

Glasgow City Council

**Report to Members and the Controller of Audit
on the 2008/09 Audit**

October 2009



 **AUDIT SCOTLAND**



Glasgow City Council

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Key Messages

We have given an unqualified opinion on the financial statements of Glasgow City Council. However, our opinion draws attention to the failure of two significant trading operations (care and community services and facilities services) to breakeven on a rolling three year basis. These significant trading operations have made deficits for the past three years. These services were transferred to an arms length external organisation on 1 April 2009. Our opinion also draws attention to the failure to comply with the Local Government (Scotland) Act 1973 in terms of how the council accounts for income and expenditure connected with Pollok Park, which it now recognises as a common good asset.

A proposed settlement of equal pay cases has been negotiated since the draft outturn position was reported to committee on 12 June. This has the effect of increasing the council's expenditure and provisions that appear in the audited financial statements by £21.424 million.

Due to economic conditions, 2008/09 was a more difficult year for the council financially, than it has experienced in recent times. The situation could have been worse had the council not responded to the challenges it faced: in November 2008 a probable deficit outturn of £15.5m was forecast. During the year, the council took action to control service expenditure including changes to the line management of financial personnel and establishing key groups to influence and control financial management. The final outturn was an underspend in service expenditure of £1.1m. A number of generic actions have been implemented across services, including

- management of vacancies, overtime and agency costs linked to management of attendance
- a freeze on non-essential spend with increased scrutiny by heads of finance within services
- identification of opportunities to generate income.

In overall terms, the council has managed its current and future budgets to respond to challenging circumstances. The accounts record an accounting deficit of £144 million for the year, but the council contributed £9.19 million to the General Fund. This was £4 million more than planned on a net expenditure of £1,634 million.

In 2009/10 government funding is to increase by £63.9 million. However, forecast inflationary pressures; increased financing costs; increased superannuation and pension costs; and increased energy costs and reductions in service income, result in a projected funding gap of £8.1 million. The 2009/10 budget identified departmental service reform and efficiencies expected to yield £14.4 million to meet this continuing budget gap. Early budgetary control reports in 2009/10 to period 4 indicate that the control of expenditure within budget is again going to be difficult this year with net expenditure running at 100.7% of profile (an overspend of £2.1m mainly attributable to Social Work and Education Services).



Looking further ahead, the overall financial planning for 2010/11 indicates that the most likely scenario is a potential £52 million funding gap, offset by £17 million of savings initiatives already in place. It is proposed that the remaining gap will be met by a 2.5% savings target and a further £16.1 million of service reform/cross-cutting efficiencies. The medium term represents an increasingly difficult period of financial management with significant savings and efficiencies required to contain expenditure within budget. Previously the council has had access to unapplied capital receipts and a significant capital fund. Both of these sources have diminished as a result of economic conditions and equal pay settlements. This reduces the council's capacity to deal with future financial pressures.

The general downturn in markets has had a significant effect on the Strathclyde Pension Funds with almost £2 billion reduction in investments in the year since 31 March 2008. The valuation at 31 March 2009 was £7,598 million. However recent valuations (31 July 2009) indicate that valuations have recovered to £8,387 million. The council's proportion of Police and Fire pension deficits (£1,373 million) continues to have a significant impact on the negative net worth of the group, which stands at -£669 million.

The council has vision and leadership, to address the significant challenges that Glasgow faces and has a sound approach to managing risk. The council is aware of its operating environment and responds appropriately to challenges, often in a proactive and innovative way. There is a clear and consistent commitment to priority programmes. Due to the current economic climate it is recognised that council planning will require clearer prioritisation. The council is working towards reporting performance against the single outcome agreement targets with early indications that 70% have been achieved.

The audit of best value and community planning was published in December 2005. In April 2009 the Accounts Commission published a follow-up report on the council's progress. The report acknowledged that the council has continued to make good progress, with 12 of the 14 themes in its improvement plan either implemented or on target for implementation. The council's best value follow-up audit noted that the council has some way to go to develop how it manages its staff including achieving reductions in sickness absence rates and ensuring that personal development plans become fully embedded for all staff throughout the council.

The council also faces a specific challenge in managing its relationships with major partners during a more difficult economic period, this includes developing Community Health and Care Partnerships with its health service partner.

The co-operation and assistance given to us by Glasgow City Council members and officers is gratefully acknowledged.



Introduction

1. This report is the summary of our findings from the 2008/09 audit of Glasgow City Council (the council) and other relevant work carried out by Audit Scotland. A number of detailed reports have already been issued in 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 issues that have arisen from our review of the management of strategic risks including those reported to the finance and audit scrutiny committee in our strategic risk assessment on 6 May 2009.
2. The report reflects the new corporate assessment framework, which is being developed for Best Value 2 (BV2) and for joint scrutiny work. The framework is founded on the characteristics of a best value council. Using evidence gathered in the course of the audit, supplemented by other work by Audit Scotland and other scrutiny bodies, we comment on the council's position this year.
3. Our comments are made on the basis of information made available in the course of the annual audit. We do not offer an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build-up the corporate assessment over time and for that assessment to form the basis of a proportionate best value audit. This report is a step towards that goal.
4. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council are:
 - the impact of the race equality duty on council services
 - improving energy efficiency
 - asset management in councils
 - overview of drug and alcohol services
 - mental health overview
 - strategic procurement
 - civil contingencies planning.
5. We mention the key findings from some of these reports and the implications for Glasgow City Council in the performance and use of resources sections of this report. Full copies of the studies can be obtained from Audit Scotland's web page at www.audit-scotland.gov.uk.



6. 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. We do expect 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 arrangements in place to gain assurance that the action is implemented.

7. This report is addressed to members and the Controller of Audit and should be made available to all members as well as being considered by the executive committee of the council. It will be published on our website after consideration by the council. The Controller of Audit may use the information in this report for her annual overview of local authority audits to the Accounts Commission later this year. The overview report is published and used by the Accounts Commission as the basis for its annual briefing to the Scottish Parliament's Public Audit Committee and the Local Government and Communities Committee.



Financial statements

Introduction

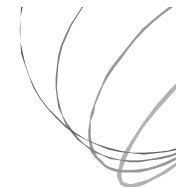
8. In this section we summarise key outcomes from our audit of the council's financial statements for 2008/09, comment on the significant accounting issues faced, and provide an outlook on future financial reporting issues.

Audit Opinion

9. We have given an unqualified opinion that the financial statements of Glasgow City Council for 2008/09 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 in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
10. We have however, drawn attention to a failure to comply with the Local Government in Scotland Act 2003, this does not affect the overall opinion on the accounts. Two significant trading operations (STOs) have failed to breakeven, on a cumulative basis, over a three year period. The STOs are Care and Community Services and Facilities Services. These two services were transferred to an arms length external organisation on 1 April 2009. The new organisation, Cordia, is expected to make future surpluses according to its October 2008 business plan.
11. We have also drawn attention to a failure to comply with the Local Government (Scotland) Act 1973, which does not affect our overall opinion on the accounts. In the financial statements, Pollok Park is included as a fixed asset in the common good fund balance sheet. However the estimated income of £0.22 million and expenditure of £1.95 million relating to the park was included in Glasgow City Council's income and expenditure account instead of the common good fund's income and expenditure account. Local authorities have a duty under section 93 of the Local Government (Scotland) Act 1973 to have a general fund and to receive or pay all sums and fees into that fund, with the exception of sums received or payable which relate to the common good of the council. The council failed to comply with this statutory requirement for the year ending 31 March 2009 in respect of the income and expenditure attributed to Pollok Park as the potential impact on the Common Good Fund, with a net worth of £13.5 million, would have been significant. The council is currently reviewing how the maintenance of the park is financed and accounted for in future years.

Action plan no. 1

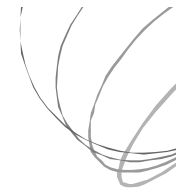
12. We were satisfied with disclosures made in the statement on the system of internal financial control (SSIFC) and the adequacy of the process put in place by the council to obtain assurances.



13. The SSIFC discloses that an internal audit review of the financial and budgetary control arrangements in the CHCPs identified weaknesses and as a result new reporting and monitoring arrangements were introduced. We comment further on the CHCPs, later in this report and note that an internal audit follow up review will be conducted in 2009/10.
14. We are working in partnership with finance officers to clarify our requirements and help improve the processes for the preparation and audit of the financial statements. Audit staff met regularly throughout the year with officers from financial services to discuss technical issues. One of the issues discussed this year was an earlier submission date, which the council worked towards, but the council's unaudited financial statements were submitted to the Controller of Audit on the deadline of 30 June. The timescale of unaudited submissions from group companies contributed to this outcome. Satisfactory working papers were provided to support the 2008/09 accounts, either as part of the initial submissions or following subsequent requests.
15. On 17 August 2009 we received an objection to the accounts under section 101(2)(a) of the Local Government (Scotland) Act 1973. We have considered the objection and enquires are ongoing on some of the issues raised. We do not consider the issues to be material to our audit opinion and we will report any matters arising from these enquiries in due course.
16. It is expected that the accounts will be certified by the target date of 30 September 2009 and will be available for presentation to members and publication. 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

17. 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). No major changes were introduced by the 2008 SORP, with the exception of amended disclosures for pensions' costs. We were satisfied that the council prepared the accounts in accordance with the 2008 SORP.
18. The introduction of the Concordat with the Scottish Government resulted in the consolidation of some separate funding grants within the revenue support grant in 2008/09 (including supporting people grant £81m and community regeneration/ social inclusion grants £48m). When compared to the previous year, this has had the effect of increasing funding from the revenue support grant and also increasing service net expenditure. This change may limit the comparability of income and expenditure with the previous year.
19. In response to an issue identified last year, the council reviewed its deferred balances arising from government grants and other capital contributions in 2008/09. This review identified that a significant element of these balances could not be attributed to individual funded assets. This resulted in a correction to prior years' deferred balances of £60.5 million.



20. Opening adjustments were made to the group financial statements due to corrections once the audited financial statements of subsidiary and associates were submitted from the previous year. The most significant changes related to Strathclyde Partnership for Transport, where the council's share of the operating loss was reduced from £4.2 to £0.3 million, and the elimination of some transactions with City Parking. There were also minor changes in some of the other bodies.
21. The council has adjusted the financial statements to reflect audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Executive Director of Financial Services and the finance and audit scrutiny committee. The issues reported relate to the internal work-in-progress between STOs and departments which should be eliminated within the income and expenditure account (£0.288 million) and the recurrent difference between actuarial estimates for pension contributions and the amounts actually incurred by 31 March 2009 (£1.1 million).
22. A proposed settlement of equal pay cases has been negotiated since the draft outturn position was reported to the executive committee on 12 June 2009. This has the effect of increasing the council's expenditure and provisions in the pre-audited financial statements by £21.424 million. It also results in an increase in the expenditure recorded by the STOs. The council's general fund position has been affected by £0.991 million, as £20.433 million has been transferred from the council's capital fund, effectively eliminating principal loan repayments made by services and significantly offsetting the impact of the equal pay settlement. The reduction in the capital fund available can be seen later in this report at exhibit 4.

