

Annual assurance and risks report

Local government

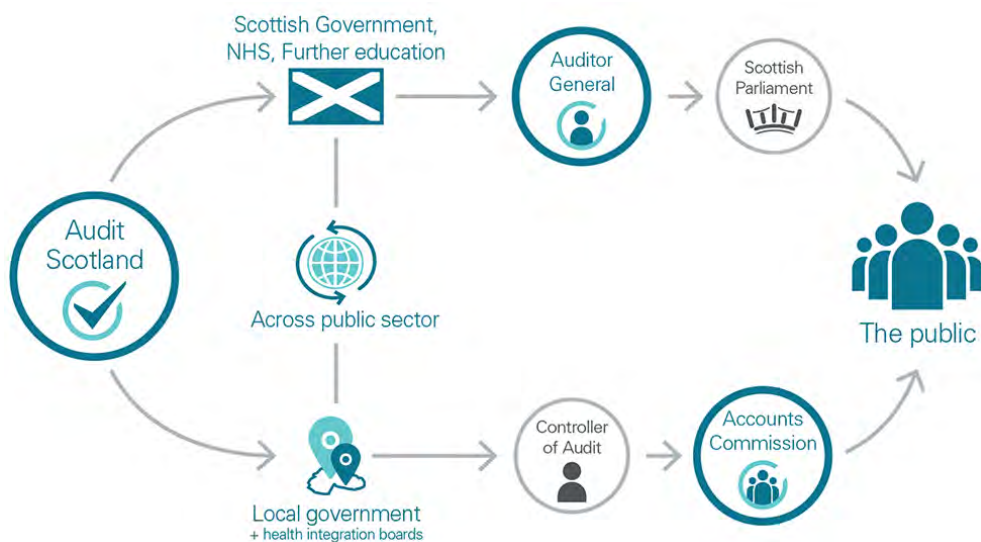


Report by the Controller of Audit
February 2020

Who we are

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

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



About us

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

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

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

Contents

Introduction	4
Summary	5
Part 1 Work completed on behalf of the Accounts Commission in 2019	8
Part 2 The pace and depth of continuous improvement in councils in 2019	18
Part 3 Progress against the Commission's strategic audit priorities in 2019	22
Part 4 Looking forward	44
Appendix 1 Information sources used	47
Appendix 2 Summary of identified audit risks	48
Appendix 3 Summary of progress against the SAPs; comparing 2018 and 2019	49

Introduction

Background

1. The Annual Assurance and Risks Report (AARR) is my annual report, as the Controller of Audit, to the Accounts Commission about the work undertaken by auditors over the past year, on the Commission's behalf. Its purpose is to provide assurance to the Commission that the range of work we undertake provides effective coverage of local government, its performance, issues and risks. It is also intended to help inform the work programme refresh in March, the Commission's discussions at its strategy seminar and its consideration of the draft *Local government in Scotland - Challenges and performance 2020* report at the March Commission meeting.
2. During 2019 and early 2020, the Commission and I have overseen the publication of a variety of reports. This has included national reports, annual audit reports (AARs) in local government bodies; Best Value Assurance Reports (BVARs); and a statutory report. The Commission's Financial Audit and Assurance Committee (FAAC) and Performance Audit Committee (PAC) have also considered several reports of note during the year. The AARR draws on the findings of all this work. All information sources are set out in [Appendix 1](#).
3. This report summarises progress, notable practice, areas for improvement and risks identified through our audit work. As well as summarising the work undertaken in the last year, it looks at the pace and depth of continuous improvement in councils, provides an assessment of the extent to which councils are progressing with the Commission's five strategic audit priorities (SAPs) and takes a brief look forward at the year ahead.

Strategic audit priorities

4. A summary of the audit risks identified in this report are mapped against what the Commission perceives to be significant areas of risk facing local government in [Appendix 2](#). The areas of risk the Commission has identified include a challenging and uncertain financial outlook, the ability to deliver better outcomes, progress with public service reform and leadership, governance and organisational capacity.
5. In its *Strategy and annual action plan - 2019-24*, the Commission sets out five SAPs. These are issues the Commission is particularly interested in at present and require to be reported through annual, Best Value and performance audit work. The SAPs are considered by all auditors involved in local government work. Auditors report on each SAP over the audit appointment, in BVARs or annual audit reports.
6. The five SAPs, along with this year's key findings against each, are set out in [Exhibit 1](#). High level messages for each SAP identified over the last two years are set out in [Appendix 3](#).

