

**MEETING: 6 FEBRUARY 2020**

**REPORT BY: SECRETARY TO THE COMMISSION**

**UPDATE REPORT**

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## **Introduction**

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

## **Commission business**

### ***Publications***

4. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
5. The download statistics of the reports published over the last 12 months (as at 20 January) are set out in the **Appendix**.
6. On 14 January the Commission [published](#) the Housing Benefit Performance audit: annual update 2019. The report found that the roll-out of Universal Credit across Scotland is impacting on council benefits services. Councils are significantly re-structuring benefit services, and the reducing housing benefit caseload and budget pressures are leading to less full-time benefit service employees. The report was accompanied by a letter from the Commission Chair to all council chief executives.
7. On 16 January the Commission and the Auditor General for Scotland [published](#) their joint performance audit report on Scotland's City Region and Growth Deals. This report concluded that deals have been positive for Scotland's economy, but the government does not have a plan to measure their overall long-term success.
8. On 23 January the Commission [published](#) the Best Value Assurance Report on Highland Council. The report noted that in recent years the council has had a poor record of delivering on savings. It must also increase the current pace of change to realise budget savings of up to £77.3 million by 2023. At the same time, over the last five years, the performance of many services has declined against national indicators,

notably education. The council must also get better at evaluating and reporting on its own performance. This will help Highland Council understand why service performance is falling and drive forward improvement that's necessary for the future.

### ***Other business***

9. On 30 December the Scottish Government published a consultation seeking views on extending the duration of Part 2 Order making powers under the Public Services Reform (Scotland) Act 2010 for a further 5 year period from June 2020. The consultation closes on 12 February. Audit Scotland submitted a response on behalf of the Commission and Auditor General indicating our contentment with the proposal. A copy of the response can be found on the members' sharepoint site.
10. On 8 January, the Commission Chair and Controller of Audit, along with Brian Howarth, Audit Director; Christopher Lewis, Senior Auditor; and Lisa Duthie, Senior Auditor; briefed the Scottish Parliament's Local Government and Communities Committee on the Commission's 'Local government in Scotland: Financial overview 2018-19' report.

### **Auditor General for Scotland**

11. On 17 December the Auditor General [published](#) a section 22 report<sup>1</sup> on the Scottish Police Authority. This report highlights that some progress has been made over the last year amid a raft of new appointments to Police Scotland, including a new chief constable and three deputies, and seven new members to the SPA Board. However, there still exists some concerns about the SPA's capacity and capability to carry out its corporate functions such as long-term workforce, IT and financial planning.
12. On 18 December the Auditor General [published](#) the section 22 report, 'The 2018/19 audit of NHS Lothian: Delay to the opening of the Royal Hospital for Children and Young People'. The report sets out the facts as they are known and draws on the reviews already carried out by KPMG and NHS National Services Scotland, as well as NHS Lothian's annual audit report. It comes ahead of a public inquiry into the hospital project and raises broader issues for consideration.
13. On 19 December the Auditor General [published](#) a section 22 report on Disclosure Scotland. The report notes that there were significant failings in control and oversight for the new PASS system. In 2015, the Scottish Government approved a budget of £34 million. The project cost has now risen to an estimated £78 million. The system only just met a deadline for roll-out in September this year. It has yet to deliver full transformation and still requires manual work by temporary staff. The Auditor General said over-optimistic assumptions were compounded by lack of financial reporting and governance of the project.
14. On 21 January the Auditor General [published](#) a briefing paper about student loans in Scotland. The paper highlights several aspects of student loan arrangements in Scotland, including growing costs and debt levels. Key points from the paper include:
  - Total loan debt increasing from £2.5 billion in 2011 to £5.5 billion in 2018-19
  - £590m of the 2018-19 total loan debt impaired by the Scottish Government, reflecting the planned increase in the loan repayment threshold to £25,000

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<sup>1</sup> A section 22 report allows the Auditor General to bring attention to Parliament and the public matters of wider interest arising from the annual audits of public bodies. It is the sixth successive section 22 report she has presented on the SPA.

- Over £533m of loans authorised in 2018-19 – an increase of 185% since 2008-09, with poorer students borrowing more
- And 505,800 individuals with loan debt still to repay as of April 2019.

## **Audit Scotland**

15. Throughout January and February Audit Scotland organised several informal drop-in sessions for colleagues to cover the latest news regarding the UK's withdrawal from the European Union and how the organisation is preparing for this.