Audit testing

23. As part of our work, we took assurance from key controls within the council's financial systems. The results of our review of key controls were reported to the council in our internal key financial controls assurance report in May 2009. With the exception of the following, all key internal controls identified were found to be working in a satisfactory manner. None of these weaknesses had a significant impact on the accuracy and completeness of the financial statements.
 - budgetary control within the North Glasgow and West Glasgow Community Health and Care Partnerships
 - statutory reviews of continuing entitlement to non-domestic rate relief not being undertaken within the required timescales
 - bad debt write-offs for non-domestic rates are not being processed monthly in accordance with the prescribed procedure
 - sales orders and credit notes in the debtors system are not officially authorised and there is no signatory list of officers.



24. In arriving at these conclusions on key controls we relied on the work of internal audit extensively. This included identification of controls considered “key” within each system and an integrated and complementary process of testing these controls. We continue to work together to improve this process further and to avoid any potential duplication of audit resource. In each case we considered the impact of the identified weaknesses in planning our work on the financial statements.

Prevention and detection of fraud and irregularities

25. 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 committees.
26. Four allegations were made against fourteen members to the Standards Commission during the year. The Commission’s conclusions were that none of these contravened the councillors’ code of conduct.

NFI in Scotland

27. The National Fraud Initiative (NFI) has generated significant savings for Scottish public bodies (£40 million to 2008). 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 most recent data matching exercise was carried out in October 2008 and national findings will be published by Audit Scotland in May 2010. Glasgow City Council had 18,929 matches which can be categorised into 5 categories: Housing Benefit, Pensions, Payroll, Blue Badges and Residents in Care. The results from data matching activity have resulted in a projected saving of £355,878.
28. Housing benefit and pension matches account for over 80%. Where Housing Benefit has been granted because DWP has awarded Job Seeker Allowance, Income Support or Pension Credit the DWP is responsible for carrying out the investigation. In Glasgow this work is undertaken as a joint exercise.
29. Officers have chosen not to expend time on investigating Blue Badge frauds because previous experience suggests that the effort required is unlikely to be justified. The council is considering alternative methods of reducing the possibility of the misuse of Blue Badges.



Exhibit 1.

Number and progress on main categories of NFI data matches

Category	Total matches	Processed	In-progress	Fraud identified	Error identified	Amount saved (£)
Housing Benefit	11,681	3,605	490	6	529	£129,463
Pensions	4,120	2,533	457	0	0	£124,142
Payroll	1,459	26	30	0	0	£98,000
Blue Badges	1,238	1	0	0	0	£0
Residents in Care	431	44	5	0	2	£4,273
Total	18,929	6,209	982	6	531	£355,878

www.nfi.gov.uk management information for Glasgow City Council 18 September 2009

30. In addition to the NFI data matching, Glasgow City Council has been reviewing cases where single person discount is granted against council tax. This review involved data matching 140,000 records against credit agency references through a third party (Experian). This exercise identifies where there might be evidence of credit applications from another individual at the address, suggesting that single person discount may not be appropriate. The first round of data matching identified 6,000 clear cases and the council wrote to these addresses indicating that the discount would be stopped if the resident failed to respond. Just over 50% of cases resulted in cancelled discounts and an annual additional income of £944,000. Further tranches of savings are expected from this exercise.

Housing Benefit

31. Audit Scotland took over the inspection responsibilities of the Benefit Fraud Inspectorate in Scotland in April 2008. Our specialist team is carrying out a programme of risk assessments of benefits services in all councils over a two year period.
32. Glasgow's benefits service was assessed in May 2009 and a detailed report has been issued. The report identifies that the council:
- is fully decentralising the revenues and benefits service to eight local centres
 - demonstrates an awareness of an effective and secure benefits service
 - has a clear commitment to customer service
 - recovered 46% of all benefits debt in 2007/08: the second highest recovery rate in Scotland
 - provides high quality appeals submissions with over 80% of council decisions being upheld
 - works in partnership with the DWP's Fraud Investigation Service on joint investigations



- has increased the time taken to process change of circumstances from an average of 9 days in 2007/08, to an average of 11 days in 2008/09
 - level of accuracy in the caseload had decreased from 98% in 2007/08, to 95% in 2008/09
 - reported an increase in its backlog of over 60% in April 2009
 - needs to extend the range of targets so that there are realistic but challenging targets for all areas of the benefits service and ensure that performance is reported regularly to senior management and members.
33. The council has developed an action plan in response to the risks identified including revised reporting arrangements to the finance and audit scrutiny committee with effect from November 2009.

Group accounts

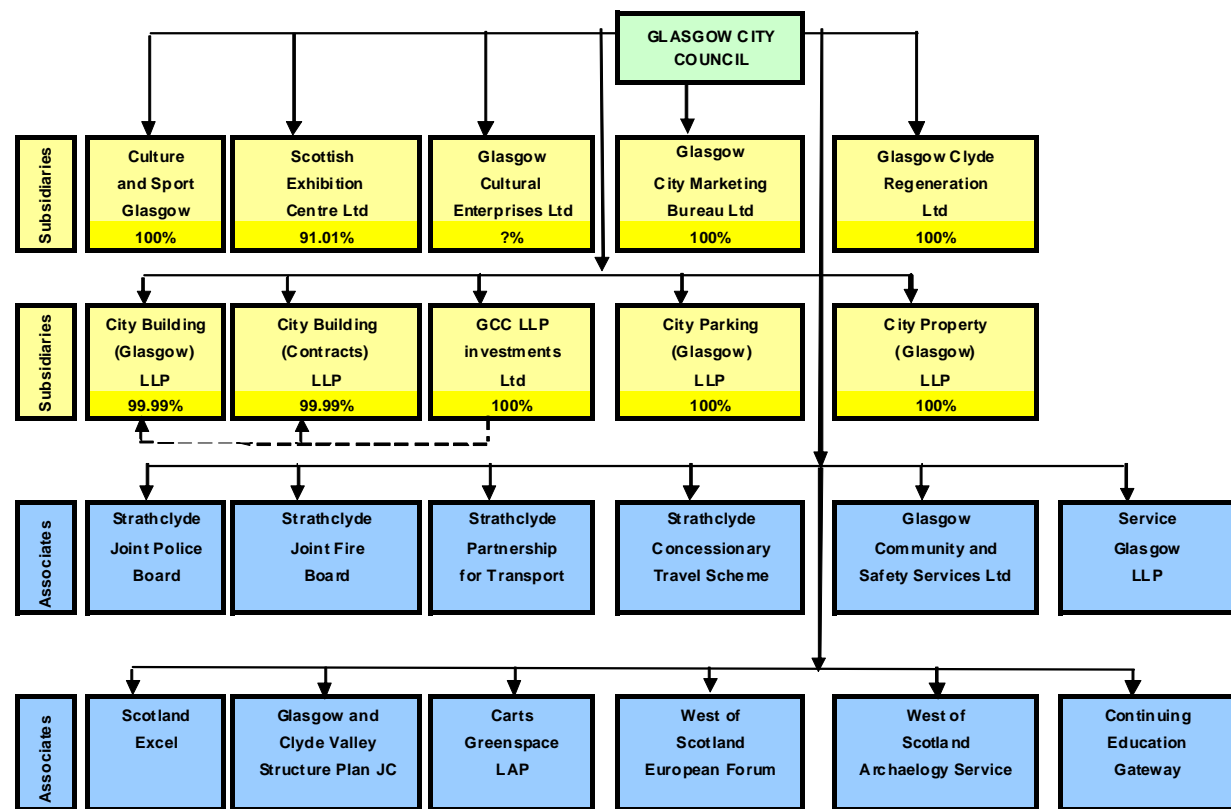
34. Local authorities use a diverse range of service delivery vehicles – for example arms length external organisations and, where material, authorities are required to prepare a full set of financial statements that give a true and fair view of the financial performance and position of the council's group.

Joint ventures and companies

35. The council has interests in ten subsidiaries and a total of twelve associates (refer to exhibit 2 below). These have been included in group accounts in accordance with the SORP. Audit assurances for the financial statements opinion were obtained through a review of the council's own scrutiny arrangements including minutes, reports, internal audit findings, consolidation packs and through questionnaires and meetings with auditors of the organisations.



Exhibit 2.
Glasgow city council group structure



GCC financial statements 2008/09

36. The council's external governance scrutiny committee receives quarterly reports on the performance of the ALEOs. In the last quarterly report of 2008/09, three organisations were reporting deficits for the year. .
37. We would like to highlight the following issues:
- In accordance with recommended accounting practice, key policies such as pension costs and the valuation of fixed assets at market value, have been aligned with the council.
 - In September 2008 Glasgow Cultural Enterprises (GCE) identified that it needed £5.8 million of capital investment, of which £3.7 million was a high priority. The council have provided a letter of comfort in order to allow GCE to continue trading. PricewaterhouseCoopers (PwC) were commissioned to carry out a review and the findings were reported to committee in June 2009. The committee agreed that further work should be undertaken to examine the merits of transferring all of GCE's activities and functions to Culture and Sport Glasgow and that a decision would be taken in the autumn. The auditors of GCE have drawn attention to this going concern issue in an emphasis of matter paragraph in the audit certificate.



- Two group bodies have not yet submitted audited financial statements – Service Glasgow LLP and City Markets (Glasgow) LLP. Neither are material to our audit of the council's group and we have assurances from the auditors of these bodies that there are no significant issues to report. We have therefore been able to conclude our audit of the group financial statements.
- The council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. Of these boards Strathclyde Joint Police Board and Strathclyde Fire and Rescue had an excess of liabilities over assets at 31 March 2009 due to the accrual of pension liabilities. In total these deficits amounted to £3,650 million (2007/08 £3,590 million), with the council's share being £1,373 million (2007/08 £1,321 million). This contributes significantly to the negative net worth of the Group of -£669 million.
- Within the group financial statements Strathclyde Police Joint Board and Strathclyde Fire and Rescue are consolidated as associates. Proper accounting practice requires a charge to be made to the income and expenditure account for pension costs based on FRS17 Retirement Benefits. The Local Government Pension Reserve Fund (Scotland) Regulations 2003 provides the statutory basis for removing the FRS17 charge from the general fund so that only the actual pension payments are charged. However, this legislation does not cover the new pension schemes established with effect from 6 April 2006, by the Police Pensions (Scotland) Regulations 2007 and the Fire-fighters Pension Scheme (Scotland) Order 2007. The auditors of Strathclyde Police Joint Board have qualified their audit opinion in relation to this issue. As the council consolidates the net worth of associates there is no impact on the council's group accounts. The council have included a disclosure note within the group accounts.
- The overall effect of inclusion of the council's subsidiaries and associates is to reduce net worth by £1,238 million, mainly because of pension liabilities. However, the group 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.