Summary

7. Councils are working in an environment that has become characterised by reducing budgets, rising demand for services and the delivery of an increasingly complex range of national policies. Within this challenging context, councils need to continue to work towards local priorities and improving outcomes for their communities.
8. Taking this context into account, the Commission revised its strategic audit priorities (SAPs) following its strategy seminar in March 2019. A summary of progress made by councils against the Commission's five SAPs in 2019 is set out in [Exhibit 1](#).
9. The current five-year programme of Best Value work began in 2017. The pace and depth of continuous improvement in the seven councils where a BVAR was published in 2019 and January 2020 (Year 3) is reported as mixed. All 12 councils which had BVARs published in Years 1 and 2 of the programme published improvement plans in response to the Commission's findings and my recommendations in the BVARs. Auditors reported that around half of the recommendations have now been implemented, with the remainder ongoing.
10. Overall, I am assured that our audit work is providing good coverage of the Commission's SAPs and that the integrated approach to auditing BV in councils is effective. The BVARs are having an impact, with all councils implementing improvements in response to the reports.
11. I am also confident that areas of risk are well understood and there are plans in place to cover these areas through our audit work. I am satisfied the audit work this year does not highlight any significant areas of the SAPs that would require to be changed. What the Commission sees as the key risk areas facing local government in 2020 are set out in [Exhibit 2](#). These are supported by the evidence in this report. [Appendix 2](#) maps the audit risks identified in this report to the key risk areas set out by the Accounts Commission.

Exhibit 1

Key findings on progress against the Accounts Commission's five strategic audit priorities (SAPs) in 2019.

SAP 1: Clear priorities with a focus on outcomes, supported by effective leadership and long-term planning



- Councils generally set out priorities with a focus on outcomes aligned with work of their partners. But progress is often unclear due to weaknesses in performance reporting.
- Auditors reported that in the councils where they reviewed fairness and equality, these were embedded in council activities.
- There has been a notable level of change in leadership over the last 18 months in councils and IJBs.
- Long-term financial planning has not advanced since last year. More progress is needed and the content of medium-term financial plans could be improved.

SAP 2: The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners



- There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign.
- The development of city and growth deals has led to increased joint working between councils and with partners.
- There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. There are many examples of effective smaller-scale joint working.
- CPPs need to take a more active role in leading partnership working and strategic change in some areas. There is room to improve partnership working with the third sector.
- While there remain concerns around the operation of IJBs, there is some evidence of IJBs improving outcomes.
- Five of the Year 3 BVAR councils are at an early stage of rolling out their current transformation plans. Some councils cannot demonstrate that they have effectively planned to deliver the service redesign required to address future budget gaps.

SAP 3: Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future



- There is still a mixed picture across councils on the effectiveness of training and development for elected members.
- Organisation-wide workforce planning is developing but not all councils have developed detailed service-level plans.
- Councils could do more to regularly consult and engage with their staff to help drive improvement.

SAP 4: Empowering local communities and involving them in the design and delivery of local services and planning for their local area



- Working with other scrutiny bodies we have developed a shared understanding of what we mean by community empowerment to support scrutiny.
- Most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes.

- Most of this year's BVAR councils have been slow to progress elements of the Community Empowerment (Scotland) Act.
- Five of the seven Year 3 BVAR councils had not published locality plans for all the priority areas they identified.

SAP 5: Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.



- A more systematic approach to self-evaluation is required in many councils.
- Many councils could improve on how they report performance information to the public.

Source: Audit Scotland

Exhibit 2

Key risk areas facing local government – the Accounts Commission



Source: Paper on Strategic risks, priorities and Commission reporting response – proposed stakeholder consultation, Accounts Commission meeting – November 2019

Part 1

Work completed on behalf of the Accounts Commission in 2019

12. This section provides further information on the range of audit outputs produced over the last year as well as our work in responding to correspondence and updates and reports provided to the Accounts Commission and its committees.

Annual audit reports

13. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The Code of Audit Practice, approved by the Commission and the Auditor General and revised every five years, requires auditors at the conclusion of the annual audit to issue a report summarising significant matters arising from the audit. In local government, these reports are addressed to councillors and to myself as Controller of Audit. They are submitted by 30 September each year. The reports are public and are available on the websites of the audited bodies and Audit Scotland. The reports are reviewed by myself and my team to:
- identify high-level issues and themes for inclusion in the Commission's annual local government overview reports
 - identify specific issues that I may wish to report to the Commission under my statutory reporting powers.
14. In practice, significant findings from the audits will be known to me in advance of the AARs and reported to the Commission via the Financial Audit and Assurance Committee (FAAC). Statute allows me to report formally to the Commission - or the Commission to direct me to report - at any point throughout the audit year. However, including such issues in the AAR is the formal starting point for any statutory reporting.
15. In 2018/19, AARs were published for:
- 32 councils (including comment, if applicable, on 201 registered charities within 66 sets of charity accounts)
 - 30 integration joint boards
 - 11 pension funds
 - 32 other small boards and partnerships.
16. There were no qualified audit opinions within these reports. Five modified opinions were issued:
- I am currently preparing a statutory report on Renfrewshire Council, where aspects of accounting records were poorly managed at the end of the financial year, contributing to the accounts not being certified on time. The council is currently reviewing its procedures

for preparing the annual accounts and closing the ledger at the end of the financial year to avoid a repetition of this going forward.

