improvement. Results are summarised as non-conformance, conformance, improved performance and superior performance.
66. Stirling Council scored 22% which is a non conformant score. Most Scottish councils were non-conformant (the average PCA score for local authorities was 22%). The council scored higher in the areas of procurement strategy and objectives; key purchasing processes and systems; and people. The council had lower scores in the remaining areas of: procurement leadership and governance; specification of goods and services; sourcing strategies and collaborative procurement; contract and supplier management; and performance measurement. PCA scores across Scotland indicate that councils need to take action to view procurement as a strategic process which is embedded in (for example) service redesign decisions, rather than an operation/tactical process.
67. The level of change required to achieve conformance and higher levels of performance is likely to require significant resource as well as active senior management support. We will monitor the situation and the ongoing commitment by the organisation to improving the situation.

Action Plan No. 6

68. Procurement is one of the workstreams of the council's change programme, identifying opportunities where savings can be realised through improved procurement efficiencies. The council has reported that this workstream is progressing to schedule, and that provisional targets are likely to be met. In



2010/11 the council has joined Scotland Excel. Officers have reported that they are in little doubt that significant savings would accrue in the future as a result of Scotland Excel membership.

Shared Services

69. With budgets set to tighten even further and demand for services set to increase, councils need to continue to think radically about service design – looking at what they are delivering, how they are meeting the needs of communities and how they get best value for money. Adopting a shared service approach is one of the ways in which this can be achieved.
70. Stirling Council has previously pursued significant sharing of services with neighbouring councils shared services to a significant extent, but ultimately previous initiatives were largely unsuccessful. Some smaller services, such as Trading Standards, are currently provided jointly with Clackmannanshire Council. The council continues to be in active discussions to investigate viable options for possible shared services with other councils.
71. As part of the council's financial strategy, opportunities for joint working and shared services will be re-examined. Current thinking is that opportunities may exist in:
 - Back office shared services, particularly in relation to strategic partnerships
 - Exploring the potential of joint service delivery, particularly with neighbouring councils
 - Broader public sector Forth Valley initiatives
 - Arms Length and Trust arrangements.



Governance and accountability

Introduction

72. Corporate governance is about direction and control of organisations. Councils are large complex organisations and so good governance is critically important. The council is reviewing its local code of corporate governance and a report is expected at the next Governance and Audit Committee meeting in February 2011.

Scrutiny

73. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. The current political management arrangements have scrutiny committees in place. The Governance & Audit Committee acts as the council's audit committee and its remit includes a requirement to monitor the strategy, plan and performance of internal audit and to consider the plans and reports from external audit. The Service Delivery & Performance Committee remit includes scrutinising the decisions of the Executive, overseeing the development of corporate frameworks in relation to Best Value, scrutinising service budgets and operations.
74. Last year we reported that the Governance & Audit Committee operates in a very effective manner and makes an excellent contribution to scrutiny in the areas of its remit. It is well attended and its remit and working practices are in accordance with good practice principles. This remains the case for this year.
75. The Accounts Commission issues a range of national study reports and an overview of local government each year. Recommendations are generally directed at all councils so it would be appropriate for the committee to consider findings and ensure that significant matters are being addressed by the council. These reports are currently discussed by the Chair and the external auditor, but are not usually presented to the committee. There is scope for the council to consider whether these reports should be referred to the relevant committees.

Roles and relationships

76. The Accounts Commission recommends that councils give priority to the continuous professional development of its members. The Scottish Local Authorities Remuneration Committee (SLARC) recommended that all councillors should have training assessments and personal development plans in place by 31 March 2009. Progress in this area has been slow and members' specific training needs have not yet been assessed. The Leaders Group discussed a paper on member development, based on the SLARC guidance, earlier in the year. Following the most recent meeting with Group



Secretaries on 14 October 2010, it has been agreed that workshops will take place with each political Group to assess development needs in relation to the agreed role profile. The challenge for officers is to provide training appropriate to members' varying training needs within the current financial constraints.

Action plan no.7

Partnership Working

77. The council and its partners present a clear vision for the future of the area. The Single Outcome Agreement (SOA) and community plan are at the centre of the council's planning framework. The development of the SOA and supporting arrangements have the potential to improve planning and performance management significantly. However, the long term and complex nature of many of the outcome targets pose many questions for performance management. A key challenge will be integrating and aligning the council's processes to support delivery of the desired outcomes – making sure that resources and efforts are directed to key areas.
78. There are areas of uncertainty in terms of the effectiveness of partnership working. Although some areas of good practice have been identified, there are other areas where improvement could be made. The council recently commissioned its internal audit service to review the governance arrangements supporting partnership working within the Community Planning Partnership. The report highlighted a number of areas for improvement including elected member involvement in community planning and better performance reporting.