Trust funds

38. Local authorities with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. 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.
39. A report with proposals for trusts' restructuring was agreed by the executive committee on 28 August 2009 and is subject to further discussions and agreement and approval of OSCR. The proposals identify that a significant number of trusts are to be merged to four new trusts including a new "Lord Provost Goodwill Fund" and some other trusts will be transferred to more appropriate trustees outside the council's responsibility. New governance structures are also proposed for the four new trusts including reporting to the finance and audit scrutiny committee.



Common good fund

40. In December 2007, the 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. The executive committee approved a revised common good policy for the council on 23 January 2009.
41. A separate account for the common good is disclosed in the council's financial statements and a fixed asset register is also maintained with a list of assets published on the council's internet site.
42. The guidance note says that local authorities should take reasonable steps to ensure that common good fixed asset registers support the assets shown in the common good balance sheet. When any asset is identified for disposal by the council, the title deeds are checked to see if they indicate whether or not it is a common good asset and therefore can be considered inalienable. The council's view is that reviewing the title deeds at point of sale represents "reasonable steps" for maintaining the fixed asset register. A title deeds search of all council assets would be time consuming and prohibitively expensive thereby not representing best value to the council.
43. Following public interest in the "Go Ape" proposals in Pollok Park, which included a potential lease arrangement, the council reviewed the status of the park in June 2009 and determined that it is a common good asset. This issue is referred to at paragraph 11 of this report.

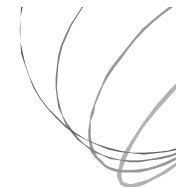
Legality

44. Through our planned audit work we consider the legality of the council's financial transactions. In addition the Executive Director of Financial Services confirmed that, to the best of her 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

IFRS adoption

45. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. Next year, councils will be expected to account for PFI projects on an IFRS basis and it is important that the council starts the transition in 2009/10. A comparative balance sheet as at 1 April 2009 will be required and whole of government accounts will also be required on an IFRS basis from 2009/10.



46. Council officers will continue to report to the finance and audit scrutiny committee at regular intervals on the subject of IFRS implementation. The financial services budget and service plan 2009/11 contains a commitment to the implementation of the new standards and it is recognised that the opening balance sheet figures at 1 April 2009 will need to be restated by February 2010.
47. An IFRS Steering Group has been set up with overall responsibility for the governance and management of the implementation. A detailed project plan is to be developed to establish the scope of the project, set prescribed timelines and identify major and interim milestones.
48. Initial meetings of the steering group have been seeking to ensure that unused holiday entitlement reports are available and can be confirmed as accurate and complete and to consider how similar information from education staff can be determined.
49. One issue that will need to be addressed is the involvement and development of clear guidance to organisations included with the group accounts on the timing of IFRS introduction and expected impact on their financial statements or consolidation processes.

Action plan no. 2

50. The introduction of the IFRS based accounting code of practice in 2010/11 is also likely to require separate pension fund reports and accounts, a view also supported by LASAAC. This is something we will be discussing further with the CIPFA Directors of Finance Group.

Carbon trading commitment

51. From April 2010 a new and complex system for charging for carbon emissions will be introduced by the European Union. The council will be required to purchase and account for carbon credits to cover all of its non transport related energy usage. Incentives and penalties will be built into the system to encourage a reduction in carbon emissions. The council reported to the executive committee on 3 April 2009 that it would be responsible for:
 - calculating emissions
 - purchasing allowances to cover emissions
 - monitoring and reporting consumption and surrendering allowances to cover emissions
 - keeping accurate records which provide an audit trail.
52. The process is in its early stages and the council is not yet clear how this might affect its financial position.



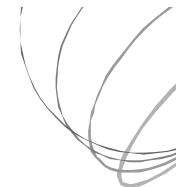
Use of resources

Financial results

53. In 2008/09, Glasgow City council spent £3.1 billion on the provision of public services, with more than £2.9 billion on revenue services and the remainder on capital. The council's net operating expenditure in 2008/09 was £1.6 billion. This was met by central government and local taxation of £1.5 billion, resulting in an accounting deficit of £144 million or 8.8% of the net expenditure for the year.
54. The budget set for 2008/09 was based on a Band D council tax level of £1,213 with planned contributions of £5 million to the general fund, £1.5 million to the repairs and renewals fund and £1 million to the insurance fund. After taking account of statutory adjustments, £9.19 million was added to the general fund during the year. The main factors contributing to the better-than-planned financial position are service underspends (£1m) and lower than expected interest payments on borrowing (£15m), but these were offset by adverse results from trading operations (£8m) and lower council tax income (£4m).

Budgetary control

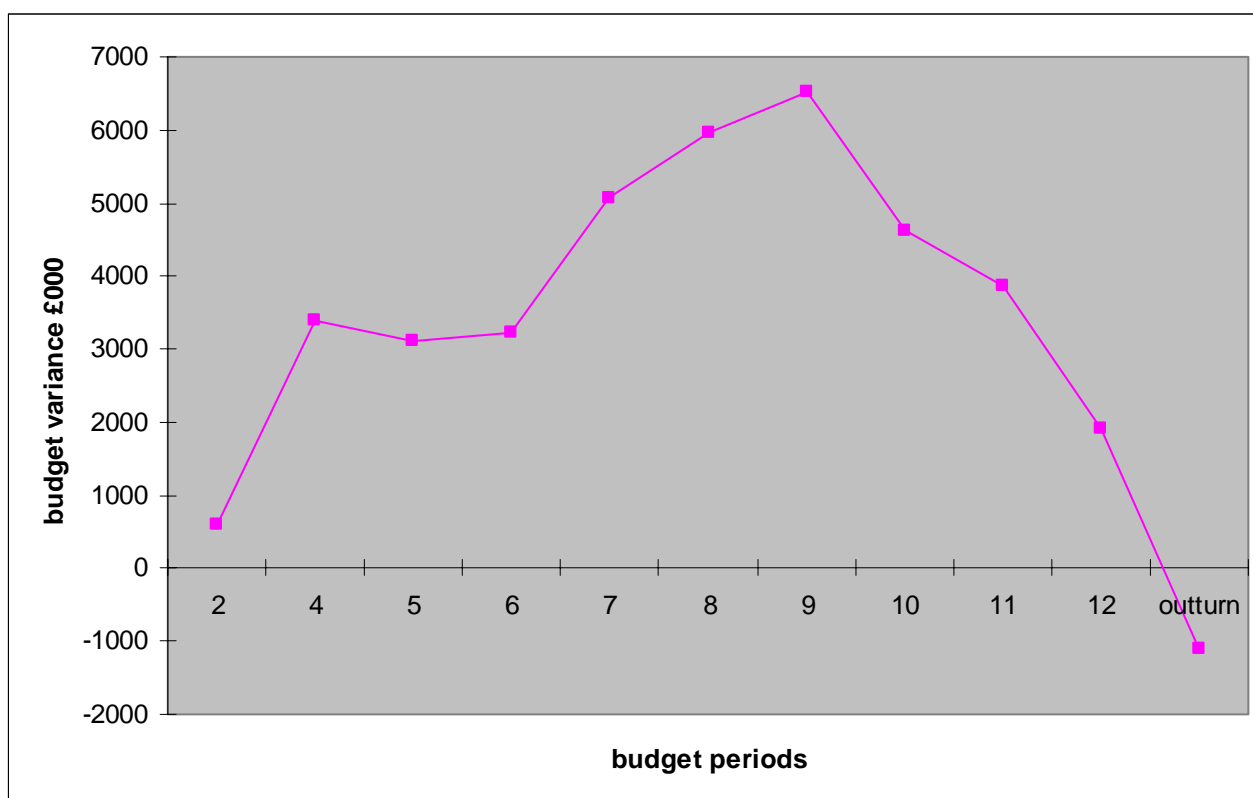
55. In November 2008, a probable deficit outturn of £15.5m was forecast, had no remedial action been taken to respond to the increasingly adverse variances that were recognised in period 4 through to period 9. At period 12 the council's overspend position in services had reduced to £1.9m from a peak of £6.5m in period 9. The final outturn was an underspend in service expenditure of £1.1m.
56. During the year, the council took action to control service expenditure including changes to the line management of financial personnel; establishing a "financial challenges group" of senior officers (to focus on strategic financial planning for the council); creating a "financial management steering group" (focusing on operational financial management and the immediate need to address the potential overspend) and forming a "finance masterclass" with ALEOs (to identify best practice in financial management and introduce peer reviews of budgets).
57. A number of generic actions have been implemented across services, these include:
- stringent management of vacancies, overtime and agency costs linked to management of attendance
 - a freeze on all non essential spend with relevant orders for goods and services now being authorised by heads of finance within each service
 - identification of opportunities to generate income.



58. In addition further service-specific measures have been implemented including reducing grant and funding payments; reviewing ALEO expenditure, reviewing teaching complements and absence cover, reconfiguration of transport, improved management of homecare services and energy efficiency measures. Appropriate actions are included within the detailed monitoring statements of each service and progress is monitored by committee.

Exhibit 3.

Total budget variances through 2008/09



Glasgow City Council, reports to executive committee 2008/09

59. All services, with the exception of Land and Environmental Services, had realised improvements in their financial position as the year progressed.
60. The phasing of budgets had a significant impact on the year end outturn with the final increase (over period 12) being 16% of the total annual budget compared to 6-9% for other budget periods. The major reason for the increases in service budgets after period 12 is the allocation of £60 million from the capital fund.

Reserves and balances

61. Exhibit 4 shows the balance in the council's funds at 31 March 2009 compared to the previous year. Funds include a capital fund 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 2009, the council had total funds of £167 million, a decrease of £52 million on the previous year. A significant reduction has been made in the council's capital fund which has been used to offset service's principal repayments of capital and mitigate the effect of equal pay settlements and redundancy/ retirement costs.

Exhibit 4.

Reserves

Description	31 March 2008 £ Million	31 March 2009 £ Million
General Fund	28.8	38.0
Repair and Renewal Fund	19.6	19.0
Cultural and Recreational Fund	5.2	3.8
Insurance Fund	21.4	22.8
Capital Fund	144.2	83.8
	219.2	167.4

62. The general fund increased by £9.2 million during the year to a balance of £38.0 million. Of this balance £14.9 million has been earmarked for specific purposes including private sector housing grant, fairer Scotland fund and future equal pay compensation claims. This leaves an unallocated balance of £23 million (1.4%) (£19 million in 2007/08), which is in line with the council's policy to restore free reserves to 2% of net expenditure over the medium term.