- The remaining four modified opinions related to trading operations which did not achieve the statutory objective of breaking even over a three-year rolling period.
17. I have recently written to all council chief executives and chief officers of the IJBs, as I do every year after AARs are published. This year I highlighted the importance of the annual audit process as a critical part of the assurance framework for local government. It is central to our ability to provide assurance to the Accounts Commission, and the public more widely, on how councils are using public money. As well as providing an opinion on the financial statements, AARs are providing an increasingly rich picture of Best Value in councils. In IJBs AARs provide an opinion on the financial statements, comment on financial sustainability and will increasingly present a comprehensive picture of Best Value.
18. General themes arising from the review of AARs are reflected in the local government overview reports. The *Local government in Scotland: Financial overview 2018/19* was published on 17 December 2019, and the *Local government in Scotland – Challenges and performance 2020* is due to be considered by the Commission in March 2020.
19. Two issues of note from the 2018/19 AARs, not captured under the SAPs in Part 3 of this report, relate to employer pension liabilities and councils' dependency on key suppliers.

Employer pension liabilities

20. As we set out in *Local government in Scotland: Financial overview 2018/19*, AARs reported that councils' share of the Local Government Pension Scheme (LGPS) liability at 31 March 2019 increased by 41 per cent to £9.3 billion, compared to £6.6 billion at 31 March 2018. A major factor contributing to this increase was the McCloud legal case.
21. The impact of 'McCloud' on council finances will become clearer at the next triennial revaluation of pension funds at 31 March 2020, when contribution rates are redetermined. There may be a funding pressure through the additional employer contributions that may have to be paid to cover the increased liabilities.

Dependency on key suppliers

22. For the 2018/19 annual audits, auditors were requested to assess the level of risk associated with councils' dependency on key suppliers. Most auditors are satisfied councils have appropriate arrangements in place to assess the risk of dependency on key suppliers. Arrangements include actively monitoring key suppliers' going concern position and regular reporting to members as part of risk management arrangements. Auditors raised the following concerns:
- In Fife Council, key supplier dependency does not feature in resilience plans and is not well embedded in service planning.
 - Perth and Kinross Council does not consider the financial sustainability of suppliers on a regular basis after contracts are awarded. This raises a risk that suppliers may not be able to continue providing services. Outwith the contract strategy auditors were unable to determine whether a contingency plan existed for these key suppliers.

Wider audit dimensions

23. The Code of Audit Practice ('the Code') outlines the responsibilities of auditors. The Accounts Commission, the Auditor General and Audit Scotland have agreed four audit dimensions that frame the wider scope audit into identifiable audit areas. These are set out in [Exhibit 3](#). Best Value sits at the heart of the four dimensions. The Code is currently being reviewed in advance of the next five-year appointment of auditors in 2021.
24. Where appropriate, all AARs include comment on each audit dimension. These generally detail the audit work conducted and provide judgements, conclusions and recommendations on the effectiveness and appropriateness of the arrangements in place. Across the five-year audit appointment these conclusions will provide an indication of whether the audited body is demonstrating it is securing best value through the continuous improvement in the performance of its functions. By reporting against each of the four audit dimensions, auditors discharge their wider responsibilities under the Code. I am satisfied that all auditors have done this.

Exhibit 3

Audit dimensions



Source: Code of Audit Practice 2016

Statutory reports

25. Section 102 of the Local Government (Scotland) Act 1973 allows me, as the Controller of Audit, to make reports to the Accounts Commission about any matters arising from the accounts of local authorities, or the auditing of those accounts, that I think should be considered by the local authority or brought to the attention of the public. No statutory reports were published under section 102 during 2019. A statutory report providing an update on the equal pay settlement at Glasgow City Council was considered by the Accounts Commission in January 2020.
26. The report concluded that Glasgow City Council developed and applied appropriate overarching governance arrangements to the equal pay project and applied appropriate controls to the calculation and payment of settlements. The council took appropriate action to mitigate the key risks arising from both the settlement and funding arrangements and it responded in a fast, transparent and comprehensive way to the challenges it faced.

