

Accounts Commission for Scotland

Annual statement on sustainable economic growth for 2016/17

1. The Public Services Reform (Scotland) Act 2010, section 32(1)(a) requires listed public bodies to publish a statement on sustainable economic growth as soon as possible after the end of the financial year.
2. The following statement sets out the steps that the Accounts Commission has taken in 2016/17 to promote and increase sustainable growth through the exercise of its functions.
3. The Accounts Commission, established in 1975, is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.
4. Our work includes:
 - securing and acting upon the external audit of Scotland's councils and various joint boards and committees
 - assessing the performance of councils in relation to Best Value and community planning
 - carrying out national performance audits to help councils improve their services
 - requiring councils to publish information to help the public assess their performance.
5. The Accounts Commission contributes to sustainable economic growth in Scotland by holding local authorities to account and helping them to improve. This is achieved by undertaking performance, Best Value and financial audits to provide assurance that money and resources are being used properly, efficiently and effectively and to highlight areas for improvement.
6. We can report jointly with the Auditor General for Scotland as appropriate, thus ensuring joined up messages for the different parts of Scotland's public sector for which we have responsibility for auditing and holding to account.
7. The Accounts Commission also contributes to sustainable economic growth by engaging firms of accountants to undertake audits and in sustaining the market for the supply of these services. 2016/17 saw the first year of a new round of five-year auditor appointments for all of our audit work.
8. In 2016/17 we oversaw 209 financial audits (covering 32 councils, 30 health and social care integration joint boards, 33 other local authority joint boards and committees, 11 pension funds and 103 charities). We reported on four Best Value audits, two national performance audits (one jointly with the Auditor General), and three impact reports of previous performance audits.
9. Annual financial audit reports cover the full range of audit work done in the year, providing the audited bodies and stakeholders with a comprehensive and independent view of financial management, governance and performance in public bodies. Auditors

review the financial position and sustainability of public bodies and promote good financial management and planning.

10. Our annual overview report of local government reports on the sustainability of councils. In this year's overview, we reported that Scotland's councils and other local authorities received £18.9 billion of income in 2015/16.

11. This year we introduced our new approach to our overview report, in which we publish two reports: a financial overview in the Autumn and a wider overview in the spring. *Local government in Scotland: Financial Overview 2015/16* was published on 29 November 2016 and *Local government: performance and challenges 2017* was published on 17 March.

12. Our overview found that:

- Councils have faced significant challenges from a long-term decline in revenue funding and from an ageing and growing population. The scale of these challenges continues to grow. Policy and legislative changes are also placing additional demands on councils and changing how councils work
- Councils are responding to the challenges by continuing to adopt alternative ways of working, reducing the level of service they provide and reviewing fees and charges. While some councils are making good progress in managing services and delivering savings, others are not. The pace and scale of reform needs to increase in some councils. Despite these challenges, councils' performance has been maintained or improved.
- With reducing budgets and workforces, councils will find delivering improvements increasingly difficult. It is critical, therefore, that they set clear long-term strategies and plans that target effort on priority areas. This includes organisation-wide workforce plans to ensure councils have the capacity to manage change and deliver services going forward. A councillor's role is complex, demanding and evolving. They are required to provide effective and strategic leadership, and it is therefore critical that their knowledge is up to date and skills are refreshed to enable them to establish strategic priorities, fully assess options for change and hold services to account.
- The report makes a series of recommendations to councils and provides practical advice to elected members to help them fulfil their responsibilities.

13. The past year saw us reporting on four audits on how individual councils are carrying out their statutory duty since 2003 to demonstrate best value and continuous improvement:

- South Ayrshire (June 2016) had made significant progress since a critical audit in February 2014 establishing an improvement framework across the council. New staff had been recruited to key positions and there were better working relationships between councillors. Clear political and managerial leadership is making a positive difference.
- Angus (October 2016) had made progress in recent years setting out a clear vision, modernising its business processes and improving the leadership provided by senior managers. However, the council needed to be more ambitious and speed up the pace of change in order to meet its £26.5million savings target.