Capital performance 2008/09

63. Gross capital expenditure in 2008/09 totalled £212 million (excluding elements treated as revenue expenditure - £57 million - including the M74 completion).

64. Overall, the total capital programme of around £1.1 billion increased by £200 million due mainly to four major projects (local authority care homes, east end regeneration, phase 4 of the pre-12 strategy and the better Glasgow fund). The in-year planned capital expenditure (2008/09) was £353 million but this projection reduced to £271 million (including M74) by the year end (a 23% reduction). This reduction comprised of cancelled projects and project slippage. Project slippage accounted for £59 million or 17%. This is an improvement on the slippage of 30% noted last year. The slippage includes projects associated with the Commonwealth Games. The council confirms that the slippage in phasing of the capital spend provides little evidence, to date that the project end-dates have changed.



Exhibit 5.

Slippage in the capital programme for 2008/09

Service	Project	Slippage £m
Culture and Sport	Maryhill Leisure Centre	1.9
	Riverside Museum	5.6
	National Indoor Sports Arena	2.0
	Scotstoun Stadium	2.7
Development and Regeneration	SECC	10.0
	Clyde Gateway	13.2
	Works to Markets - Blochairn Site	5.3
	Vacant & Derelict Land 2008-2011	11.5
Social Work	Children's Residential Strategy	5.3
Land and Environmental	Parks Development Programme	1.5
	Total	59.0

65. The trend in capital investment and sources of funds is reflected in exhibit 6.

Exhibit 6.

Sources of finance for capital expenditure 2005/06 - 2008/09

	2005/06 Actual £M	2006/07 Actual £M	2007/08 Actual £M	2008/09 Actual £M	2008/09 Budget £M
Borrowing	51.2	35.6	-20.0	153.2	171.5
Fixed Asset Disposal	0	42.2	89.9	17.1	22.5
Government Grants/Other	84.2	72.5	86.5	39.1	38.7
Revenue contributions	15.3	8.2	3.2	2.5	2.5
Total	150.7	158.5	159.6	211.9	235.2

Glasgow City Council audited financial statements 2005/06 – 2008/09

66. As part of the Commonwealth Games responsibilities, the council has been improving and developing its capital governance arrangements.

- Project sponsors have been identified who are responsible for the delivery of key projects.
- Reporting arrangements have been established with the executive committee and fortnightly highlight reports are prepared for each key capital project detailing the status of the project and any identified issues. These are considered by senior responsible officers.
- Monthly programme board reports are produced covering key capital projects and the wider issues associated with the delivery of the Commonwealth Games.



Capital receipts

67. As shown in exhibit 6, in 2008/09 the council achieved capital receipts of £17 million (£89.9 in 2007/08 and £42.2 in 2006/07). The council in the last few years has chosen to profile receipts to the general fund over a relatively short period (around 3 years), before this receipts were spread over a much longer period. Current accounting rules permit the profiling of receipts in this way. This year the whole of the remaining unprofiled balance was written back to the general fund (£52 million). Without any remaining unapplied receipts we would expect the effect of the statutory charge on the general fund to be subject to year-on-year variations in-line with level of capital receipts achieved. The council is aiming to achieve a sustainable level of service loan charges.

Treasury management

68. As at 31 March 2009, Glasgow City Council held cash and temporary investments totalling £159 million (£193m at 31 March 2008).

69. The current economic climate means that interest rates on investments are low and the council received £8.6m in investment income this year compared to £13m last year. Borrowing rates are also low, but the council has a significant proportion of its debt at fixed rates and its average cost of borrowing over the year was 5.71%. The council has taken advantage of the drop in interest rates to reschedule £116 million of debt. This has resulted in a net saving of £3.2 million in the year.

70. As a result of economic events over the last year, including the collapse of Icelandic banks, the council strengthened its strategy in respect of investments. The key priority was to minimise the risk of any loss on the principal sum invested. Surplus funds are invested with banks and other financial institutions on its approved lending list up to the approved investment limit of £15m with any one institution. The council uses Fitch (or Moody's) ratings to assess institutions and all credit ratings are monitored on an ongoing basis throughout the year. If a counterparty is placed on a negative rating watch, it is withdrawn from the list immediately. The council limits exposure to credit risk by ensuring that investments are placed with the highest rated bodies.

71. As investment rates are at an historically low level and with continued uncertainty in the banking sector, the council is keeping investments short dated throughout 2009/10.

72. In addition to internally managed investments, externally managed investments are currently held for the insurance fund and on behalf of the common good fund and sundry trusts. There are currently no changes proposed to the management of these resources but in February 2009, the council withdrew its investment with Standard Life in respect of the capital fund, in order to safeguard these resources against further exposure to changing market conditions. The majority is now held with the Debt Management Account Deposit Facility offered by the UK Debt Management Office, with a limited working balance managed internally.



Pension funds

73. The council is responsible for the management and administration of two pension funds – Strathclyde Pension Fund No. 1 and Strathclyde Pension Fund No. 3. The main fund (Fund No. 1) is open to employees of the twelve unitary authorities in the Strathclyde area, civilian employees within Strathclyde Police and Strathclyde Fire and Rescue plus over 220 scheduled and admitted bodies. Fund No. 3 is a closed fund representing employees of Strathclyde Buses pre-1993.
74. Investment assets for both funds are diverse and are managed by a range of external fund managers. The value of the investment assets are illustrated in exhibit 7.

Exhibit 7.

Pension Fund Investments

	31/03/06	31/03/07	31/03/08	31/03/09
	£m	£m	£m	£m
Strathclyde Pension Fund No. 1	8,952	9,686	9,467	7,598
Strathclyde Pension Fund No. 3	96	103	103	91

Glasgow City Council financial statements

75. 2008 was a difficult and extraordinary period in financial markets: what started as a credit crunch in 2007 became a banking crisis. Despite a rally in equity markets in March 2009, the FTSE All Share Index ended the year down 29.3%, while the FTSE World Index lost 20.0%. For fixed income investors falling stock markets and growing signs of a global economic downturn caused a movement to government securities and prices were pushed higher.
76. Exhibit 8 identifies that Fund No. 1 produced a total annual adverse return of 20.8% for 2008/09, the benchmark return was -21.0%. The fund's asset structure is different from the average UK pension fund with a higher exposure to equities and property and a lower exposure to bonds, in particular index-linked bonds. As a result, the fund's performance for the year ranked in the bottom third of UK pension funds and the fund finished the year behind the average UK pension fund return of -18.1%. However, the fund has achieved a 10-year annualised return of +2.5%. In comparison to the median UK fund, the Strathclyde Fund has outperformed these over 5 and 10 years. Indicating the longer term performance of the pension fund is better than that achieved on the basis of 2008/09 alone. At 31 July 2009 the pensions asset valuation had improved to £8,387 million.



Exhibit 8.

Pension Fund returns 2000 – 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	3Yr	5Yr	10Yr.
	%	%	%	%	%	%	%	%	%	%	%	%	%
Fund B/mark	15.8	-9.5	-1.1	-22.2	28.0	12.9	26.6	8.1	-3.8	-21.0	-6.4	3.3	2.0
Fund Return	18.9	-8.6	-0.2	-20.8	26.6	12.4	27.2	7.4	-2.9	-20.8	-6.2	3.4	2.5
WM All Funds	14.2	-6.8	-1.0	-18.5	22.6	11.6	24.2	7.0	-1.0	-18.1	-4.6	3.7	2.4
Fund Ranking	14	56	23	34	25	18	10	30	8	71	65	44	33

Strathclyde Pension Fund (Main Fund) – 2008/2009 Performance Review

77. The effect on the asset values of the pension fund and the future outlook for employers' contributions was assessed at the triennial valuation of the pension fund at March 2008 and again in an inter-valuation report at 31 March 2009. The Hymans Robertson report showed that the No. 1 Fund funding position had reduced from 95% in March 2008 to 75% in March 2009. The No. 3 Fund funding position had reduced to a funding position of 56% over the same period.

Exhibit 9.

Projected Funding Position - Fund No. 1

Date	31Mar2005	31Mar2008	31Mar2009
	Actual	Actual	(Projected)
	£m	£m	£m
Assets	7,005	9,979	7,648
Liabilities	7,235	9,493	10,270
Surplus/Deficit	(230)	(486)	(2,623)
Funding Level	96.8%	95.1%	74.5%

Inter-Valuation Monitoring Report June 2009

78. On the basis of the valuation at March 2008, contribution rates of the No.1 fund are to increase from 17.3% in 2009/10 to 18.2% in 2010/11 and to 19.3% in 2011/12. The funding position and employer contribution rates will be reviewed during the next formal actuarial valuation at 31 March 2011.



Financial planning

2009/10 budgeting

79. The introduction of the Concordat with the Scottish Government means, amongst other things, that council tax will not be increased in the current year. This means that the council has had to look at other sources of income and reductions in expenditure to balance its budget.
80. The council has reacted to the changes in economic climate and, from November 2008, revised its budget estimates accordingly. The movement in budget estimates from 2007/08 to 2008/09 can be seen in the exhibit below. Service income assumptions have been reduced by 6% and planned service efficiencies have been identified to mitigate the total impact of inflation (£31.8m).
81. The recession contributed to lower advertising income, building warrant fees, planning application fees and income from parking. The council also experienced pressures arising from increases in energy and transport costs and higher residential school placement costs

Exhibit 10. Revenue estimates 2009/10 vs. 2008/09

	2009/10	2008/09	change	% change
	£m	£m	£m	
Service expenditure	2,409.6	2,397.5	12.1	1%
Service income	-805.5	-859.4	-53.8	-6%
Net service expenditure	1,604.1	1,538.1	66.0	4%
Central govt grant	-1,359.6	-1,295.7	63.9	5%
Local taxes	-249.5	-247.4	2.1	1%
Increase in GF balances	-5.0	-5.0	0.0	0%

Glasgow City Council, Executive committee revenue estimate reports 3/4/2009 and 4/4/2008

82. In November 2008 Glasgow City Council reviewed its 2009/10 forecast and expected to receive government funding of £1,360 million, an increase of £63.9 million over 2008/09. This additional funding was insufficient to cover the planned pressures within the council including:
- inflationary pressures (£32 million)
 - increased financing costs associated with major capital projects (Commonwealth games, residential homes for the elderly and the school pre-12 strategy) (£26 million)
 - increased employer superannuation and police and fire retirement costs (£10 million)
 - energy cost increases and reduced income (£12 million).