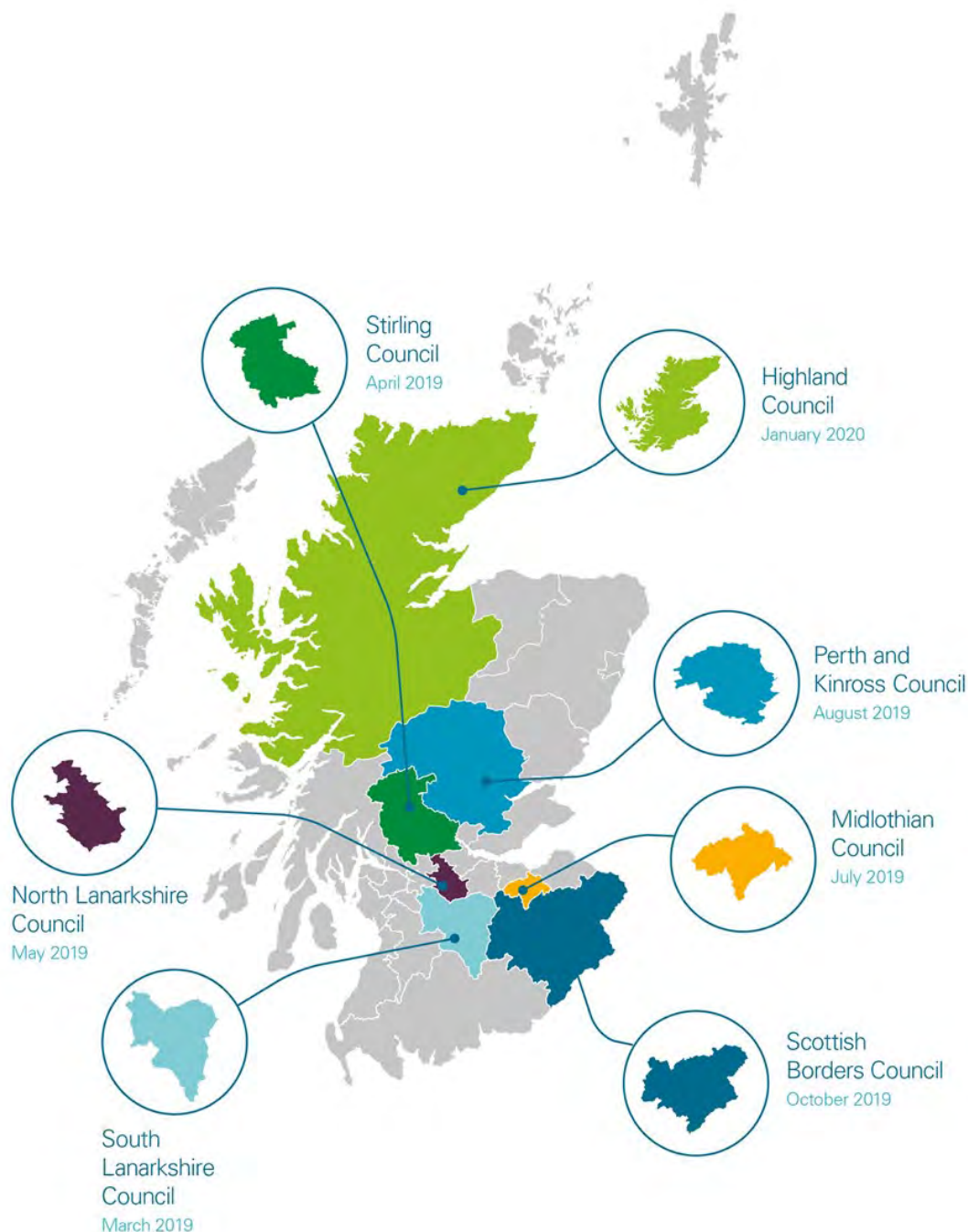
27. Statutory reports on the accounting issues at Renfrewshire Council and financial sustainability in Fife Integration Joint Board will be considered by the Accounts Commission early in 2020.

Best Value Assurance Reports

28. The Commission agreed the overall framework for auditing Best Value in June 2016. Best Value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Commission at least once in this five-year period.
29. I produced seven BVARs between January 2019 and January 2020, with the Commission making findings on each of them ([Exhibit 4](#)). The publication of Highland Council BVAR was delayed by a month due to the UK general election in December 2019.
30. In addition, in June 2019, I reported on progress against recommendations from a previous BVAR at [Clackmannanshire Council](#), published in January 2018. Auditors found that action taken had led to a positive momentum and increasing pace of change. But the scale of the challenge remains significant, as does the urgent need to implement improvement to address the council's financial position. The council's finances remain an issue of serious concern.
31. A summary of the pace and depth of continuous improvement identified across the three years of BVARs published to date, is set out in in Part 2. Aspects of the Best Value arrangements in the remaining councils have been reported in AARs. Based on the risk assessment at each council, a Best Value Assurance Plan (BVAP) ensures all BV characteristics are covered by audit work in every council over a five-year period.