Community engagement

79. The council demonstrates a strong commitment to community engagement. It has a track record of working with local communities and taking a systematic approach to defining their needs. Engagement with service users is good in a number of services, although evidence of impact is less clear.
80. The council is engaging with citizens about the need for significant savings and how that may affect them. An explanatory leaflet is being delivered to all Stirling households which outlines the reduction in funding, the need for savings and encourages public suggestions and comments on services and savings, to inform the difficult budgetary decisions that have to be made.

Public performance reporting

81. The council produces a brief annual report within the November issue of 'Stirling' magazine, which is delivered to all households in the Stirling area. The council's performance in key areas is summarised, to be more accessible to the public. The report also refers readers to more detailed performance information available on the council's website. A leaflet with similar summarised content is available in hard copy in public libraries and council offices.



82. The council has a variety of performance information available to the public on its website, including: statutory performance indicators, allowing comparison against prior years; local performance indicators and quarterly narrative reports on performance which are reported to committee; the annual improvement statement; the SOA and progress reports against SOA targets; and copies of inspection reports by scrutiny bodies.

Statutory performance indicators

83. The Accounts Commission has significantly reduced the range of statutory performance information that all councils must report. This reflects the developing scrutiny arrangements, single outcome agreements and the development of the Best Value audit regime. The council's SPI information is published on its website. In addition to the 25 specified SPIs for 2009/10 the council is also required to publish local indicators which:
- demonstrate the council is securing best value
 - assist stakeholders and other interested parties to compare performance both over time and between councils as appropriate.

Governance and internal control

Internal Audit

84. As required by the Code of Audit Practice, we completed an assessment of the adequacy of internal audit for 2009/10 in conjunction with our risk assessment process. We concluded that internal audit have appropriate documentation, standards and reporting procedures. This satisfactory evaluation allowed us to review and place reliance on aspects of their work during 2009/10 and meant that we could direct our resources to the financial systems and governance areas we assessed as being of higher audit risk.
85. We placed reliance for our financial statements audit work on internal audit's work on Teachers' Salaries, under the terms of International Statement of Auditing 610 (Considering the Work of Internal Audit). We have reviewed the internal audit files for this area.
86. For the wider governance and performance audit work required under our Code of Audit Practice, we take account of the work of internal audit, particularly in the following areas:
- Associated companies - governance
 - Risk management
 - Community planning
 - Performance management arrangements



Main financial systems

87. We carried out an annual review of the key controls operating within the council's main financial systems. The review assessed the key systems of internal control, and considered how risks in these systems could impact on the financial statements. Overall, we concluded that we could place reliance on the key systems of internal financial control. However, a number of risks were identified and we have reported these to management. The council has agreed an action plan in response to our findings and this will be presented to the November 2010 Governance and Audit Committee. Additional testing on areas of risk was undertaken during our final accounts audit to ensure there was no material impact on the financial statements.

Implementation of integrated housing management system

88. Stirling Council's Housing Services started a project in 2009/10 to replace the current Integrated Housing Management System (IHMS) with a new system supplied by Northgate. The new system is intended to become operational at the end of October 2010.
89. As part of our review, we looked at the following areas of the project:
- Planning – the organisation of the project, its resources, training, testing and authority.
 - Validation of key business functions – the ability of the system to manage the housing function and provide all relevant information accurately, complete and timeously.
 - Data migration – the controls in place to ensure that data taken from the previous system is transferred to the new system completely and accurately.
90. We had some concerns relating to the planning of the project, particularly relating to the local resource implications and the phase directly before and after the system goes live. At the time of review, full business function testing had not been carried out, as test data was not yet available for all tasks. Work on cleaning the data from the old system was not yet completed so a full data migration could not be tested.
91. The council completed an action plan in response to the risks identified and we will carry out further audit work in due course to gain the assurances we need to support our 2010/11 audit opinion.