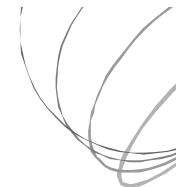
83. This results in a budget gap of £22.2 million. This was further revised in February 2009 to reflect further funding, removal of ring-fencing on some funds and revised inflation, energy cost, income estimates and financing costs. This resulted in a potential gap of £8.1 million.
84. The 2009/10 budget identifies service investments of £3.5 million to meet the costs of providing free personal care and £2.5 million to introduce waste processing technology, with identified departmental service reform and efficiencies expected to yield £14.4 million to meet the budget gap. The most significant areas are:
- demographic changes in pupils within primary and secondary education (£1.4 million)
 - reorganisation of the education service around five strategic planning areas (£1.2 million)
 - implementation of a revised early years and care strategy providing a full range of localised services (£1.0 million)
 - reconfiguring residential children's services (£2.9 million)
 - reviewing grant funded services following the removal of ring fenced grants (£3.8 million).
85. The administration also identified additional reform and efficiency savings of £3.1 million from the review of single persons' discount and non-essential spend. These savings are redirected to provide the commonwealth apprenticeship initiative (£2 million) and the recycling initiative (£1.1 million).

2009/10 budget reporting

86. The council continues to face difficult financial pressures in 2009/10. These include an increase in the cost and number of children requiring purchased placements (residential schools, foster care and court generated secure placements); additional homelessness costs, increases in energy costs and shortfalls in rental income, advertising income and building warrant fees. Budgetary control reports in 2009/10 to period 4 (3 July) give early indications that the control of expenditure within budget is going to be difficult: net expenditure is running at 100.7% of profile, representing an overspend of £2.1m. This represents an increase of £1.2m from that reported at period 2. The variance is largely attributable to net overspends within Social Work and Education Services.

2010/11 budgeting

87. On 12 June 2009, the executive committee approved a revised budget framework which will be used to construct the budget for the financial year 2010/11. This framework is based on the process which was introduced for 2009/10, where details of budget options were shared with political groups in November 2008, prior to the council's budget meeting. Each service is to demonstrate that it has reviewed its services and identified savings accruing from that review as part of the budget process with the expectation that over a period of 5 years all of the service budget would have been subject to review.



88. The overall financial planning for 2010/11 is subject to uncertainty due to the Scottish Government's funding settlement. This provides a range of potential outcomes. The most likely scenario is a cash standstill which delivers the same level of settlement as in 2009-10. This real-term cut could lead to a potential £52 million funding gap, offset by £17 million of savings initiatives already in place – a net gap of £35 million. It is proposed that the remaining gap will be met by a 2.5% savings target allocated across services and ALEOs and a further £16.1 million of service reform/ cross-cutting efficiencies. The medium term represents an increasingly difficult period of financial management with significant savings and efficiencies expected in order to contain expenditure. Previously the council had recourse to unapplied capital receipts and to a significant capital fund. Both of these sources have been diminished as a result of economic conditions and equal pay settlements. This reduces the council's capacity to deal with these future financial pressures.

Action plan no. 3

Asset management

89. Effective management of council assets helps the council achieve its objectives and get best value from its investment in property. Effective management benefits service delivery by making council buildings work better for staff and service users now and in the future. It also reduces the opportunity cost of money locked up in surplus property and reduces the council's carbon footprint.
90. In 2009, we published *Asset Management in Councils*. Our study found that strategic asset management was not well developed in the majority of 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. More than half of Scottish councils did not have an approved corporate asset management strategy.
91. Glasgow, with its joint venture partner Serco, is currently finalising its own strategic operational property asset management plan and reported the draft plan to committee in August 2009. The plan covers the council's operational property portfolio, with the exception of schools which are subject to their own asset management planning process. In total the plan covers 609 council buildings (about 60%) at 400 different locations. The assets covered are valued at £523 million with property expenditure on operating and maintaining these assets costing £52 million per annum.
92. The plan suggests that by implementing a 'corporate landlord' approach it may be possible to reduce the number of property assets to 546 and, with appropriate investment in tackling backlog maintenance and developing a more systematic approach to forward asset maintenance to reduce the level of annual property expenditure. As part of its "financial challenges" programme, the council has instigated reviews of its city centre headquarters and area-based accommodation to identify a specific range of properties which are considered suitable for disposal. The reviews will be completed during 2009/10 and will contribute towards the council's budget process for 2010 and beyond.



Procurement

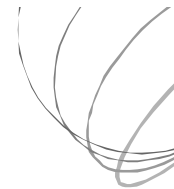
93. Local authorities spend significant sums of money annually on purchasing goods and services and as part of the efficient government initiative, the Scottish Government anticipated that scope existed for significant financial savings through improved procurement procedures and practices. The McClelland report on procurement published in March 2006 confirmed that significant savings were possible but concluded that public sector procurement processes still had weaknesses in resources, skills, organisational structures and practices.
94. In response to the McClelland report the Scottish Government introduced the Public Procurement Reform Programme (the Programme) in April 2006. In July 2009, Audit Scotland reported the extent to which the Programme had progressed nationally. This report concluded that while some significant steps had been made, more work was required before the Programme could achieve its full potential.
- There was no systematic basis for reporting savings directly attributable to the Programme.
 - Savings from collaborative contracts are being achieved more slowly than expected.
 - There are wide variations in the quality of purchasing data, practice and skill levels.
95. Glasgow is committed to supporting the national centres of procurement and has a very close working relationship with both Scotland Excel and Procurement Scotland strategically and operationally.
96. Audit Scotland recently surveyed Scottish local authorities to establish the nature of information held by councils on procurement processes. Questions also sought information on some key procurement statistics as well as establishing if individual councils had plans to implement the key recommendations from the McClelland report.
97. The information provided by Glasgow City Council indicated a comparatively good awareness of issues and availability of information. In particular the council has:
- an advanced procurement plan as set out by the McClelland report
 - a procurement strategy approved by the CMT and Members
 - a contract register which records existing contracts (excluding social care)
 - 7,191 suppliers but has contracts in place with only 475 of these (6.6%)
 - used the Public Contracts Scotland Portal
 - identified its collaborative (£10m) and non-collaborative (£113m) contract spending
 - identified that 61% of its expenditure is with 2,366 suppliers within the council's boundary
 - uploaded all nine Best Practice Indicators (BPI) at 31 March 2009
 - conducted annual reviews of procurement by the internal auditor
 - used the Scottish Government's e-procurement facility and has local e-procurement through the SAP accounts payable system.



98. The council is pursuing a number of measures designed to improve the standard of procurement including developing:
- a strategy for a 360 degree procurement system including benefits tracking, contracts registration, project management and supplier/contract performance management
 - a social care system
 - an eVendor tool, which allows suppliers to register an interest in particular goods or services and register aspects of their company to build up a picture of the potential supply base
 - an eEvaluation tool for high value complex procurement projects.

Managing people

99. The council has identified that it intends to develop and implement a strategic approach to workforce planning by December 2009.
100. The council launched a people strategy in May 2008 covering a two year period. The people strategy is supported by an action plan which also incorporates findings from the staff survey. The last staff survey was undertaken in spring 2007 and highlighted a number of issues. Actions that have already been implemented include:
- improved communication between managers and staff including the introduction of monthly managers briefings
 - improved recruitment and induction processes
 - actions to deal with harassment and bullying.
101. Progress with the action plan is reported to committee and staff are updated through the monthly staff magazine. The action plan contained 102 actions, with the council reporting that 93 actions from the plan are now complete. The second staff survey commenced in spring 2009 and a summary of the results of this were reported to the finance and audit scrutiny committee on 2 September 2009.
102. There has been slippage in the implementation of Personal Development Plans (PDP). The planned roll-out of PDPs was delayed in social work services and education services. A deadline for full implementation within education services is yet to be confirmed. Training sessions are being arranged to aid senior managers in delivering PDP briefing sessions and progress will continue to be reported to the corporate management team on a 2-monthly basis. The council has developed its business software (SAP) to allow PDP discussions and reviews to be recorded. It is also taking forward a 360 degree system for staff on a phased basis to 2011. An employee development framework (EDF) is also being launched.



ICT

103. The council makes good use of ICT to support and deliver services. It has a clear strategy for the future development of ICT that is clearly linked to the council's objectives and plans.
104. The council is working with ACCESS, its joint venture partner for ICT and property services, to improve the business continuity arrangements within City Park, the council's data centre. City Park is used to host some equipment for the national infrastructure project.

Data handling and security

105. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data.
106. We carried out a review of data management and found that the council is actively working on developing an information asset management approach, an appropriate information classification scheme and a register of all personal information it shares or transfers. In addition to the council's regular risk monitoring processes an information security board consisting of senior officers of each service and of the major arms length external organisations regularly meets to review data handling and other information security issues. The loss of a USB Memory device containing sensitive personal data in July 2009 is subject to an ongoing investigation by the information commissioner.

Shared Services

107. The Accounts Commission commented on the lack of progress in developing shared services in its overview of the local authority audits 2008 and recommended that councils should give this high priority in the light of financial pressures and the drive for efficiency.
108. Glasgow City Council, along with City of Edinburgh Council, was identified as a pathfinder site for the shared services pathfinder diagnostic review. The outcome of this was a proposed simplified model and business case of the business process within a council. The outcomes were submitted to the Improvement Service who shared them with other local authorities. The two pathfinder sites were then given additional funding to move on to the design phase: to develop a more detailed model and business case. Again the outcomes have been submitted to the Improvement Service.
109. The eight councils from the Clyde Valley Community Planning Partnership (CVCPP) (including Glasgow) have commissioned Sir John Arbuthnott to undertake an independent strategic review of joint working and shared services. The councils initiated the review but there is an expectation that it will include consultation and agreement with other partners such as health, police and enterprise services. The review will consider back office, support services, shared infrastructure and frontline services by the end of October 2009. It is expected to:



- review existing shared service initiatives and joint working
- identify opportunities for development of shared and joint working, creating practical options
- prioritise areas most likely to deliver improved services and savings
- identify potential models to deliver shared services
- develop criteria to assess the potential for sharing and improvement.

110. Each council has nominated a core team member to support the work of the review and also a lead officer to support the review's strategic direction. The team's base is at Renfrewshire Council. The core team has been working on a number of themes, including:

- waste management and disposal
- asset management (property)
- asset management (fleet/transport)
- workforce planning
- from modernising government to shared services
- health – pressures, personalisation, service standards
- social care specialist services
- education
- transactional website
- common charging framework
- governance models

Outlook

111. Clearly we are in a period of reduced economic growth with significant implications for the council's resources and the demand for services. The council needs to remain alert to the impact of the recession on the community it serves and what that means for its own objectives and services. At the same time as the council tries to support its local economy and provide best value services, it is likely to face a reduction in resources.



Governance and accountability

Introduction

112. We believe that an effective council is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers. An effective council is committed to public performance reporting as a key element of public accountability. It clearly sets out service standards which reflect the needs of local people and other stakeholders, and is balanced in its presentation of the council's strengths, weaknesses and challenges for the future.