Exhibit 4

BVARs were completed in seven councils in Year 3 of the audit appointment



Source: Audit Scotland

National reports

32. Audit Scotland carries out a programme of national performance audits on behalf of the Accounts Commission. During 2019, two local government overview reports, and one *How Councils Work* report were produced by Audit Scotland on behalf of the Accounts Commission. Two documents were also produced by Audit Scotland on behalf of the Strategic Scrutiny Group. A summary of the main messages from each of these reports is set out in Exhibit 5.

Exhibit 5**Summary of findings from national reports published on behalf of the Accounts Commission and the Strategic Scrutiny Group in 2019 and January 2020**

Name of report	Date	Report type	Key messages
<u>Local government in Scotland: Challenges and performance 2019</u>	March 2019	Overview	Scotland's councils are managing to improve and maintain most services. But Scottish Government funding to councils is likely to reduce in future; this, combined with increased demand and less flexibility over spending decisions, means councils need to think differently about how they deliver services to the public.
<u>How Councils Work - Safeguarding public money: are you getting it right?</u>	April 2019	How Councils Work	The report reinforces the importance of councils having effective internal controls which are fundamental to maintaining a council's finances; securing its core values; safeguarding public money; and minimising the reputational impact on a council if things go wrong. The report includes questions for elected members to use to help them think about internal controls and risk management in their council.
<u>Principles for community empowerment</u>	July 2019	Strategic Scrutiny Group	The publication raises awareness of community empowerment and promotes a shared understanding across scrutiny bodies to support high-quality scrutiny of community empowerment. It is also intended to make public bodies and their partners aware of the expectations of scrutiny bodies in a shared set of principles setting out what good community empowerment looks like.
<u>National scrutiny plan for local government, 2019/20</u>	September 2019	Strategic Scrutiny Group	A national scrutiny plan summarising all planned and announced strategic scrutiny activity in councils was published in September 2019. The plan was issued on behalf of the Strategic Scrutiny Group for local government, comprising Scotland's main public sector scrutiny bodies and chaired by the Accounts Commission.

Name of report	Date	Type of report	Key findings
Local government in Scotland: Financial overview 2018/19	December 2019	Overview	Scottish Government funding to councils has reduced by seven per cent since 2013/14. In 2018/19, Scottish council revenue income increased slightly from 2017/18. In 2018/19, councils planned to manage the three per cent budget gap through savings but a shortfall in savings meant reserves had to be used. Most councils have medium-term financial plans. Long-term financial planning has not improved since last year.
Housing benefit performance audit update 2019	January 2020	Performance audit update	During 2018/19, Scottish councils paid out £1.59 billion in Housing Benefit (HB) awards to help people pay their rent, a reduction in spend of 2.5 per cent and Scottish councils received £21 million in funding from the Department for Work and Pensions (DWP) to deliver HB services. The Scottish HB caseload has fallen from a high of 483,201 in April 2013 to 364,997 at February 2019. The continued rollout of Universal Credit during 2019/20 will result in further reductions in HB caseloads in councils as fewer new HB claims are received.
Scotland's City Region and Growth Deals	January 2020	Performance audit (joint report with Auditor General for Scotland)	£5.2 billion has been committed so far through City Region and Growth Deals. Four deals have been signed to date and eight are in development. Deals have enabled economic development projects that may otherwise not have gone ahead. Deals have also been a catalyst for increased collaboration between councils and their partners. Local communities have had very little involvement in the deal process.
Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models	January 2020	Performance audit (joint report with Auditor General for Scotland)	Councils have been able to obtain available Scottish Government funding to improve local infrastructure by using NPD and hub private financing. This has enabled projects to proceed that would not otherwise have been affordable. But by focusing on affordability, it is not clear how value for money has been assessed, or that the implications of entering into these contracts have been fully considered. Current NPD and Hub projects are expected to cost more than three times the value of the investment in assets, with payments continuing until the middle of this century.

Source: Audit Scotland

Impact reports

Self-directed support: 2017 progress report

33. The Self-directed support impact report was presented to the Accounts Commission's Performance Audit Committee in November 2019. It found that Scottish Government, COSLA and their partners had made progress in working towards recommendations in the 2017 performance audit report. Progress against recommendations was either good or ongoing at a national level. At a local level the quality and choices offered to those who require social care support remain mixed. There is however a commitment and plans to make improvements in partnership with stakeholders including service users.