Arms length companies

92. The council is involved with a number of external bodies including arms length companies. While the use of arms length arrangements can offer innovative ways of delivering services, strong governance arrangements need to be in place to ensure that they contribute effectively to delivery of the council's corporate objectives and priorities. Internal audit has previously identified concerns about contract monitoring and governance arrangements. We carried out a review of three arms length companies



and issued a draft report in May 2010. The council has now agreed an action plan in response to our findings and this will be presented to the November 2010 Governance and Audit Committee.

93. We found that the council is making improvements in its monitoring of arms length companies, but a number of risk areas remain in relation to external organisations in which the council has an interest:
- The council should be clear about its reasons for establishing or becoming involved in arms length companies (for example, delivering a specific policy objective).
 - The council should consider its overall risk exposure across arms length companies regularly, looking at the contribution of each individual arrangement to the council's strategic priorities.
 - The council has largely limited its financial commitments to arms length companies, but should keep these financial commitments under review.
 - Baseline performance and targets should be established to assess company performance.
 - The council should be clear on the role of officers responsible for maintaining the council's relationship with its arms length companies, and how this fits with its representation on company boards.
 - There should be clarity of the roles of members and officers appointed to company boards, with training and guidance available as needed on a continuing basis to support these roles.
 - There are risks around the capacity of individual senior officers to fulfil their various responsibilities to arms length companies as well as their council duties.

Action plan no. 8

Criminal justice social work services

94. We certify a claim each year for the council's expenditure on criminal justice services. In the 2009/10 claim, the council paid £0.252 million to external service providers SACRO and NHS Forth Valley. There was no contract or service level agreement in place with these service providers. We have raised this point with the service previously but there has been no progress in this area.

Action plan no. 9

Prevention and detection of fraud and irregularities

95. At the corporate level, the council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: an anti-fraud and corruption policy and response plan; a whistle blowing policy; codes of conduct for elected members and staff; and defined remits for relevant regulatory committees.
96. The Standards Commission for Scotland found that two elected members, who had their conduct referred to it, could not reasonably be found to have breached their code of conduct.



97. The Governance and Audit Committee receives regular reports on irregularities reported to internal audit, with losses reported in 2009/10 of £0.018m.

NFI in Scotland

98. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant outcomes for Scottish public bodies (£21 million during the 2008/09 NFI cycle and £58 million cumulatively up to end March 2010). If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.
99. The most recent data matching exercise collected data from participants in October 2008. After some initial problems in undertaking the 2008/09 data matching exercise, the council was able to address these and conclude the exercise satisfactorily. Planning for the exercise was initially affected by lack of clarification on where key responsibilities lay when the “key contact” role changed from one officer to another, and some mandatory data was submitted late. We also noted that progress and results are not reported regularly to senior management or members. The national findings were published by Audit Scotland in May 2010. The report included a self-appraisal checklist that all participants were recommended to use prior to NFI 2010/11. Stirling Council would benefit from assessing itself against the issues covered in the checklist.
100. Stirling Council’s benefits investigation staff are very committed to the NFI exercise and the council has achieved significant outcomes for its size. The council’s NFI data generated 3,947 data matches of which 2,594 have been investigated, including all “high risk” data matches. The investigations uncovered 11 cases of fraud with total outcomes of £224,682: £47,080 in respect of pension payments and £177,602 within housing benefits. All of the outcomes are subject to recovery action.
101. Instructions for the 2010/11 NFI exercise were issued by Audit Scotland in June 2010 and participants were expected to provide the requested data by early October. Stirling Council has submitted its data uploads for the 2010/11 exercise, in line with the instructions.

Housing Benefit

102. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2010. Our specialist team are carrying out a programme of risk assessments of benefits services in all councils over a two year period.
103. The risks to Stirling’s benefits service were assessed in January 2010 and a detailed report was issued. The council demonstrates an awareness of what constitutes an effective and secure benefits



service and has much in place to support local and national objectives. The Revenues and Benefits service offers a range of services to the people of Stirling from a central processing site in Stirling and through a network of housing area offices. The service delivers a strong performance for processing new claims and changes of circumstances, dealing with appeals and reconsiderations and recovering of fraudulent overpayments. It also works closely with the council's Money Advice and Income Maximisation teams to provide advice to people experiencing financial difficulty.

104. However, the service lacks a number of key elements in place to provide assurance to senior management and members that it is delivering continuous improvement. For example, there is no business plan for the benefits service, there is limited reporting of performance to senior management and members across the full range of benefits activities and no target has been set for the accuracy of processing claims.
105. The council has responded to the risks we identified with an action plan. We believe the actions will make a positive contribution to improving the benefits service and we will monitor progress in the next inspection cycle.