Structure and policies

113. Corporate governance is about direction and control of organisations. Councils are large complex organisations and so good governance is critically important. The council intends to assess its own arrangements against the CIPFA/SOLACE guidance: *Delivering Good Governance in Local Government*. We note that resource constraints did not allow this to be undertaken in 2008/09 but the council confirmed that an annual governance statement will be produced in 2009/10 and that this will be supported by service assurance statements. There is a local code of governance on the council's website.

114. 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. Following a review of the council's decision making arrangements by the council's business bureau, the executive committee agreed on 20 March 2009 to separate policy and scrutiny functions. This resulted in the establishment of four policy development committees and two scrutiny committees. These include a finance and audit scrutiny committee and an external governance scrutiny committee.

115. The finance and audit scrutiny committee is responsible for monitoring the financial performance of the council and its trading operations, the performance of audit and inspection and for promoting the observance by councillors of high standards of conduct. The external governance committee is responsible for scrutinising the performance of the twelve arms-length external organisations established by the council. Both scrutiny committees are chaired by a member of the opposition.



116. The finance and audit scrutiny committee is well attended and:

- is a formally constituted committee with clear terms of reference which reports directly to council and meets in public
- membership is in line with the political balance of the council and there is regular attendance by appropriate senior officers of the council
- considers internal and external audit plans and respective reports
- reviews the audit certificate and considers matters arising from the audit of the annual accounts.

117. The arrangements are new and the working practices are developing. We would highlight the following matter as an area of development the committee might consider:

- Internal and external audit plans are prepared on the basis of risks identified. The committee needs to be assured that audit plans have been completed and where slippage has been experienced that significant risks have been addressed.

Roles and relationships

118. The Accounts Commission recommends that councils give priority to the continuous professional development of its members. The council has developed role profiles for senior members. At 31 March 2009, 52% of members had participated in a PDP interview since local government elections in May 2007, with more recently-elected members more likely to have participated. Various other training and development activities have been offered throughout the year including media training, public speaking, presentation skills and introduction to local government finance. The uptake of training is quite low for some courses.

Partnership Working

119. The Glasgow Community Planning Partnership (CPP) was established in 2004 to manage the community planning process in the city to bring key public, private, community and voluntary representatives together with the aim of delivering better, more joined-up public services in the city. The partnership's community plan 2005 – 2010 is an overarching plan for Glasgow and the operational activity was undertaken by Glasgow Community Planning Ltd (GCPL). This support structure was recently transferred to the council. This move is seen as a positive step by all community planning partners.

120. The priorities for the council in community planning include:

- integrating the Fairer Scotland Fund and the council's social inclusion budget
- reporting progress on key indicators within the Fairer Scotland Fund programmes
- improving community engagement
- improving partnership working between local communities and service providers
- renewing Glasgow's community plan.



121. The council has also established a Health Commission to identify key areas of action in relation to Glasgow's health. The key aim of the Commission is to draw together thinking on sustainable health improvement in Glasgow and make recommendations to partners. Members have been drawn from a broad range of backgrounds and sectors and the Health Commission is independent of the city's main agencies. At the same time, it has worked closely with such agencies so that there is a good chance of its recommendations being implemented.

Exhibit 11.

Health commission recommendations

People and culture	The environment	Changing services
1. Creating a child-friendly city	6. Creating mandatory 20mph zones in residential areas	14. Focusing services on the early years
2. Making better use of the city's cultural and community assets	7. Shifting emphasis and resources towards safe, active and sustainable modes of transport	15. Better engagement with communities in service planning & budgeting
3. Tackling violence & alcohol-related harm	8. Supporting Green Travel Plans	16. More integration of services
4. Supporting carers	9. Enhancing housing & neighbourhood design through greater public engagement	17. Developing a new model of support for children & families
5. Sustaining leadership for a healthier Glasgow	10. Using licensing powers to tackle alcohol-related harm	18. Better involvement of young people
	11. Extending the pilot on secondary school lunchtimes	19. Supporting early steps towards employment
	12. Incorporating health considerations in planning	20. Clear emphasis on tackling inequalities
	13. Improving connectivity across the city	

122. The community plan 2005 - 2010 was the starting point for the development of the Single Outcome Agreement (SOA). The community planning partnership appointed five thematic champions, with each thematic champion allocated a primary role in a number of national outcomes to achieve a co-ordinated and inclusive approach to the development of the SOA.

Community engagement

123. As noted earlier the council is committed to improving community engagement, including assessing the effectiveness of community reference groups and to establishing a network of 'Citizen's Panels' with anticipated membership of up to 200 people in each of Glasgow's ten local community planning partnership (LCPP) board areas. It also intends to improve partnership working between local communities and service providers.



124. The council has reviewed how it supports consultation and produced a new resource area to provide information and support to individuals and teams who are undertaking consultation with the public, stakeholders and other organisations. This includes a network of service contacts, a series of factsheets, and a set of case studies. The council's approach to consultation has also been developed through a cross-departmental group of officers reviewing the council's approach to consultation, including a specific survey on the council's web-site.

125. The latest household survey from spring 2009 identifies that very few residents believe they can influence council decisions about either their local area or Glasgow as a whole, although almost half would like to. The main methods people said they used to influence decisions were contacting their councillor (34%) or the council/ official (32%). Very few would attend a public meeting. 86% did not know what the council could do to make them more involved.

Public performance reporting

126. The council is considering how to make the performance report available to the public in an accessible and digestible format. In 2006/07 the council undertook an exercise to determine what information the public would find useful. This work is being re-reviewed in the context of SOA reporting and may include developing options for a high level 'Chief Executive's' report on performance in relation to the Council Plan/SOA and a series of 'local performance' reports based on LCPP geography levels.

Governance and internal control

Community Health and Care Partnerships (CHCPs)

127. The year-end outturn, in Exhibit 12, demonstrates the financial overspending within the CHCPs. This overspend position was first recognised in period 5 last year (separately from social work budgets) and the overspend continued to grow as the year progressed, while most other services/ elements managed to reverse some of their earlier adverse positions.

Exhibit 12.

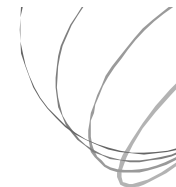
CHCP year end outturn at 31 March 2009

CHCPs	Actual	Budget	Variance
Net Expenditure (£000)			
East	41,773	40,198	1,574 Adv
South East	28,241	27,409	832 Adv
South West	35,192	33,897	1,296 Adv
West	33,150	32,181	970 Adv
North	33,727	33,252	474 Adv
TOTAL	172,083	166,937	5,146 Adv
			3% Adv

CHCP 08/09 outturn report (excluding criminal justice)



128. The financial reporting for 2009/10, at period 5, identifies a net overspend of £1.5m within CHCPs, indicating that the issue continues in the current year.
129. To improve how the CHCPs operate, the chief executive identified proposals in March 2009 to enable decision-making to be devolved to CHCP directors within a city-wide framework. It is proposed that a joint partnership board be established to oversee resource decision-making and service development within the five CHCPs. The proposed board would comprise five CHCP chairpersons and five health service representatives. CHCP directors will be given fully devolved decision-making powers and will be held accountable by local CHCPs. The role of the board will be to ensure that resources meet city-wide needs and that city-wide improvement plans are developed.
130. Progress on establishing the CHCP joint partnership board was reported to committee in June 2009. This emphasised the expectation that the health board and the council will have to manage significant levels of budget pressures in 2010 - 2013 and that resources need to be managed effectively across CHCPs to sustain consistent levels and quality of service. The progress report concluded that there has been good progress on most issues. However, it also identified that there has been less progress on the issue of budget devolution.
131. The main issue appears to be whether the social work commissioning budget element of £140 million should be devolved, to bring the total devolved council resource to over £400m (on par with the resources devolved from the health board). The council's short term concern is to gain greater confidence in the CHCP management of financial pressures.
132. The council proposes that the joint partnership board is established now, in shadow form, and a work plan is developed addressing the concerns of both council and the health board, with a view to fully establish a board by the end of 2009. The work plan would address:
- immediate resolution of 2009/10 budget issues, to restore confidence
 - the scope and speed of budget devolution
 - future management of commissioning budgets
 - professional advisory arrangements for the social work service
 - the relationship between CHCP directors and the social work centre
 - development of a service level agreement between the CHCPs and parent bodies
 - 2010/11 budget savings
 - a framework for budget challenges to 2010 – 2013.



133. At its board meeting on 18 August 2009, the health board recorded that the board's chief executive had met with the council's chief executive and agreed to the early establishment of the joint partnership board.

Strathclyde pension fund (SPF)

134. From April 2009, the rates of contributions made by employees and the benefits payable on retirement changed. This provides additional risks to the pension fund. In particular, each employer needs to ensure that accurate deductions are being made and remitted from its payroll system.

135. As part of the process for implementation, the pensions fund issued compliance certificates, to be completed by employers, by the end of June 2009. As responsibility for accurately calculating and remitting payroll deductions to the pension fund falls with employing bodies, we would like to see an annual process of compliance certification, which could be subject to audit verification in employer bodies. This would, we believe, help to mitigate the risk to the SPF of errors in calculation or payment by employer bodies by ensuring this issue is given due consideration each year.

136. One of the pension fund's current operational priorities is to improve data management and the quality of member data held in the pensions system. A data-cleansing exercise was begun in advance of the Fund's 2005 actuarial valuation to identify and address inaccurate or incomplete data supplied to Strathclyde Pension Fund Office (SPFO) by employers. Most are mismatches between employee contributions data (supplied by employers' payroll offices) and data held on the SPFO database (from data supplied by employers' HR departments).

137. We noted that, at the time of audit, the SPFO had not worked through the contributions submissions from each employer at 31 March 2009 and that this would not be completed until December 2009. There are still 1,472 unreconciled differences from 31 March 2008 and from earlier years representing 1.8% of active members. This compares with 9.3% at the same point in 2007 and 17% in 2006 and demonstrates a significant improvement, however we think that this process should be completed earlier. The latest matched data available (from payroll at March 2008) identifies the incidence of these two problems in respect of the Fund's major employers.



Exhibit 13.

SPF Fund data comparison to employer contribution data at 31 March 2008 (excludes prior years)

	Missing Joiner Details	Missing Leaver Details	Active Members	Error Rate (%)
Argyll & Bute	136	83	3,323	6.5
East Ayrshire	0	0	3,926	0.0
North Ayrshire	3	20	4,573	0.5
South Ayrshire	10	55	3,485	1.8
West Dunbartonshire	12	20	3,797	0.8
East Dunbartonshire	0	34	2,811	1.2
Glasgow	0	85	15,811	0.5
North Lanarkshire	10	61	9,678	0.7
South Lanarkshire	5	20	10,002	0.2
East Renfrewshire	0	35	2,838	1.2
Renfrewshire	0	0	5,998	0.0
Inverclyde	5	52	2,536	2.2
Scottish Water	0	0	1,313	0.0
Strathclyde Police	0	0	2,568	0.0
Strathclyde Fire	0	0	530	0.0
Grand Total	181	465	73,189	0.8

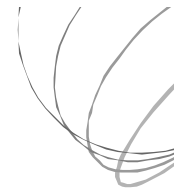
SPF Progress and Performance to 31st March 2009 (June 2009)

138. We consider that this data cleansing is an important governance process that should be undertaken earlier in the year and that the council should continue to work with employers.