Briefings

34. Three briefing papers were presented to the Accounts Commission during the year on the following areas:
- Public health reform (March 2019). This briefing provided an update on changing arrangements for public health in Scotland including the establishment of a new national public health body for Scotland. The Commission noted that Audit Scotland would continue to monitor the matter with a view to reviewing risk and its implications for any future performance audit work.
 - Drug and alcohol services (March 2019). This was produced in response to a request from the Accounts Commission and the Auditor General to help decide what further audit work they might want to carry out on drugs and alcohol services in the future. It provides a high-level update of work in this area since the 2009 audit report, and an overview of the Scottish Government's new strategy: Rights, Respect and Recovery, Drug and Alcohol Strategy, November 2018. The Commission noted that Audit Scotland would continue to monitor the matter with a view to reviewing risk and its implications for any future performance audit work and also agreed that the briefing be shared in discussions between Audit Scotland and appropriate stakeholders.
 - Preparing for withdrawal from the European Union (December 2019). The audit team and the sponsors for a scheduled performance audit on withdrawal from the European Union decided, because of the instability and lack of certainty surrounding this during 2019, to produce a piece of work gauging public bodies' readiness for EU withdrawal instead. This briefing paper sets out key messages, provides illustrations of the impact that preparing for withdrawal from the EU has had on public bodies and suggests questions for public bodies to ask themselves about their ongoing preparations for EU withdrawal. The Commission decided to write to councils and IJBs upon publication of the briefing to set out the Commission's reasons for not undertaking a performance audit in this area, as included in the Commission work programme.

Correspondence

35. Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations, with concerns about an issue within a public body. Neither the Commission nor Audit Scotland has a statutory duty to consider issues of concern or respond to correspondence, but we do so under our Code of Audit Practice and the Financial

Audit and Assurance Committee of the Commission is updated every six months on correspondence received.

36. During 2018/19, we received 97 issues of concern about local government bodies; this includes whistleblowing disclosures and objection to accounts. Most of the issues of concern we received were about councils and two were about IJBs. The councils with the highest proportion of concerns raised in 2018/19 were Glasgow City (16 per cent), West Dunbartonshire (nine per cent) and City of Edinburgh (eight per cent).
37. There are some recurring themes in the correspondence we received about local government including, procurement and management of contracts, sale or development of land (eg inadequate consultation, lack of transparent decision-making) and disposal of assets.
38. Police Scotland and Audit Scotland produced the [Red flags – procurement](#) publication for auditors in October 2019. This document sets out some red flags in relation to procurement to identify circumstances which may indicate the need for further audit work. The 2019/20 audit planning guidance sets out a requirement for auditors to report, in either the 2019/20 or 2020/21 annual audit reports, the effectiveness and appropriateness of the arrangements for the prevention and detection of fraud and corruption in the authority's procurement function.
39. We use correspondence to add to our knowledge of audited public bodies, and most issues of concern inform audit work in some way. Issues raised in almost three-quarters of local government concerns in 2018/19 were used as audit intelligence, included in planned audit work or auditors did additional audit work to examine the issue. As at January 2020, 56 issues had been raised during 2019/20.

Accounts Commission committees

40. The Commission's Financial Audit and Assurance Committee (FAAC) reviews matters arising from the annual audit process in each council and joint board. It also reviews intelligence from other bodies concerned with local government such as the Ombudsman, Standards Commission and Information Commissioner. Over its four meetings in 2019, the FAAC also considered:
 - audit quality reports including the 2018/19 update report and an interim report for 2019/20
 - a report on the draft, revised audit quality framework
 - a review of the regulator and audit market
 - a briefing on the CIPFA management code and resilience index
 - a report on the Commission's approach to risk management and reporting
 - a paper on loans fund repayment reprofiling
 - accounting and auditing developments update reports.
41. The Commission's Performance Audit Committee (PAC) reviews policy issues affecting local government. It also oversees scopes and draft reports of individual performance audits, as well as reviewing progress across performance audits as a whole. During its five meetings in 2019, the PAC also considered:
 - policy briefings from each of the three clusters within Audit Scotland:
 - Public finances, investment and economic development (PIE)

- Justice, education and lifelong learning (JELL)
 - Health, care and communities (HCC).
- an impact report on the self-directed support progress report from 2017
- audit quality reports
- a work programme update
- a report on the Commission's approach to risk management and reporting.

Part 2

The pace and depth of continuous improvement in councils in 2019

Councils with BVARs in Year 3

42. All BVARs include judgements on the pace and depth of continuous improvement. Auditors form these judgements based on the evidence available to demonstrate improvement by the council in BV characteristics and service performance. Key messages from the seven councils for which BVARs were completed between January 2019 and January 2020 (Year 3) are set out in [Exhibit 6](#).