## **Issues affecting local government**

### ***Scottish Government***

16. On 5 November the Scottish Government [published](#) its consultation on the replacement of European Structural Funds in Scotland post EU-exit. Scotland benefits from over £780m of such funding through the European Regional Development Fund and the European Social Fund. The UK Government has indicated its intention to provide successor funding to European Structural Funds through its proposed UK Shared Prosperity Fund and the Scottish Government is seeking views on how best to develop our own thinking on how any replacement funding vehicle can best meet the needs of citizens, businesses and communities. In discussion with Audit Scotland, it is proposed not to respond to this consultation as there is no direct audit interest. The Commission and Audit Scotland will of course retain an interest in this significant matter.
17. On 18 December the Scottish Government [published](#) the annual report on the social security experience panels.
18. On 18 December the Scottish Government [published](#) the progress report, 'A Fairer Scotland for Disabled People'. The Commission and Auditor General's 2014 and 2017 reports on self-directed support are referred to.
19. On 18 December Michael Matheson MSP, Cabinet Secretary for Transport, Infrastructure and Connectivity, [announced](#) that the contract with Abellio would end three years ahead of schedule. Michael Matheson MSP emphasised that the Scottish Government would continue to support and work with Abellio up until the franchise contract ended in 2022 and that investments in the railway network would continue.
20. On 19 December the First Minister [called](#) on the UK Government to permit the transfer of powers to hold a second independence referendum. Alongside the statement, Nicola Sturgeon MSP [published](#) 'Scotland's right to choose: putting Scotland's future in Scotland's hands' which argues the case for devolving powers on a permanent basis. Annex B of the document contains draft legislation to enable the transfer.
21. On 19 December the Scottish Government [launched](#) the First Home Fund, a national pilot scheme intended to help first-time buyers get on the property ladder. Applications will provide £150m until March 2021 to assist at least 6,000 people with the deposit for a new home.
22. On 3 January the Scottish Government [published](#) the National Islands Plan. This sets out 13 objectives to improve the quality of life for island communities and more than 100 "specific measures" to support achieving them. The Plan aims to tackle population decline and climate change, improve transport, housing, the delivery of public services

and digital connectivity. Audit Scotland and the Accounts Commission are listed as Scottish public bodies with mixed functions or no reserved functions. At its August 2018 meeting, the Commission considered a briefing paper on Scotland's rural and islands policy which summarised how Audit Scotland reflects rural issues in its work, both currently and into the future. The Commission noted Audit Scotland's proposed approach to maintaining a "rural lens" and integrating rural perspectives into future audit.

23. On 3 January the Scottish Government [published](#) analysis on the Regeneration Capital Grant Fund, which shows the projects it has funded. The projects, which have received £138m from the Fund, have the potential to support over 400 community facilities and services, help more than 2,279 businesses and refurbish 178 buildings.
24. On 6 January the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay MSP, [wrote](#) to the Chancellor of the Exchequer, Sajid Javid MP, asking for clarity on the timing of the UK budget. He highlighted the uncertainty around the Scottish Budget 2020-21 caused by the delay to the UK budget. The letter also emphasised the importance of the Conservative manifesto pledge to increase Barnett consequential and increase next year's Scottish Budget by at least £466m compared to the position at the UK Spending Round.
25. On 6 January the Scottish Government [published](#) a progress update on its reform of employability support as set out in the No One Left Behind Action Report.
26. On 7 January the Scottish Government [published](#) a follow-up report on the impact of the UK Government's social security policy on housing. The report concluded the benefit freeze could reduce Scottish welfare spending by £300m a year, affecting the majority of the 460,000 Scottish households currently claiming housing benefits. Updated analysis on Local Housing Allowance (LHA) suggested 36 out of 90 LHA rates saw a reduction in the proportion of the market available, with four areas having access to less than 5%, and that the share of the market accessible to under 35s within the LHA rate had decreased in all areas. As of March 2019, the report indicated rent arrears on all council properties had increased by 14% on last year, to £74m. In the five council areas in which Universal Credit had been introduced in 2016-17, rent arrears had increased by an average of 14.1% compared to 4.1% in all other council areas.
27. On 7 January the co-leader of the Scottish Green Party, Patrick Harvie MSP, [wrote](#) to Derek Mackay MSP explaining the Greens will only support the Scottish Government's 2020-21 budget if it is a "*climate emergency budget*" which contains significant measures to address the climate emergency.
28. On 8 January the Scottish Government [launched](#) a consultation on the first [draft Corporate Plan for Scottish Forestry 2020-23](#). The deadline to respond is Wednesday 5 February. It is not proposed that the Commission provides a response to the consultation.
29. On 8 January the Scottish Government [announced](#) they will devolve new powers to local authorities to allow them to regulate short-term lets. This will provide local authorities with the ability to implement a licensing scheme for short-term lets from spring 2021. The licensing scheme will include a new mandatory safety requirement that will cover every type of short-term let to ensure a safe, quality experience for visitors. It will also give councils the discretion to apply further conditions to address the concerns of residents. Councils will be able to designate control areas to ensure that planning permission will always be required for the change of use of whole

properties for short-term lets.