Action plan no. 4

Outlook

139. Partnership working is critical to the council's success. We are developing our approach to the audit of partnerships through the new approach to best value. In future, we shall increasingly be looking at the contribution of partners, as well as the council's own contribution, to the delivery of outcomes.



Performance management and improvement

Introduction

140. 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 effectively promoted by the member and officer leadership of the council and supported by staff and partners. It 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 council's performance management framework is comprehensive and integrated with service planning and delivery. The council is able to demonstrate significantly improved outcomes for citizens and more effective and efficient services because of its performance management arrangements.

Vision and strategic direction

141. The council has a number of ambitious programmes which demonstrate vision. These include the pre-12 strategy for schools rationalisation and modernisation programme, the rebuilding of residential homes, regeneration programmes, Commonwealth Games, development of arms length service delivery and concentration on core activities, review of social work and education structures and the development of the skills academy.

142. There is a clear and consistent commitment to priority programmes. Due to the current economic climate it is recognised that council planning will require clearer prioritisation.

Performance management

143. Performance reporting is based on two main areas: the commitments in the SOA and the Council Plan. The SOA bi-annual performance report was taken to the community planning executive group in September 2008 and the annual performance report will be submitted to the Scottish Government in September 2009, based on a pre-defined template.

144. Individual service annual reports have been used by the council for many years and these are the basis for the corporate annual report. These reports are taken to the various committees. The council's corporate annual performance report draws on information from services annual performance reports and is structured around the council plan.



145. The council reviewed the consistency and links between the council plan/ SOA and service planning.

This “Golden Thread” exercise was reported in June 2009 to the CMT and identified that:

- council plan targets are in budget and service plans (BSPs) or annual performance reports (APRs) with 94% of performance achieved either fully or partly reported
- SOA commitments are mostly picked up in BSPs or APRs
- reporting is balanced
- service objectives are not really clear although service plans reflect national and local context, with some services requiring further improvement
- indicators used by services tend not to be a rounded mix.

146. Based on the findings, the council is to prepare an improvement action plan for each service which will be incorporated into the corporate performance management processes.

Overview of performance in 2008/09

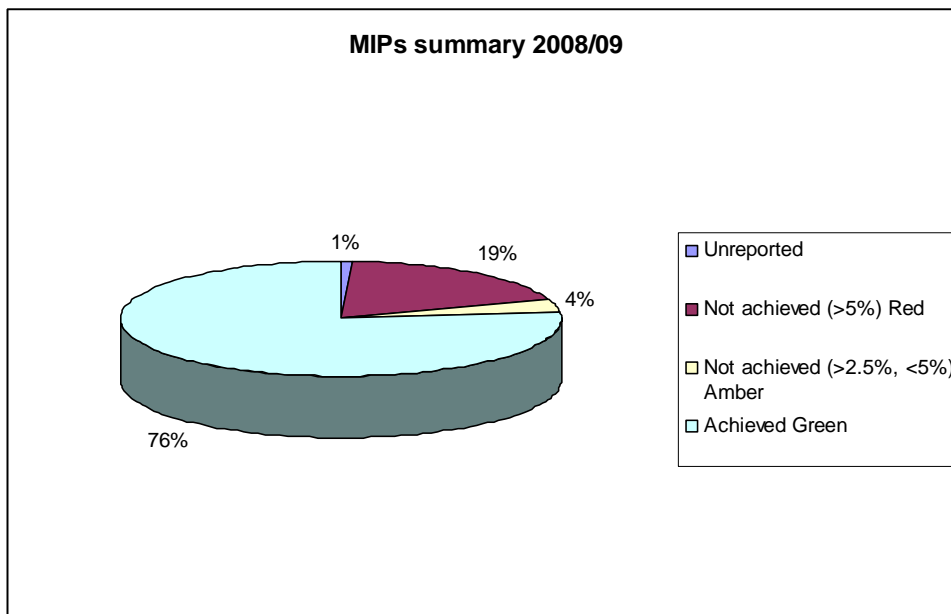
147. The six-month report, identified progress against 51 SOA indicators showing headline findings that 42 of the indicators were progressing as planned although the remaining nine were below target/showing progress slippage. In addition, the latest monitoring information also shows that a further ten indicators have failed to meet their 2008/09 targets.

148. In 2008/09 the council achieved 76% of its own measures of improved performance. These are 108 indicators of performance spread across the council’s services.



Exhibit 14.

Achievement of Glasgow City Council's targets 2008/09



149. Some of the 20 measures of performance not achieved include:

- delivery of efficiency savings
- generation of planned capital receipts
- reduced sickness absence rates
- reduction in level of derelict land
- number of free swim attendances
- number of visits to museums/ galleries
- minimisation of residential school placements
- reports to the children's reporter that were on time
- children subject to a supervision order seen within 15 days.

150. The council is achieving many of its performance targets, but these may become increasingly difficult within the context of wider financial pressures.

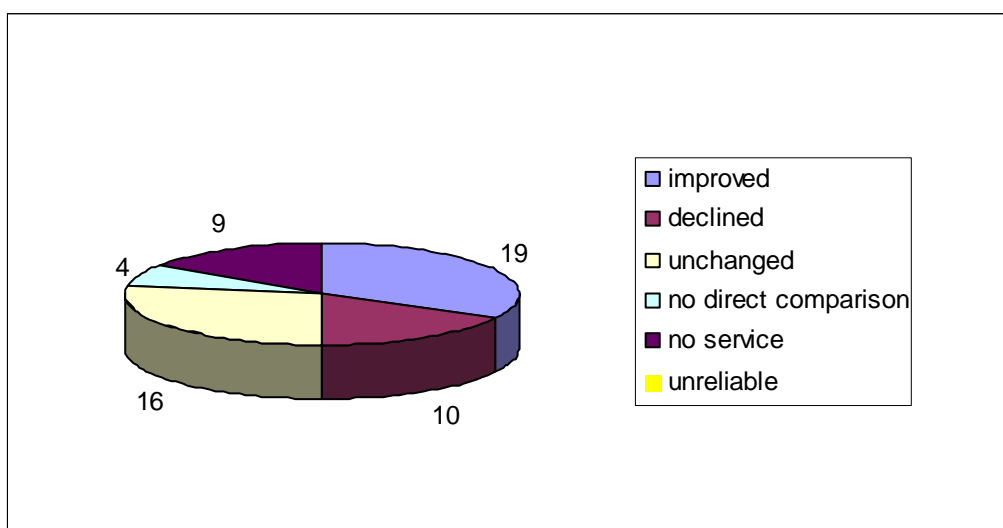


Statutory performance indicators

151. One of the ways of measuring council performance is through the statutory performance indicators (SPIs). Within Glasgow City Council, key SPIs are already included within service scorecards. With regard to 2008/09, a total of 58 SPIs were required. These were published by 30 September 2009 and were submitted to the council's policy and strategy committee. SPIs provide a consistent form of measurement for councils to review their performance over time and to make comparisons with other councils. In overall terms, exhibit 15 shows that the council has made improvement in number of areas, and more than a quarter of indicators remain unchanged.

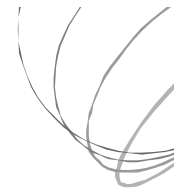
Exhibit 15.

Improvements demonstrated by SPIs (Total 58 indicators)



152. SPIs have improved in probation supervision and planning applications processing times. The declines were observed in areas of respite care, museums visits and number of refuse collection complaints. The decline of museum visits was expected because of the high number of initial visits after Kelvingrove museum reopened in 2006.

153. Each year we review the reliability of the council's arrangements to prepare SPIs. Overall, the quality of working papers was good. One indicator was classified as partly unreliable in 2008/09, covering the suitability of operational buildings, as it excludes information about the schools' estate.



Equality and Diversity

154. The 2006 Accounts Commission Best Value report on Glasgow City Council, found “well-developed policies and procedures” in place and “examples of innovation and good practice” in the area of equality. However the council has acknowledged that progress in some areas has been slower than hoped for. They have taken further action as a result, with equalities responsibility and staff moving to service departments and the piloting and development of equality impact assessments.
155. The council has an integrated equality scheme 2008-11, which has been developed through the council’s equalities working group. The scheme was informed by significant consultation and the council has an integrated approach to the three existing statutory duties of race, disability and gender.
156. The council’s corporate human resources section monitors the equalities profile of the workforce. Data on job applications, leavers and disciplinary/complaints hearings for race/gender/age/disability staff groups is now available. Service departments have an increased awareness of the issues arising from the data and are reporting them to committee.
157. The council established an equality networks forum to strengthen the influence of external equalities groups. Attendance at the equality network forum fluctuates, however the website remains a useful networking resource and tool. A number of equality impact assessments have been undertaken and reported to committee, with further assessments planned for 2009.
158. In 2008, we published a national study examining how councils responded to their race equality duty. This study found that all councils have developed policies and processes on race equality and there are a number of initiatives in place to meet the diverse needs of local communities. However, councils lack information about minority ethnic communities, their needs and experiences. Councils are also unable to show how race equality is routinely built into the design and delivery of services. Glasgow City Council has considered the report at the equality officers working group and does not have a specific action plan in response to the report but has taken it into account in developing guidance on equality impact assessments. There are equal opportunities commitments and targets in the 2008-2011 Council Plan for each of the key objectives with progress measured in the annual performance review.

Efficiency

159. The annual performance report 2008-2009 sets out some of the key targets for improving the efficiency and effectiveness of services. Some of these have been affected by economic conditions and the council’s key focus in 2008/09 was to develop major areas of change and this resulted in the introduction of 18 reviews to change services to achieve efficiencies of £31 million in 2009/10. Other efficiency targets include:



- improving in-year council tax collection rates to 90% (met but future targets revised)
- generating receipts from land and property sales of £168 million over three years (not met and future targets to be revised)
- reducing procurement costs by £5.5 million by 2010 – 2011 (total savings recorded for 2008/09 are £3.8million and the future target has been revised)
- reducing CO² emissions by 20% over five years (target for 2008-2009 met)
- introducing a new partnership with Serco to manage ICT and operational properties to realise £73m million savings over 10 years
- reducing staff absence to an average of 9 days per employee by the end of 2009 (not expected to be met).