- Auditors have reported a mixed picture on the pace of continuous improvement across councils, ranging from clear improvement in South Lanarkshire and North Lanarkshire to an inconsistent or slow pace of improvement in areas in Highland, Midlothian and Stirling councils
- Depth of improvement (impact, extent and coverage) has, in the main, not been council-wide or shown substantial improvements, except in South Lanarkshire. Most councils could demonstrate that some improvements had been made in some areas.
- While a culture of continuous improvement is embedded in South Lanarkshire, a more systematic approach including improved self-evaluation is required in all other Year 3 councils, and to the greatest degree in Highland, Midlothian and Stirling.

Exhibit 6

Summary of findings on pace and depth of continuous improvement from the seven councils subject to BVARs in 2019 (Year 3)

Progress made in pace and depth of improvement has been mixed.

Best Value Assurance Reports		
Highland Council		
Since the 2010 Best Value report the council's pace of change has been inconsistent and slower in areas including improving performance and taking steps to ensure longer-term financial sustainability. Whilst the pace of change has recently increased significantly, previous examples of a lack of joined-up working have resulted in slower decision making, and differing service performance.		
Midlothian Council		
The council has delivered a number of ambitious projects since the last Best Value report in 2012, including schools, community campuses, housing and transport. Its overall pace of improvement is mixed. It still needs to focus on some of the key requirements for Best Value, including financial sustainability, financial management and transformation.		

<p>North Lanarkshire Council</p> <p>The council has demonstrated improvement in most areas from the 2008 Best Value report. A new chief executive with a new vision for the area has presented an opportunity to increase the pace of change. The council is well placed to tackle the financial challenges ahead. It has a good approach to self-evaluation and there is evidence of service reviews and improvements being made to create efficiencies and improve services.</p>		
<p>Perth and Kinross Council</p> <p>Since the 2008 Best Value report, the council has improved at a steady pace. Overall, outcomes for the community are improving. The council has clear strategic objectives and there is strong member and officer leadership. The Perth and Kinross Offer, a proposed approach to service design and development co-designed with citizens and communities, is at an early stage but has the potential to provide a step-change in the levels of community engagement and the pace of improvement.</p>		
<p>Scottish Borders Council</p> <p>The council has made steady progress overall since the 2010 Best Value audit. It has more to do to demonstrate Best Value on some matters including embedding and sustaining a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking. Performance is good or improving in the key service areas of education and social work.</p>		
<p>South Lanarkshire Council</p> <p>The council demonstrates strong leadership, clear direction and a strong culture of continuous improvement. It is a well-performing council and continues to make significant progress in fulfilling its duty of Best Value and improving outcomes for its communities.</p>		
<p>Stirling Council</p> <p>The council's vision is clear and its services largely perform well and are improving. But the council has not built sufficiently on the position reported in the last Best Value report in 2011 and needs to strengthen the alignment between its performance management and its strategic plans and priorities. A significant increase in the pace of improvement is required.</p>		

Source: Audit Scotland







Follow up of Year 1 and Year 2 BVARs







43. Twelve councils had BVARs published in Years 1 and 2 of the five-year programme (2017 and 2018). Audit Scotland's 2018/19 audit planning guidance required auditors to follow up previous BV audit findings reported in earlier years in the 2018/19 AARs.
44. All councils have produced an improvement plan in response to the Commission's findings and recommendations set out in the BVARs. For the Year 1 and Year 2 BVAR councils, a summary of the auditors' progress reports using evidence from the 2018/19 AARs, is summarised in [Exhibit 7](#). The timescale for improvement actions varies; some can be made immediately while others are longer term and will take time to implement. Progress is reported by auditors in all councils in implementing improvement actions. Overall, around half of the recommendations have now been implemented, and progress is being made on the others. One council (West Lothian) has implemented all recommendations.

45. **Exhibit 7** shows that all auditors have reported on follow up of BV improvement actions in AARs, except for East Ayrshire Council where progress was reported in the auditor's interim report. However, not all show progress against each improvement action and some do not comment on the current pace and depth of continuous improvement. I will remind auditors of these expectations for the 2019/20 AARs.

Exhibit 7

Summary of progress against recommendations/pace and depth of continuous improvement from the 12 BVAR councils in 2017 and 2018 (Years 1 and 2)