30. On 10 January the Scottish Government [launched](#) a public information campaign to encourage families to enrol children for funded early learning and childcare places for August. From August, all three and four-year-olds and some eligible two-year-olds will be entitled to 1,140 hours of childcare per year. Parents and carers will be able to register through their council and apply for either a local authority, private or third sector nursery or a playgroup or childminder, depending on local availability and their child's needs.
31. On 10 January the Scottish Government [published](#) an analysis of responses to a consultation on improving temporary accommodation standards. The consultation covered two key issues – that the use of unsuitable temporary accommodation should be limited to seven days and the creation of a set of advisory standards to ensure this could be introduced as a legally enforceable framework. Respondents endorsed the Scottish Government's proposals in principle but differed on how the changes should be implemented. There was concern in terms of the difficulty local authorities could experience in managing transitions in the short term, with fear expressed the proposed changes could come at the detriment of their implementation of Rapid Rehousing Transition Plans.
32. On 10 January Scottish Government Minister, Paul Wheelhouse MSP, [updated](#) the Scottish Parliament on the details of the South and Central lot R100 contracts, which is part of the digital connectivity programme. He confirmed any properties which were not targeted through the contracts, or would benefit from them after 2021, would be eligible for a voucher scheme funded by the Scottish Government. Members also heard the R100 programme would now not be completed until 2023 at the earliest.
33. On 10 January the Scottish Government [announced](#) an initiative to develop and maximise the economic potential of the River Clyde. It will be led by the Scottish Government, with input from Scottish Enterprise and others. The initiative will strengthen industries on the Clyde, including shipping, shipbuilding and engineering. It will also encourage investment in the Clyde area by bringing vacant land back into productive use, attracting visitors to the area and using energy from the Clyde to heat local housing.
34. On 13 January the Cabinet Secretary for Finance, Economy and Fair Work Derek Mackay MSP [wrote](#) to the Chief Secretary to the Treasury, Rishi Sunak MP, to seek more flexibility from the UK Government to allow the Scottish Government to finalise its Budget. In the letter, the Cabinet Secretary highlights his "*disappointment*" that there was no communication with the Scottish Government ahead of the announcement from the Chancellor that the UK Budget would take place on Wednesday 11 March. Derek Mackay also highlights the "*significant challenges*" which the delay to the Budget presents for the Scottish Government, Scottish Parliament and local authorities.
35. On 14 January the Scottish Government [announced](#) the Scottish Budget will be published on Thursday 6 February. The announcement follows the news that the UK Budget will be published on Wednesday 11 March. In his [letter](#) to the Finance & Constitution Committee, Derek Mackay MSP is proposing a "*compressed timetable*" for the Budget Bill, introducing it to Parliament on the same day as its publication. The Cabinet Secretary then envisages the Stage 1 process will start the week beginning Monday 24 February, with Stages 2 and 3 commencing on Monday 2 March.
36. On 14 January the Scottish Government [published](#) the first annual progress report of the Ending Homelessness Together Action Plan. The report highlights that 39 out of 49



measures have been progressed in the first year of the plan, with plans to commence the ten which remain this year. Proposals which are underway include work to transform services to provide access to permanent and stable accommodation. This includes the creation of a new legal duty on public bodies to prevent homelessness and legislation preventing stays of over seven days in unsuitable temporary accommodation for those at risk of homelessness.

37. On 15 January the Scottish Government [published](#) the Cyber Resilience Framework. This framework sets out a way to provide a consistent way for Scottish public sector organisations to assess their cyber resilience arrangements and identify areas of strength and weakness. A self-assessment tool has been [prepared](#) for public sector organisations to help them implement the framework. Audit Scotland intends to produce guidance on this as well as organise a series of knowledge cafés. Audit Scotland will also produce a blog during Cyber Week from 17 to 22 February.
38. On 20 January the First Minister [announced](#) additional funding for the 'Stay in Scotland' campaign, which has been awarded over £570,000 so far to provide advice and support for EU citizens remaining in the UK after Brexit. Citizens Advice Scotland will receive an extra £10,000 to expand its legal support service for those with complex cases who are applying to the EU Settlement Scheme. JustRight Scotland, a legal centre for justice and human rights, will also receive £7,000 to develop guidance for EU citizens on life in the UK, including advice on healthcare, education, housing and benefits.
39. On 21 January the Scottish Government [published](#) key findings from the Scottish House Condition Survey (SHCS) 2018. The [SHCS](#) found that in 2018, 49% of Scottish homes had a rating of EPC band C or better in relation to energy efficiency, continuing to improve the energy efficiency profile of housing from 24% in 2010. 25% of households were estimated to be in fuel poverty, a slight increase on the 23.7% observed in 2017, while the percentage of those in extreme fuel poverty fell slightly from 11.9% to 11.3%. The level of disrepair present in properties increased by 7%, with 75% of dwellings having some degree of disrepair and 30% exhibiting instances of urgent disrepair. In 2018, 41% of homes failed to meet the Scottish Housing Quality Standard, similar to 2017 levels but a decrease on the rate of 45% found in 2016.
40. On 22 January the Scottish Government [opened](#) a consultation on Scottish public authorities sharing data. The consultation focuses on devolved secondary legislation relating to powers in the Digital Economy Act 2017 to share data in connection with public sector debt and fraud. The [consultation](#) will close on Monday 13 April. It is proposed not to respond to this consultation.
41. On 23 January the Scottish Government [published](#) a report on the impact of welfare reforms on disabled people. The report focuses on the introduction of Personal Independence Payments (PIP), and highlights that since Disability Living Allowance was replaced with PIP, 167,000 new claims have been unsuccessful, which is 54% of all applications. The analysis produced by the Scottish Government also shows 39,000 people in Scotland lost their disability benefits during the transfer to PIP.

### ***Scottish Parliament***

42. On 19 December the Scottish Parliament approved the Referendums (Scotland) Bill at Stage 3. At [Decision Time](#), the Government [motion](#) passed (For 68, Against 54, Abstentions 2), with the SNP and the Greens supporting the motion. Labour, the Conservatives and the Liberal Democrats opposed the motion, and Neil Findlay and Monica Lennon abstained from the vote. The legislation sets out the general rules for holding a future referendum, but a separate Bill would be required for a second

independence referendum to take place.