Outlook

106. Governance and accountability issues are likely to be prominent as the council's operating environment and economic position becomes more difficult, and partnership working continues to increase.
107. We recognise the challenges posed by the SOAs. The Accounts Commission acknowledges that SOAs are still at an early stage of development. At this stage in the evolution of this new approach to planning, we are interested in the processes rather than just the outcomes. Partnership working is critical to the council's success and effective governance and accountability arrangements with partners will be needed to support effective working and delivery of partnership aims. We are developing our approach to the audit of partnerships through the new approach to best value and will increasingly be looking at the contribution of partners as well as the council's own contribution to the delivery of outcomes. We will be undertaking a best value audit at Stirling in early 2011.



Performance management and improvement

Introduction

108. We believe that an effective council has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high quality services and effective outcomes for local people. The vision is backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery. An effective council has a performance management culture which is embedded throughout the organisation. The assurance and improvement plan concluded that the council did not have any significant weaknesses in this area. This section provides a high level overview of performance management in Stirling Council.

109. An audit of Best Value and Community Planning (BV2) is scheduled for early 2011, to establish the council and its partners' overall performance in addressing their strategic priorities and improving services. The BV2 audit will consider identified risk areas: the capacity of the council to deliver the extent of change required to reduce its cost base, while managing the impact on services; how the council uses the overall resources at its disposal to deliver on strategic priorities; how it ensures competitiveness and value for money; and how well the council is coordinating its efforts with partners in addressing key priorities.

Vision and Strategic Direction

110. The council and its partners present a clear vision for the future of the area. The Single Outcome Agreement (SOA) and "Shaping Stirling", the council's corporate plan, are at the centre of the council's planning framework. The development of the SOA and supporting arrangements have the potential to improve planning and performance management significantly. However, the long term and complex nature of many of the outcome targets pose many questions for performance management. A key challenge will be integrating and aligning the council's processes to support delivery of the desired outcomes – making sure that resources and efforts are directed to key areas. A finely balanced political position presents challenges in maintaining a clear sense of priorities and direction in difficult financial circumstances.

Performance management

111. The council continues to develop and improve its performance management system. Performance reports are regularly compiled and monitored by officers and members through the council management team and the relevant committee: monthly 'Stirling Performs' indicator reports and quarterly narrative 'Council Performance' reports. 'Stirling Performs' provides performance information



relating to fifty agreed performance indicators covering all customer-facing services within the council, and details planned improvement actions for areas of weaker performance. An Annual Improvement Statement sets out in one document the service areas where improvement in performance is required, as identified by internal audits, external audits and inspections, scrutiny reviews, the Residents survey and performance monitoring reports. An annual performance report is prepared, a summarised version of which is published and sent to all Stirling households.

112. While Stirling Council uses a number of methods to evaluate its performance, its corporate approach to self-evaluation is at an early stage of maturity. A corporate self-assessment using the Public Service Improvement Framework (PSIF) has been carried out over the summer.

113. The council is introducing a new performance management system, Covalent, to provide performance information. The system has been jointly procured with Fife and Clackmannanshire Councils. It is hoped that in due course this system could be used to provide elected members with direct access to performance information, rather than waiting for the next cycle of committee papers to see the most recent data.

114. Internal audit recently completed an audit of performance management arrangements. At the time of drafting this report, their audit report and service responses to recommendations had not been finalised.