160. In 2008, we published a national report on this subject: *Improving Energy Efficiency*. Our report concluded that the public sector in Scotland has made progress in using energy more efficiently, recording a 5% decrease in energy consumption in councils for the three years to March 2007. However, the amount spent on energy, over the same period, increased by 47% due to price increases. Public bodies are recommended to develop and implement robust energy strategies and to encourage the necessary changes to culture and behaviour. Glasgow City Council's energy usage target was a reduction of 10% in 2008/09. Gas consumption was actually reduced by 7.5% and electricity by 12.7% in the year. All services have energy plans in place and 2,800 staff have received energy awareness training. A programme of installing more accurate metering systems should be completed in 2009 and the council's target is to reduce consumption by 15% by March 2011.

Progress on delivery of the council's best value improvement plan

161. The results of the audit of best value and community planning was published in December 2005. In April 2009 the Accounts Commission published a follow-up report on the council's progress. The report acknowledged that the council has continued to make good progress, with 12 of the 14 themes in its improvement plan either implemented or on target for implementation. The Commission was also encouraged that the improvements being made have led to better outcomes for the people of Glasgow, particularly with increases in educational attainment levels and a reduction in unemployment. However the report also noted that some significant issues still need to be addressed in respect of the council's management and development of its employees, and that the statutory performance indicators and inspection reports show a mixed picture of the performance of services. Slippage in certain areas of the council's improvement plan was noted including:

- achieving more consistent improvements in service performance, for example, by bringing SPIs in line with other councils in Scotland
- improving the financial management of the CHCPs



- implementing a corporate asset management plan by the revised target date of April 2009
- reversing the recent increase in sickness absence rates and achieving the target set by the council
- ensuring that Personal Development Plans become fully embedded for all staff throughout the council.

162. An action plan has been developed by the council in March 2009 in response to its own corporate self assessment process and this incorporates all of the issues which were subsequently identified within the Accounts Commission's progress report, as noted in the report to committee on 25 June 2009. We will continue to monitor and report on actions being taken by the council in response to the actions identified.

Other scrutiny and inspection reports

163. The **Social Work Inspection Agency (SWIA)** published a follow-up inspection in March 2009. SWIA found the service had done a great deal of work to implement the original action plan following its performance inspection report on the council in June 2007. SWIA evaluated progress as "Good progress" in 8 recommendations; "Progress" in 6 recommendations and noted in the remaining 2 recommendations that the service had carried out all of the things it said it would, but the impact of the action taken had yet to result in measurable evidence of improvements.

164. The **Care Commission** produced a number of specific reports in the year including:

- Assessment and resettlement service – July 2008. A very positive report with no requirements or recommendations.
- Children's residential units. Since September 2008, thirteen inspections have been carried out on children's residential units. Four inspections resulted in no recommendations being made. Of the other nine inspections, two requirements were implemented and action has been taken to complete 25 of the 28 recommendations.
- Home care services. The home care service has been assessed as "good" for the quality of care and support, quality of staffing and quality of management and leadership. Areas for improvement included further development of the participation strategy and devising a more structured approach to cover key areas of support.



165. **HMIe** provided a joint inspection of services to protect children and young people in the Glasgow area in March 2009. The report gives an overall positive picture of the quality of the service across partner agencies, with fourteen aspects judged as 'very good' or 'good', two as "satisfactory" and two as "weak". Inspectors found the following key strengths:

- very effective arrangements to help children keep themselves safe
- very effective promotion of public awareness of child protection
- recently developed local support arrangements for staff involved in child protection work
- strong vision, values and aims to guide staff involved in protecting children
- high priority given to child protection within the council's modernisation plans
- strong leadership of partnership working within and across services.

166. The areas of weakness included planning and recognising and assessing risks and needs. Staff planned together but some plans lacked detail and clarity. There was inconsistent staff attendance at case conferences. Thresholds for starting child protection procedures varied within and across areas and arrangements for medical examinations of children were poorly coordinated.

167. **Scottish Housing Regulator** - The Regulator issued an inspection report on homelessness services in June 2009. The council deals with nearly one fifth of all homelessness applications in Scotland. The report identified an overall assessment of grade C – 'a fair performance for services to homeless people'. The report recognises that the council has worked well with partners to develop a range of information, advice and services, but identifies significant weaknesses in access, assessment and accommodation services. Key recommendations include:

- ensuring access to adequate levels of temporary and permanent accommodation
- tackling a range of weaknesses in the assessment of applications for assistance.

168. **Kerelaw Report**. In May 2009, the independent inquiry into abuse at Kerelaw residential school and secure unit published its report. Kerelaw was the largest local authority-run establishment and catered for some of the country's most challenging and vulnerable young people. The inquiry concluded that abuse of young people did take place at Kerelaw after 1996 and that physical abuse was prevalent, although it did not involve all staff. The circumstances which led to this abuse and contributed to the failure to address it were identified as a complex and related set of factors, operating within and outwith Kerelaw.

169. The inquiry concluded that, although there had been significant improvements in terms of regulations and policy development, and that Glasgow City Council had responded to the outcome of its own investigations by developing and implementing an action plan, weaknesses remain in some areas. Staff working with vulnerable young people need to be properly skilled, motivated and supported by a well functioning system of supervision, management, and scrutiny to ensure the safety and well being of those young people.



170. The recommendations of the inquiry were aimed at all providers of care for young people with some specific recommendations for Glasgow City Council. The Inquiry did not recommend any further legislation or guidance but fundamentally urged proper regard for the important task of providing quality effective care for the most vulnerable young people who require to be accommodated.

171. The recommendations from the Kerelaw report reinforces the importance of key control processes that should be applied across an organisation generally:

- clear roles and responsibilities for management
- accountability for monitoring and quality assurance of reporting systems
- personal performance planning for managers and consideration of peer and 360 degree feedback
- easily understood and accessible complaints procedures and monitoring
- rigorous follow-up of inspections
- effective investigation and disciplinary processes
- good record keeping.

Risk Management

172. The council has a sound approach to managing risk. The council's risk manager is responsible for the maintenance of policy and strategy. The corporate risk management working group meets every six months to review existing corporate risks and consider new risks. Each service is represented by a member of the senior management team and the corporate health and safety manager. The risks are scored and ranked in accordance with the process identified in the risk strategy and are reported on the basis of the five key objectives of the Council Plan.

173. The annual corporate risk management report 2008/09 confirmed that the business continuity framework has now been established across all services and that business continuity plans for the corporate elements and the services critical functions are now in place and subject to annual review and testing.

174. The external governance scrutiny committee is responsible for scrutinising the performance of the arms-length external organisations established by the council. The ALEO quarterly performance report to committee in June 2009 included, where known, the top risks for each ALEO and recognised that there is considerable variation in the approach to risk measurement and identification amongst the ALEOs. Quarterly governance meetings will be used to ensure that appropriate risks are identified and actions/ plans are in place to meet the risks.



Outlook

175. We have already mentioned the importance of developing the governance aspects of the SOA; the performance management aspects are also important. The long term and complex nature of many of the outcome targets, pose many challenges for performance management. For example, how can the council tell if its resources are making a difference? We recognise the challenges and whilst we have no plans to audit the outcome progress reports in 2010/11, we will pay attention to the systems Glasgow City Council has in place to monitor progress and take remedial action.
176. We are currently developing our approach to best value 2 by working with five pathfinder councils. From April 2010, we shall be rolling out the new approach to all Scottish councils. The timing of the council's best value audit will be determined by a risk assessment. We will report the risk assessment in March 2010.
177. The risk assessment will be carried out in conjunction with other scrutiny bodies. That means that not only will it determine the timing and scope of the best value 2 audit of Glasgow City Council, but it will also identify the timing and scope of other scrutiny work. Along with the other bodies, we intend to publish a scrutiny plan for each council covering all scrutiny activity over a three year period.



Appendix A

External audit reports and audit opinions issued for 2008/09

Title of report or opinion	Date of issue	Date presented to Finance and Audit Scrutiny Committee
Annual audit plan	29/1/09	5/2/09
Strategic audit risk analysis	25/3/09	6/5/09
Key controls/ Internal audit report	15/5/09	30/9/09
Commonwealth games position statement	13/7/09	30/9/09
Report on financial statements to those charged with governance	8/9/09	16/9/09
Audit opinion on the 2008/09 financial statements	8/9/09	16/9/09



Appendix B: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p>Pollok Park</p> <p>The existing arrangements for accounting for income and expenditure in relation to Pollok Park, as a common good asset, do not comply with the Local Government (Scotland) Act 1973.</p> <p>Risk: The council may continue to have reference to its non-compliance with the Act reported in future audit opinions.</p>	<p>Compliance with this arrangement would result in a net charge to the Common Good Fund of £1.7million which would over a period of 5 to 6 years use up the current Fund balance.</p> <p>The feasibility of off-setting the cost of the net expenditure of £1.7million by a charge to the Council's Net Service Expenditure with no net impact on the Council's budget is being investigated.</p>	Executive Director of Financial Services	March 2010
2	<p>IFRS</p> <p>The council has arrangements for managing the introduction of IFRS but now needs to demonstrate taking actions against its overall project plan</p> <p>Risk: The council may not be prepared for producing IFRS compliant financial statements</p>	<p>The Council has engaged CIPFA/PWC, via a local authority Scotland wide contract, to provide support for this project including the supply of technical guidance and advice on the project plan. The high level project plan is currently being expanded to include more detail around key activities required to meet major milestones.</p>	Assistant Director of Financial Services	February 2010



Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	<p>Financial Pressures</p> <p>Funding settlements, increased cost pressures, economic conditions and reduced flexibility are contributing to greater financial pressures for the council moving forward.</p> <p><i>Risk: The council may not be able to respond to these pressures and this may affect services or local taxation levels.</i></p>	<p>The Council will continue to review its Financial Forecast in light of information of future settlement.</p> <p>Going forward the Council's Financial Challenges Group continues to identify savings opportunities (for consideration by Elected members) to meet anticipated reductions in funding for 2011-12 and beyond.</p> <p>The Council will also seek to use the ability to borrow for significant one-off costs such as severance costs and equal pay compensation claims in order to minimise the use of the Capital Fund and General Fund reserves.</p>	Executive Director of Financial Services	March 2010
4	<p>SPF governance arrangements</p> <p>Employer bodies are not evidencing whether their payroll systems are accurately calculating and remitting pension contributions. Completeness of contribution data is established up to nine months after the year end.</p> <p><i>Risk: Contribution made by employer bodies may be incomplete or inaccurate.</i></p>	<p>Develop annual process of compliance certification, which could be subject to audit verification in employer bodies.</p> <p>Develop contribution reconciliation process.</p> <p>Develop electronic processing of new member.</p> <p>Introduce administration strategy.</p>	Head of Pensions	<p>31/3/10 (certificate return date 30/6/10)</p> <p>31/3/10 (reconciliation complete by 30/6/10).</p>