43. On 6 January the Scottish Government published a response to a parliamentary question submitted by Miles Briggs MSP. Mr Briggs previously asked how much each local authority received in the current financial year for the extension of free personal care to people under 65. The Scottish Government [published](#) a table to highlight the financial allocation by Local Authority in 2019/20 for the extension of Free Personal Care to under 65s.
44. On 7 January the Scottish Parliament's Information Centre (SPICe) [published](#) a briefing on the implications of the revised Withdrawal Agreement Bill on Scotland.
45. On 9 January the Scottish Parliament voted to refuse granting consent to the UK Government's Withdrawal Bill. The Scottish Government motion was agreed to (For 92, Against 29) despite Conservative opposition.
46. On 9 January at First Minister's Questions, Alexander Stewart MSP asked Nicola Sturgeon MSP about reports that local authorities have had to use cash reserves to balance their budgets. Nicola Sturgeon defended the Scottish Government's funding of local government. Alexander Stewart MSP referenced the Accounts Commission's Local Government Financial overview report on the rising demands being faced by councils and the growing challenges to meet those needs.
47. On 13 January SPICe [published](#) its latest briefing on Brexit.
48. On 14 January SPICe [published](#) a briefing on the Scottish National Investment Bank Bill ahead of a Stage 3 debate.
49. On 15 January SPICe [published](#) its latest briefing on Scotland's prison population. The average prison population in 2018-19 was 7,790, an increase of 325 prisoners from the 2017-18 average. The increased average included an additional 165 prisoners on remand.
50. On 15 January the Scottish Parliament voted to order an investigation into broad general education and the Curriculum for Excellence. The [amended motion](#) was agreed to (For 63, Against 60).
51. On 20 January SPICe [published](#) a briefing on negotiating the future economic and security relationship between the EU and the UK after Brexit.
52. On 21 January the Scottish Parliament [unanimously](#) passed the Scottish National Investment Bank Bill. The new Bank will direct investments to small and medium sized enterprises, build a high-tech economy and encourage innovation.
53. On 22 January Labour held a debate in the Scottish Parliament calling for the Scottish Government to increase funding for local government. During the debate, [Graham Simpson](#) referred to the Accounts Commission's local government overview report which found there had been a 7.6% real-terms reduction to council funding since 2013-14. He [spoke about](#) the same report again in a later contribution. [Alexander Stewart](#) also referred to the Accounts Commission's concerns about real-terms reductions to council budgets. [Murdo Fraser](#) said Audit Scotland had warned council services outside of health, police, early learning and childcare, secondary school attainment, higher education and social security could face a real-terms reduction in their budgets. [Monica Lennon](#) pointed to the Commission and Auditor General's findings on the pace of health and social care integration in her remarks. Following division, the motion and

amendments were disagreed to.

### ***Parliamentary Committee News***

#### *Local Government and Communities Committee*

54. On 7 January the Committee published the submissions from several organisations regarding the Non-Domestic Rates (Scotland) Bill, including from [Sainsburys](#), the [Scottish Beer & Pub Association](#) and the [Scottish Retail Consortium](#).
55. On 8 January the Committee:
  - Took evidence from Aileen Campbell, the Cabinet Secretary for Communities and Local Government, and Dr Elaine Moir, who is the Scottish Government's team leader on access to sanitary products and social innovation partnerships, on the Period Products (Free Provision) (Scotland) Bill.
  - Took evidence from Graham Sharp, chair of the Accounts Commission; Fraser McKinlay, Controller of Audit; Brian Howarth, Audit Director; Christopher Lewis, Senior Auditor; and Lisa Duthie, Senior Auditor, on the Accounts Commission's 'Local government in Scotland: Financial overview 2018-19' report.
  - Agreed to keep the petition from Cartcraigs Road tenants association open.
56. On 15 January the Committee took evidence from Monica Lennon MSP on the Period Products (Free Provision) (Scotland) Bill.

#### *Public Audit and Post Legislative Scrutiny Committee*

57. On 19 December the Committee continued its post-legislative scrutiny of the Freedom of Information (Scotland) Act 2002 by taking evidence from Graeme Dey MSP, Minister for Parliamentary Business and Veterans and other officials from the Scottish Government.
58. On 9 January the Committee took evidence from Caroline Gardner, Auditor General for Scotland; Mark Roberts, Audit Director for Performance Audit and Best Value; and Stephen Boyle, Audit Director for Audit Services, on the section 22 report, 'The 2018/19 audit of the Scottish Police Authority.'
59. On 16 January the Committee:
  - Took evidence from Caroline Gardner, Auditor General for Scotland; Michael Oliphant, Senior Audit Manager for Audit Services at Audit Scotland; and from Deloitte LLP, Pat Kenny, Director, and Karlyn Watt, Senior Manager, on the section 22 report, 'The 2018/19 audit of Bòrd na Gàidhlig: Governance and transparency.'
  - Took evidence from Caroline Gardner, Auditor General for Scotland; Leigh Johnston, Senior Manager, Performance Audit and Best Value, Audit Scotland; and Chris Brown, a partner at Scott-Moncrieff, on the section 22 report, 'The 2018/19 audit of NHS Lothian: Delay to the opening of the Royal Hospital for Children and Young People.'