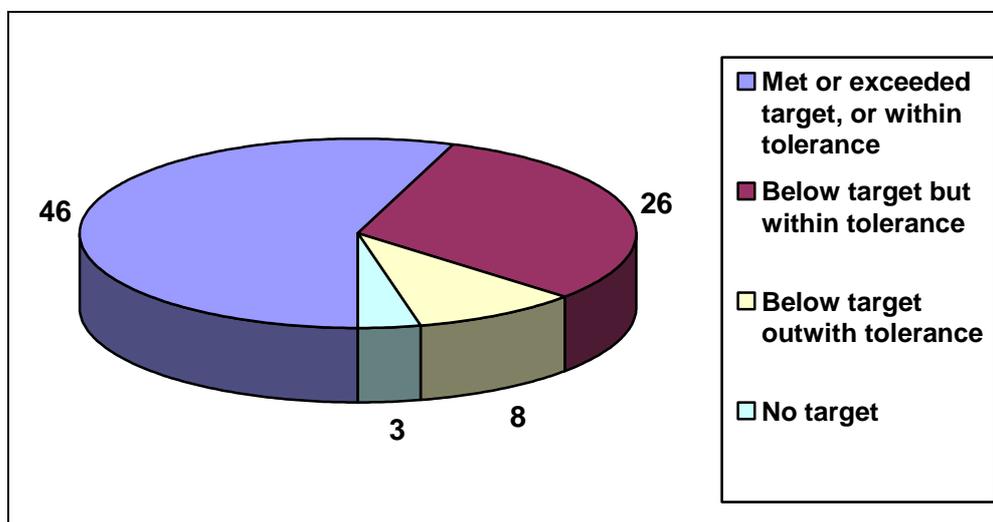
Overview of performance in 2009/10

115. Exhibit 6 summarises progress in 2009/10 against 83 key performance indicators, including statutory performance indicators. Over a three year trend, more than half of these indicators (46) were improving, 9 maintained steady performance and 24 were deteriorating.



Exhibit 6

Achievement of Stirling Council's key performance indicators 2009/10



116. During the year there have been a number of achievements. The council has maintained levels of attainment in its schools well above the Scottish average, although work continues to try to improve the attainment of lower achieving pupils; Stirling has the highest council tax collection rate of mainland councils in Scotland; its waste recycling levels are very high and new initiatives such as food recycling maintain continuous improvement; attendances at swimming pools and other indoor sports and leisure facilities increased significantly following the opening of The Peak.

117. There have been some challenges, which the council is taking action to address, including: staff absence levels; areas for improvement identified in recent inspections by scrutiny bodies; the level of current tenant arrears; the young people supported by youth learning moving into training, employment or further education.

Equality and Diversity

118. The council has a strong commitment to equalities and diversity set out in its equalities policy framework and statutory equalities schemes. Evidence of impact is, however, less clear and in some aspects the information base is limited. The forthcoming best value audit will look for evidence of the impact of the council's equalities work and consider whether the pace of change is sufficient.

Change management and efficiency

119. Stirling Council is active in seeking efficiencies and has made good early progress in making savings. The council's change programme is tasked with delivering wide-ranging, sustainable efficiencies across the council's services for the financial years 2011/12 to 2013/14. Work is ongoing to



investigate the areas where cost reductions could be made across the council. This is managed through 8 workstreams:

- Costs of Employment
- Education
- Social care
- Procurement
- Property
- Charges
- Transport
- Shared Services

120. The progress of the change programme against target is monitored monthly by the council management team and reported to the Finance Review Group comprised of elected members. In addition, the workstreams are formally reported to council.

121. The Finance Review Group also has an overview role in the recent review of the capital programme, undertaken to ensure that the council's capital expenditure was fully in line with its strategic, policy and operational priorities. The review of the programme built the Capital Programme up from a zero base, considering capital investment proposals from the council management team covering essential spend on Council's existing asset base and 'spend to save' initiatives linked to the Medium Term Financial Planning budget workstreams, and elected members' strategic and policy priorities dependent on capital investment.

Risk Management

122. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance.

123. The council generally has a sound approach to managing risk. The Governance and Audit Committee receives regular reports on the council risk register. The council management team has reviewed its approach to managing risk and revised the Council Risk Register accordingly. Individual services maintain their own risk registers.

124. Proposals for refinement of the risk management approach are due to be presented to the Governance and Audit Committee in November 2010. These will reflect changes to the council's structure and revised reporting processes.

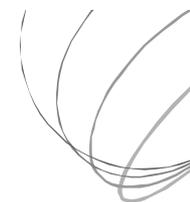


Outlook

125. Effectively managing the council's performance will remain a key challenge as council budgets are reduced. It is unlikely that the council will be able to maintain or improve current performance levels across all of its existing services, and it will need to make difficult decisions about what areas are seen as priorities and in which areas service levels will need to be reduced. Crucially, the council will need to use its performance information to understand and manage the effect of spending decisions.

Action plan no.4

126. The long term and complex nature of many of the outcome targets established through the SOA process also poses many challenges for performance management. In responding to short term and more structural funding difficulties, the council and its partners will need to be clear how they will continue to contribute to shared objectives and priorities – maximising impact from the funds available.