- The Commission said it was disappointed with developments at Falkirk (December 2016) since August 2015 during which time savings over three years required by the council had grown from £46 million to £61 million. Although there has been activity at the council there has been limited progress in addressing the underlying need for better coordinated and more radical change.
 - A similar picture emerged at East Dunbartonshire (December 2016) where the Commission said it remained concerned that issues identified in two previous reports had not been adequately addressed. Some improvements had been made but the council needed to do a lot more to meet the financial challenges it faced.
14. The past year has seen us implementing the first year of our new approach to auditing Best Value. This will see reports on six councils being published in the year from May 2017: Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire councils. An important feature of the new approach will be better integration between the annual financial audit and Best Value audit work. This is intended to ensure more efficient and effective approaches to our audit work.
15. We carry out performance audits to help councils improve the quality of their services, do more with their money, and find lower-cost ways of working to the same or better standards. Our audit reports carry recommendations for councils to help them improve, and we publish good practice checklists and case studies. These also identify potential savings.
16. All of our national performance audits contain recommendations for councils and partners to improve. This year's examples of how these reports have helped sustainable economic growth include:
- *Maintaining Scotland's roads: a follow-up report* found that roads authorities, locally and nationally, urgently need to demonstrate a much greater commitment to innovation, comparing relative efficiency and being clearer with the public about the impact on road condition of agreed spending levels. It is clear that the status quo is no longer an option if there is to be any improvement in road condition. A longer-term view is required, one that takes into account both the need for new roads and the maintenance of the existing road network. Nevertheless, there is evidence that roads authorities are better prioritising and targeting roads maintenance, and using cheaper treatment options. This has helped available budgets go further but carries risks. Further, progress with introducing a shared services approach to roads maintenance, a central theme of the 2012 National Roads Maintenance Review, has been disappointingly slow. Our report makes a set of recommendations to councils and Transport Scotland to help drive progress in this vital service area.
 - *Social work in Scotland* notes that councils now spend £3.1 billion on social work providing services to many vulnerable people, but finds that current approaches to providing services will not be sustainable. By 2020 it is estimated that social work will need up to £667 million a year more, unless new ways of delivering services are implemented. Consequently, fundamental decisions have to be taken on how services are provided in the future and councillors must have the knowledge and skills to deal with the complexities and risks involved. They should lead a wider debate with local people on the level, nature and affordability of services. More work is also required to involve users in how services are designed, commissioned and run. The report also highlights innovative projects at some councils working with users to address longer term

issues and needs. It sets out a series of recommendations to councils and health and social care integration joint boards to help address the challenges facing the service.

17. We also published three reports of the impact of previous performance audits, namely:

- *Reshaping care for older people* (published May 2016; original audit report published February 2014)
- *School education* (published October 2016; original audit report published November 2013)
- *Borrowing and treasury management* (published November 2016, original report published March 2015).

These impact reports show how councils have acted upon our recommendations and how our performance audits are conveyed in the press and used by other stakeholders such as Parliament, thus demonstrating how our interest in our work spreads beyond the primary audience of council members and officers.

18. The *National Scrutiny Plan for Local Government* (published June 2017) shows the strategic scrutiny work for the financial year 2016/17. This plan is our sixth and is based on risk assessments of each council and agreed local and national priorities. This has led to much better co-ordination between scrutiny bodies, including Education Scotland, Care Inspectorate, Scottish Housing Regulator, Her Majesty's Inspectorate of Constabulary for Scotland, Fire and Rescue Service Chief Inspector and Health Care Improvement Scotland. It has also helped the Commission target its Best Value work and reduce the overall burden of scrutiny on councils.

19. All of our audit reports can be found on our website at www.audit.scotland.gov.uk.

**Accounts Commission
June 2017**