#### *Finance and Constitution Committee*

60. On 20 December the Committee launched a [call for evidence](#) on Scotland and the UK Internal Market after Brexit. The UK Internal Market and how it operates will impact on a wide range of Scottish organisations, including Scottish businesses, environmental



and consumer organisations. The Committee welcomes written submissions on issues such as what the UK internal market is; how international treaties, including trade deals, impact on the UK internal market; what are the priorities and challenges for Scottish businesses and organisations in operating within a UK internal market; and what institutional structures will be required to administer and enforce the UK internal market. The deadline to respond is Friday 28 February. It is proposed not to respond to this call for evidence but rather to keep a watching brief in its progress. The committee has also published a [summary](#) of comparative research on how internal markets operate in other countries.

61. On 8 January the Committee took evidence from Michael Russell MSP, the Cabinet Secretary for Government Business and Constitutional Relations, on the legislative consent memorandum for the European Union (Withdrawal Agreement) Bill.
62. On 14 January the Committee [outlined](#) its proposed timetable for scrutiny of the 2020-21 Scottish Budget. The Scottish Budget is due to be published on Thursday 6 February. The Committee suggests that it takes oral evidence from Derek Mackay MSP on Wednesday 12 February, with the Stage 1 debate taking place by Thursday 27 February. Stages 2 and 3 would then be held on Wednesday 4 and Thursday 5 March, respectively. The Committee has also noted it is “*essential*” there is transparency about how the Fiscal Framework will operate in relation to 2020-21 and called for clarity over which set of forecasts will inform the Block Grant Adjustments.

#### *Other Committees*

63. On 18 December the Health & Sport Committee [published](#) a letter from Cabinet Secretary for Health Jeane Freeman about the scrutiny of NHS boards. The letter contains information on various topics, including IJB leadership, financial sustainability, CAMHS, cancer performance and recruitment. The Auditor General’s report on the NHS in Scotland and her comments about the Health and Social Care Medium Term Financial Framework are noted.
64. On 20 December the Scottish Parliament’s Rural Economy and Connectivity Committee announced that they would be holding an inquiry into the awarding of Ferguson Marine ferry contract.
65. On 14 January the Standards, Procedures & Public Appointments Committee [published](#) its Stage 1 report on the Scottish Elections (Reform) Bill. The Committee notes “*a fair amount of confusion*” had been caused by the Bill’s enabling measures for electronic voting and recommends the Government act with caution in any pilots of electronic voting and that it publish timetables for these. While broadly supportive of the general principles of the Bill, the Committee notes its disappointment the Government had not “*prioritised research*” into the Bill’s proposed changes to local government elections. On the changes themselves, the Committee expresses its support for a review of the multi-member ward system in the next Parliament and for the Bill’s provisions for two and five member wards, which it says would be “*particularly useful in more remote or rural areas*”. The Committee notes concerns around the ordering of ballot papers and recommends the Government thoroughly assess any changes to ballot papers, following pilots. I will be reporting further to the Commisison on the implications and progress of this bill.

#### ***Public Policy News***

66. On 18 December the UK Government [published](#) the final report from the independent review on the quality and effectiveness of audit. The final report makes 64 recommendations, including the establishment of a new corporate auditing profession

with a “*unifying purpose*” and set of principles. It also makes recommendations in relation to communication and transparency within the audit process and audit report and the effectiveness of companies’ internal controls over financial reporting. I am liaising with Audit Scotland about reporting further on the implications of the report.

67. On 18 December the Financial Reporting Council [published](#) a response to Sir Donald Brydon’s independent [review](#) into the quality and effectiveness of auditing. Audit Scotland will report further to future meetings in this regard.
68. On 20 December it was [announced](#) that John Watt had been reappointed as Chair of the Parole Board for Scotland.
69. On 3 January Citizens Advice Scotland (CAS) [called](#) on the Scottish Government to provide increased funding for households across Scotland to make their homes more energy efficient. CAS claims this will help contribute to the Scottish Government’s aim of making Scotland net zero by 2040.
70. On 3 January the Educational Institute of Scotland (EIS) released new figures which suggested that, over the last year, almost £300,000 has been paid out to teachers and lecturers who were injured at work over the past year. The payments are significantly up on the £230,000 paid out in 2018.
71. On 7 January the Scottish Government [announced](#) the appointment of Nick Halfhide as interim Chief Executive for the South of Scotland Enterprise agency. Mr Halfhide currently serves as the Director of Sustainable Growth at Scottish Natural Heritage, he will take up the role in February until a permanent appointment can be made.
72. On 10 January the Fraser of Allander Institute [responded](#) to the announcement that the UK Budget will take place on Wednesday 11 March. It has been suggested that the Scottish Government seek to finalise all elements of the Budget prior to Wednesday 11 March or, with the approval of Parliament, bring forward Stage 1 and 2 of Budget scrutiny and push back the final elements of the legislative progress of the Budget to allow for necessary adjustments. The Institute has also emphasised the strong dependency the Scottish Government’s Budget has on the UK Budget, as UK spending decisions impact the size of the block grant via the Barnett Formula. Looking back to September’s Spending Review, the Institute suggested that the “*broad envelope*” of the Scottish block grant is known with a fair degree of certainty but it could change slightly due to possible new spending commitments in the upcoming Budget.
73. On 10 January Andy Aird was [elected](#) as Scotland Group Chair of the Federation of Small Businesses.
74. On 14 January the National Trust for Scotland [confirmed](#) its Chief Executive, Simon Skinner, is to retire. He took up the role in April 2015. The recruitment process to find his replacement will be open to both internal and external candidates.
75. On 15 January the Scottish Police Authority [published](#) a briefing paper on the policing of 26<sup>th</sup> Conference of the Parties (COP26). The report estimates that the event could potentially cost “*several hundred million pounds*” and policing COP26 would impact across the UK “*through significant mutual aid requirements*” from Home Office police forces to safely deliver the policing operation.
76. On 16 January 27 business groups [called](#) for the uniform of business rates to be retained in Scotland. Labour, Conservative and Green MSPs on the Local Government and Communities Committee previously voted for an amendment to the Non-Domestic