Appendix A

External audit reports and audit opinions issued for 2009/10

Title of report or opinion	Date of issue	Date presented to Audit Committee
Shared Risk Assessment/ Assurance and Improvement Plan	11/6/10	To Stirling Council 24/6/10
Education Maintenance Allowance grant claim	29/6/10	N/A
Central Scotland Safety Camera Partnership grant claim	6/7/10	N/A
Criminal justice social work services grant claim	29/7/10	N/A
Review of Adequacy of Internal Audit	28/7/10	28/9/10
Review of Implementation of Integrated Housing Management System	20/9/10	28/9/10
Report on financial statements to those charged with governance (ISA260 letter)	28/9/10	28/9/10
Audit opinion on 2009/10 financial statements	28/9/10	28/9/10
Review of Main Financial Systems	28/10/10	On agenda for 9/11/10
Arms Length Companies	25/10/10	On agenda for 9/11/10



Appendix B: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	12 & 29	<p>IFRS</p> <p>The introduction of IFRS is a significant change to local government accounting and will need to be effectively managed.</p> <p>Risk: Insufficient resources are available for the introduction of IFRS, meaning that the council is unable to prepare compliant accounts in time.</p>	<p>The Council's restated IFRS Balance Sheet as at 1 April 2009 has been passed to External Audit for review. Work is currently progressing on preparing the 2009/10 IFRS shadow accounts with a target deadline of end of December 2010. The Council continues to work closely with CIPFA and PwC to prepare fully compliant IFRS accounts for 2010/11.</p>	Chief Accountant	30 June 2011
2	14	<p>Explanatory Foreword</p> <p>The Foreword would be improved through clearer explanation of how the figures in the accounts relate back to the budget set for the year. It also provides a valuable opportunity to explain the implications of reduced funding.</p> <p>Risk: The accounts are not transparent and therefore difficult for readers to follow.</p>	<p>A review of the Explanatory Foreword will be carried out as part of the transition to full IFRS accounting from 2010/11.</p>	Chief Accountant	30 June 2011
3	44	<p>Financial position of group entities</p> <p>The council will need to keep under review the ability of its group entities to remain as going concerns in current economic concerns and the implication for it of any financial difficulties that they may experience.</p> <p>Risk: Financial difficulties experienced by group entities have a negative impact on service delivery and/or the council's finances.</p>	<p>Through involvement on the Boards and Management Executives of the Council's group entities, Council Officers will continue to monitor and provide updates to Governance and Audit Committee on the respective financial positions of these entities.</p>	Chief Accountant	Ongoing



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	53 & 125	<p>Delivering savings</p> <p>Moving forward it is important that the council has a clear understanding of what its spending priorities are, developing these in partnership with other public sector organisations where appropriate.</p> <p>Effectively managing performance will remain a key challenge as budgets are reduced. Crucially, the council will need to use its performance information to understand and manage the effect of spending decisions. The value of savings required is extremely challenging.</p> <p>Risk: the council is unable to meet expenditure commitments from available income. Available funding is not effectively directed to priorities.</p>	<p>In December 2009, the Council approved the setting up of various budget workstream groups tasked with delivering wide-ranging, sustainable efficiencies across Council services as part of the Council's change programme.</p> <p>Savings targets were established for each budget workstream group and progress against these targets is monitored monthly by the Council management team and reported to the Finance Review Group comprised of elected members.</p> <p>The Council is currently developing a 10year budget plan, which will provide the basis for longer term strategic budget planning. This will be presented to elected members once greater certainty is known around the impact of the Westminster Government's spending review and the publication of the Scottish Government's budget.</p>	Head of Finance & Procurement	Feb 2011 Feb 2012 Feb 2013
5	63 & 64	<p>Asset Management</p> <p>The council is still developing its strategic asset management. There is no overall strategy covering all types of asset.</p> <p>Risk: investment in the asset base does not represent best value for money.</p>	<p>While there is no single overall Asset Management Strategy, plans are being developed for the individual components, in particular Property, Roads and ICT.</p> <p>The Asset Utilisation Budget Workstream is ensuring issues of efficiency and cost effectiveness across all asset groups are being addressed. Council has set a target of £1m savings to be achieved from this work.</p>	Head of Finance & Procurement	Ongoing to March 2012