Rates Bill that would hand over control of business rates to councils rather than have them set centrally by the Scottish Government. This means that business rates and rates reliefs could vary in each of Scotland's 32 local authority areas rather than there being one rate across the whole country.

### **COSLA**

77. On 3 January COSLA warned that council budgets are at "*breaking point*" due to a lack of "*fair funding*" for several years. Alison Evison, COSLA President, has called on the Scottish Government to ensure Scotland's councils receive an appropriate financial settlement as part of the upcoming budget. She also expressed concern about the increased "ring fencing" from the Scottish Government regarding its priorities while failing to provide the necessary funding.
78. On 7 January COSLA [wrote](#) to the Chancellor of the Exchequer warning of the risks that holding the UK budget in March will have on councils in Scotland.
79. On 13 January COSLA [released](#) a briefing calling on the Scottish Government to increase the budget allocation to local authorities by £1 billion. COSLA is calling for fair funding, the freedom to take a "*place-based approach*" to tackle issues locally and for "*national bodies empowered at a local level*" to enable leadership and planning. The briefing also highlights the range of council services that will assist in tackling climate change and reducing energy demand.
80. On 31 January, COSLA council leaders considered draft statutory guidance on Best Value. I will inform the Commission of the outcome of this meeting. (The Commission agreed comments to the Scottish Government on the guidance at its December meeting.)

### **Improvement Service**

81. On 19 December the Improvement Service and the Scottish Government [published](#) the latest progress report for the delivery of the early learning and childcare expansion. The report shows that one in three children are receiving their expanded entitlement in advance of the full roll-out in August 2020. 273 infrastructure projects, including new build, refurbishments and extensions, have been completed since March 2018.

### **Other Scottish local government news**

82. On 17 December it was [reported](#) that Scottish Borders Council when planning on allocating £100,000 from its emergency budget to find suitable options for Peebles High School. Large areas of the school, including the gymnasium, changing facilities, the art department, and the additional support needs areas, will need demolished following a fire outbreak in November.
83. On 31 December research was [released](#) by the campaign group, Be Reasonable, that suggested that a majority of councils in Scotland may struggle to implement the new Children (Equal Protection from Assault) (Scotland) Act. In addition, seven in 10 social workers say they would fail to cope with extra caseloads.
84. On 8 January Monica Patterson was [announced](#) as the preferred candidate for the role of Chief Executive of East Lothian Council.
85. On 15 January Shelter Scotland [announced](#) they were dropping their legal action against Glasgow City Council. Shelter was taking the council to court over alleged breaches of its legal duty to provide accommodation to homeless people in the city.

This follows an announcement the Scottish Housing Regulator last month that it was launching an inquiry into the city's homelessness services.

86. On 15 January the Scottish Local Authorities Economic Development (SLAED) group [published](#) their 2018/19 indicators report. This report outlines the extent of the work that council's economic development departments are doing. The report highlights that in 2018/19:
- 1,300 officers worked in local government economic development across Scotland, spending £555m on mainstream economic development and tourism activities;
  - Local authorities supported almost 14,000 local businesses and assisted over 15,000 unemployed people into jobs
  - For every £1 invested in economic development by local authorities, they were able to lever in an additional £1.63 from external sources.
87. On 23 January Councillor Philip Braat was [elected](#) as Glasgow City Council's new Lord Provost in a meeting of full council. Councillor Braat represents the Anderston, City and Yorkhill ward, and replaces Councillor Eva Bolander who resigned last October.

## **Scrutiny, inspection, regulatory and related bodies**

### ***Scottish Public Sector Ombudsman (SPSO)***

88. [The SPSO's Newsletter - January](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the Our findings webpage. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis (next at its February meeting).
89. On 23 January the Independent National Whistleblowing Officer [developed](#) a set of National Whistleblowing Standards that set out the high level principles and a detailed procedure for investigating concerns. This is being launched in preparation for the SPSO becoming the Independent National Whistleblowing Officer from July 2020.

### ***Care Inspectorate***

90. On 14 January the Care Inspectorate [published](#) a report on the deaths of looked after children in Scotland 2012-2018. This report contains several key messages for all those with corporate parenting responsibilities including practitioners, leaders of services for children and young people, scrutiny bodies and policy makers.

### ***Scottish Housing Regulator***

91. On 11 December the Scottish Housing Regulator [wrote](#) to all Registered Social Landlords (RSLs) informing them that a small number of RSLs had been the subject of fraud.
92. On 18 December the Scottish Housing Regulator [published](#) their Equalities statement for 2019-2020. This statement outlines the duties and requirements of social landlords, and how the Scottish Housing Regulator promotes equality within their organisation.

## UK Parliament

### ***General***

93. On 19 December the Queen's speech was delivered to both houses of Parliament.
94. On 20 December the UK Government [published](#) an updated version of the EU (Withdrawal Agreement) Bill ahead of its [Second Reading](#) in the House of Commons. The new Bill will implement the Withdrawal Agreement negotiated with the EU and includes changes such as legally prohibiting the Government from extending the implementation period beyond 31 December 2020 and giving Parliament greater oversight by requiring ministers to report annually on disputes with the EU under the Withdrawal Agreement. It has been said a commitment to retaining the "*highest standards*" on workers' rights, environmental standards and consumer protections will be dealt with by provisions in separate legislation.
95. On 7 January the Chancellor of the Exchequer [launched](#) the beginning of the next Budget process and announced that it will take place on Wednesday 11 March.
96. On 7 January the House of Commons Library [published](#) a briefing paper about the Barnett Formula.
97. On 9 January the UK Government's European Union (Withdrawal Agreement) Bill [passed](#) its third reading in the Commons by 330 to 231 votes. The House rejected the SNP's amendment to decline the Bill a third reading, citing the Scottish Parliament's opposition to Brexit.

## Other UK Audit Bodies

### ***National Audit Office***

98. On 8 January the National Audit Office (NAO) [published](#) a report about the administration of Scottish income tax in 2018-19. The report found that there were 2.5 million Scottish taxpayers in 2017-18, with revenue from income tax reaching £10.9m. This was the first year that Scottish residents paid a different level of income tax when reaching a certain threshold compared with the rest of the UK. In 2018-19, the Scottish Government introduced two new income tax bands. HMRC has estimated that the revenue from Scottish income tax for 2018-19 will reach £11.6m. The final outturn for Scottish income tax collected in 2018-19 will be released in HMRC's Annual Report and Accounts 2019-20, which is expected to be published in July 2020.
99. On 15 January the National Audit Office [published](#) a review of UK business support schemes. The report found inconsistency in the way schemes were designed and evaluated, with the Department for Business, Energy & Industrial Strategy accused of not following "*the Government's own guidance*". The NAO found schemes often lacked measurable objectives and evaluation assessments, meaning the Department could not measure their efficacy or value. The report found business support cost the Department around £2.4bn a year, but only delivered "*piecemeal*" developments. The NAO claimed both the Treasury and the Department recognised the "*need to make support better coordinated and supported*".
100. On 15 January the National Audit Office [published](#) a report on the British Business Bank. The report said there had been "*positive signs to date*" of the Bank's effectiveness but noted there was little information on its cost-effectiveness. The NAO found the Bank had supported the growth of SMEs since its 2014 launch. As many of the Bank's interventions were long-term projects, the NAO recommended sustained



analysis of the Bank's efficacy in supporting businesses and its cost-effectiveness.

101. On 16 January the National Audit Office [published](#) a report about the rescue of Carillion's PFI hospital contracts.
102. On 24 January the National Audit Office [published](#) a progress update on the High Speed Two rail project. It is the fourth report by the NAO on the programme. The NAO concludes that the Department for Transport and HS2 Ltd "*underestimated*" the scale of the task and did not allow for uncertainties when estimating the initial costs of the project. The "*increased realism*" about the estimated cost was welcomed, but the report warns significant risks remain.

#### ***Northern Ireland Audit Office***

103. On 19 December the Northern Ireland Audit Office [published](#) a report about major capital projects.

#### ***Jersey Audit Office***

104. On 19 December the Jersey Audit Office [published](#) a report on governance issues across the states of Jersey.
105. On 14 January the Comptroller and Auditor General for Jersey, Lynn Pamment, [published](#) her audit plan for 2020.

#### **Other general – UK**

106. On 18 December Douglas Ross MP was [appointed](#) as Parliamentary Under Secretary of State for Scotland.
107. On 13 January the Institute for Government [published](#) a report on the next stage of the Brexit process. On Friday 31 January, the UK is set to leave the EU and begin the transition period, which is scheduled to end on 31 December 2020. The Institute has pointed out that this leaves UK and EU negotiators with a third of the time it took to negotiate the Withdrawal Agreement but with significantly more tasks to achieve. The transition period will cover the future economic relationship, security operation and questions on issues ranging from data sharing to fishing. The report also highlights the UK Government's plan to not extend the transition period, even if it is required. The Institute suggests that this could restrict the length of time that UK businesses will have to adapt to the details of the future UK-EU relationship and will also limit the negotiations to a goods-only trade agreement.
108. On 14 January Sarah Pickup, deputy chief executive of the Local Government Association, [expressed](#) her 'dismay' over the UK Government's decision to increase Public Works Loan Board interest rates by 1%.
109. On 14 January the UK Government [announced](#) they lifting the four year freeze on Local Housing Allowance rates. Around 900,000 people in the UK private rented sector will benefit from an average of £10 extra a month.
110. On 15 January the Northern Ireland Executive was [restored](#).
111. On 15 January the Prime Minister [wrote](#) written to the First Minister regarding the Scottish Government's aim to hold a second referendum on independence. In the letter, the Prime Minister said the 2014 referendum had been a "*once in a generation*"

vote and reaffirmed the UK Government's commitment to upholding the Edinburgh Agreement.