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
6	67	<p>Procurement</p> <p>The council has not been assessed as conformant in its annual procurement capability assessment. Embedding procurement as a strategic process, for example, when redesigning services, is expected to deliver savings over the longer term.</p> <p>Risk: Procurement approaches do not deliver best value for money.</p>	<p>The Council has developed a Procurement Transformation Plan covering the period September 2010 to March 2012. The plan aims to deliver cost reduction through improved procurement skills and practices, and also improve the Procurement Capability Assessment outcome, initially moving from Non-Conformant to Conformant and thereafter delivering continuous improvement.</p>	Head of Finance & Procurement	Ongoing to March 2012
7	76	<p>Members' development</p> <p>The council has decided not to follow the Scottish Local Authorities Remuneration Committee's recommendations in relation to the development of a role, training needs assessment and personal development plans.</p> <p>Progress in this area has been slow and members' training needs have not yet been assessed.</p> <p>Risk: elected members are not adequately supported with appropriate training and development.</p>	<p>Approach discussed and agreed by Leaders Group.</p> <p>Workshops to be set up to explore development needs framework.</p> <p>Identification of individual Members training needs</p> <p>Formulation of development programme.</p>	Head of Governance/OD Manager	<p>July 2010</p> <p>Dec 2010/Jan 2011</p> <p>Jan – March 2011</p> <p>May 2011</p>
8	93	<p>Arms length companies</p> <p>The council faces a number of risk areas in its relationship with arms length companies:</p> <p>Clarity of purpose for involvement in companies;</p> <p>Review of continuing involvement;</p> <p>Financial commitments;</p> <p>Performance reporting;</p> <p>Capacity of individual officers with multiple roles;</p> <p>Clarity of relationship with companies;</p>	<p>All future proposals for establishment of Arms Length Companies to be supported by option appraisal and risk assessment.</p> <p>Reports to be submitted in accordance as agreed at Governance and Audit Committee on 27 April 2010.</p> <p>Strategic Plan to be reviewed to clarify which outcomes Arms Length Companies support and specify what is to be delivered to support Council in achieving</p>	<p>Chief Executive</p> <p>Appropriate responsible officers</p> <p>Manager, Chief Executive's Office</p>	<p>With effect from October 2010.</p> <p>As agreed</p> <p>December 2010</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>Council representation – clarity and purpose.</p> <p>Risk: council resources are not targeted effectively and best value is not achieved.</p>	<p>outcomes.</p> <p>Financial commitments to companies will be kept under review through regular monitoring of arms length companies and financial reporting.</p> <p>Performance indicators/targets to be established for each Arms Length Company.</p> <p>Performance indicators/targets to be incorporated in Stirling Performs suite of indicators.</p> <p>Officer capacity to fulfil roles to be reviewed as part of the Personal Review and Development (PRD) process.</p> <p>Officer representation to be reviewed, following seminar referenced to in Number 7 below, to address issues associated with separation of roles.</p> <p>Seminar to be organised to explore role of representatives.</p> <p>Criteria for appointing Officers and Members to be developed following seminar.</p> <p>Additional training needs to be identified as part of Members Development Programme.</p> <p>Establish a briefing and debriefing system to support Members sitting on Boards.</p>	<p>Head of Finance and Procurement</p> <p>Appropriate responsible officers as agreed</p> <p>Manager Chief Executive's Office/</p> <p>Chief Executive</p> <p>Chief Executive/ Head of Governance</p> <p>Chief Executive/ Head of Governance</p> <p>Head of Governance</p> <p>Head of Governance/OD Manager</p> <p>Manager, Chief Executive's Office/ relevant Head of Service</p>	<p>With effect from October 2010.</p> <p>December 2010</p> <p>April 2011</p> <p>February 2011</p> <p>November 2010</p> <p>January 2011</p> <p>March 2011</p> <p>March 2011</p>
9	94	<p>Service level agreements</p> <p>There are no service level agreements in place with external providers of criminal justice social work services. £0.252m was paid to SACRO and NHS Forth Valley in 2009/10 for these services.</p>	<p>Stirling Council is currently working with NHS Forth Valley to establish a Service Level Agreement (SLA). This is progressing well and it is hoped that both parties will sign the SLA by the end of December 2010.</p>	<p>Michael Grassom</p>	<p>31 Dec 2010</p>



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>Risk: the council cannot hold external providers to account for service delivery standards.</i>	SACRO provide a supported accommodation service to Fife and Forth Valley Criminal Justice Authority (CJA) with Falkirk Council being the host authority. As Falkirk Council are contracting services for the CJA, Stirling Council believes that it is Falkirk Council's responsibility to ensure a SLA is in place.		