112. On 17 January it was [reported](#) that Lancashire County Council will become the first local authority to borrow from the UK Municipal Bonds Agency, five years after it was created. The UKMBA is due to issue its first bond worth £250m to £300m with duration of five years at a rate "well below" that of the Public Works Loan Board, subject to LCC's "usual governance processes".
113. On 23 January The European Union (Withdrawal Agreement) Act 2020 [gained](#) Royal Assent. The European Parliament [Committee on Constitutional Affairs](#) voted to approve the terms of the agreement. The full Parliament will vote on the terms on Wednesday 29 January before the UK formally leaves the EU on Friday 31 January.
114. On 24 January the FSB [published](#) a survey into business attitudes towards the Government's post-Brexit immigration proposals. It found widespread opposition to the proposed £30,000 salary threshold for skilled immigrants, with 81% of businesses saying they would be unable to raise salaries to recruit overseas workers. The report confirmed 80% of employers with mid-skilled and 35% of those with high-skilled staff paid them less than £30,000. Over half (58%) of small employers agreed the threshold should be lowered in cases when UK workers struggled to fill particular roles. The FSB called for the threshold to be lowered to £20,100 for skilled staff.

## Conclusion

115. The Commission is invited to consider and note this report, and in particular:

- Note the response to the Scottish Government consultation on extending the duration of Part 2 Order making powers under the Public Services Reform (Scotland) Act 2010 (paragraph 9).
- Agree not to respond to the Scottish Government consultation on the replacement of European Structural Funds in Scotland post EU-exit (paragraph 16).
- Agree not to respond to the Scottish Government consultation on the first draft Corporate Plan for Scottish Forestry 2020-23 (paragraph 28).
- Agree not to respond to the Scottish Government consultation on Scottish public authorities sharing data (paragraph 40).
- Agree not to respond to the call for evidence by the Scottish Parliament's Finance and Constitution Committee on Scotland and the UK Internal Market after Brexit (paragraph 60).
- Note that I will be reporting further on the implications and progress of the Scottish Elections (Reform) Bill (paragraph 65).
- Note that I am liaising with Audit Scotland about reporting further on the implications of the final report from the independent review on the quality and effectiveness of audit (paragraphs 66 and 67).

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**31 January 2020**

## **APPENDIX: Accounts Commission reports in past 12 months - downloads**

<b>Report</b>	<b>Date</b>	<b>Report downloads</b>	<b>Podcast downlds</b>
<a href="#">Scotland's City Region and Growth Deals</a>	16 Jan 19	771 (n/a)	17
<a href="#">Scotland's City Region and Growth Deals - Supplement</a>	16 Jan 19	38 (n/a)	n/a
<a href="#">Self-directed support: 2017 progress report - impact</a>	17 Dec 19	227 (+95)	n/a
<a href="#">Local government in Scotland: Financial overview 2018/19</a>	17 Dec 19	1,360 (+595)	114
<a href="#">Scottish Borders Council: Best Value Assurance Report</a>	22 Oct 19	731 (+226)	110
<a href="#">National Scrutiny Plan</a>	30 Sept 19	522 (+137)	n/a
<a href="#">Perth and Kinross Council: Best Value Assurance Report</a>	22 Aug 19	1,012 (+194)	97
<a href="#">Principles of community empowerment</a>	25 July 19	5,075 (+930)	n/a
<a href="#">Midlothian Council: Best Value Assurance Report</a>	4 July 19	1,370 (+190)	116
<a href="#">Clackmannanshire Council: Best Value Assurance Report progress report</a>	27 June 19	897 (+262)	123
<a href="#">Accounts Commission annual report 2018/19</a>	31 May 19	411 (+108)	n/a
<a href="#">Accounts Commission Engagement strategy and plan 2019-24</a>	31 May 19	289 (+83)	n/a
<a href="#">Accounts Commission Strategy and annual action plan 2019-24</a>	31 May 19	329 (+91)	n/a
<a href="#">Accounts Commission Engagement plan progress report 2018/19</a>	31 May 19	154 (+63)	n/a
<a href="#">North Lanarkshire Council: Best Value Assurance Report</a>	23 May 19	1,124 (+231)	121
<a href="#">Stirling Council: BV Assurance Rprt</a>	25 Apr 19	1,250 (+265)	145
<a href="#">How council work: Safeguarding public money</a>	11 Apr 19	1,958 (+288)	n/a
<a href="#">South Lanarkshire Council: BV Assurance Rpt</a>	28 Mar 19	1,647 (+289)	73
<a href="#">Local government in Scotland: Challenges and performance 2019</a>	21 Mar 19	4,952 (+779)	231
<a href="#">Local government in Scotland: Challenges and performance 2019 - Supplement</a>	21 Mar 19	549 (+100)	n/a

### **Key:**

(x) Increase in numbers since last month

\* This figure is below 30

n/a Not applicable.