Best Value Assurance Reports 2017/18 (Year 2)		
Overall judgement / current judgement on pace and depth of continuous improvement	Extent to which recommendations have been implemented	
Dumfries and Galloway Council <p>The council has demonstrated good pace in implementing the recommendations raised in the BVAR, including seeking to deliver the transformational change to meet the financial and operational challenges faced.</p>	<p>Three of the seven recommendations have been completed. Three are ongoing and no comment was provided on one.</p>	
East Ayrshire Council <p>No overall judgement on progress is reported in the auditor's interim report or in the AAR.</p>	<p>Actions against the five recommendations are set out in the auditor's interim report. Four out of the five are still ongoing.</p>	
East Lothian Council <p>Overall, the council is progressing a number of activities in response to the Best Value Assurance Report recommendations. Several areas are not due for completion until 2020.</p>	<p>Progress is noted against eight of the recommendations. For the recommendation relating to transformation it is noted that this will be an ongoing assessment.</p>	
Fife Council <p>The council has been slow to prepare a BVAR improvement plan. The chief executive submitted a Best Value improvement plan update to the Standards and Audit Committee in December 2019. The auditors will report on this in the 2019/20 annual audit report.</p>	<p>The council has recently reported good progress with implementing recommendations. The auditors will audit the council's response as part of their interim audit work in 2019/20.</p>	
Glasgow City Council <p>The council has made reasonable progress in addressing the BVAR recommendations.</p>	<p>Three of the seven recommendations are complete. For the remaining four, work is progressing to meet them.</p>	
West Dunbartonshire Council <p>Good progress has been made against all five recommendations made in the 2018 Best Value Assurance Report.</p>	<p>Out of the five recommendations, two are complete and three are ongoing.</p>	

Best Value Assurance Reports 2016/17 (Year 1)		
Overall judgement / current judgement on pace and depth of continuous improvement		Extent to which recommendations have been implemented
Clackmannanshire Council <p>The pace of change has increased significantly over the last year, with much to do to implement and embed the changes required for financial and service sustainability (2018/19 AAR).</p> <p>The council has laid the foundations for improvement but still has much to do to implement and embed the changes required (Clackmannanshire Council – progress report, June 2019).</p>		 <p>The auditor has commented on progress on each of the four recommendations but concluded that the council still has much to do.</p>
East Renfrewshire Council <p>The council continues to progress the recommendations from the BVAR. Further improvements have been made to asset management, the monitoring and reporting of the Council's transformation projects and the framework for integrated strategic planning.</p>		 <p>There has been progress in three of the five BV recommendations although further progress is required. Improvements are still required in budget forecasting reporting appears and options appraisal.</p>
Inverclyde Council <p>The council has made good progress in progressing the BVAR Improvement Plan.</p>		 <p>Five recommendations are complete and five are outstanding but these are all on track.</p>
Orkney Islands Council <p>The council continues to demonstrate progress in a number of areas in response to the BVAR published in December 2017. The council must maintain the current pace of improvement and ensure it makes progress with all nine recommendations.</p>		 <p>The auditor has reported progress on each of the nine recommendations. Some progress has been made against all.</p>
Renfrewshire Council <p>The council continues to make good progress in implementing the recommendations from the BVAR. Key to this has been the development and implementation of a performance management framework.</p>		 <p>Two recommendations are complete and good progress is being made in relation to the remaining five.</p>
West Lothian Council <p>The Council has a clear culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. Council services continue to perform well compared to other councils.</p>		 <p>By June 2018, essentially all actions had been completed.</p>
Source: Audit Scotland		

Part 3

Progress against the Commission's strategic audit priorities in 2019

46. In its *Strategy and annual action plan - 2019-24*, the Commission set out its expectation that councils show how they are making the best use of their resources and improving their performance and highlighted that by applying rigorous self-evaluation, councils can focus on where improvement is most needed to help them deliver on their priorities. Five SAPs are included in the strategy which provide a key focus for audit work. The SAPs are considered by all auditors involved in local government work, both locally and nationally, as an integrated part of the risk assessment and five-year Best Value and annual planning processes. Auditors assess councils' performance against the SAPs across the five-year audit appointment and report on each of them in BVARs and annual audit reports.
47. Audit findings reported this year on councils' performance against each of the Commission's SAPs are set out below. As a reminder and for comparison purposes, the findings from the annual assurance and risks reports published in 2018 and 2019 have been outlined at [Appendix 3](#) under each SAP.

SAP 1 - Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning

48. Councils need to have in place clear priorities, effective leadership and long-term planning to support effective decision-making, to drive improvement and maintain a focus on delivering outcomes for the community. For councils to know they are making a difference, they must link their local priorities to measurable outcomes.
49. A refreshed National Performance Framework was launched by the Scottish Government and COSLA in June 2018. Its aim is to improve outcomes for the people of Scotland. Councils and their partners should have regard to the National Performance Framework when developing local outcome priorities and measures.

Councils generally set out priorities with a focus on outcomes aligned with work of their partners. But progress is often unclear due to weaknesses in performance reporting

50. The Year 3 BVAR councils set out broad areas of focus in their strategic plans. Councils refer to these as strategic objectives, strategic priorities, ambitions, strategic themes or priority outcomes. These are usually outcomes-based and cover National Performance Framework themes:
- **health and wellbeing**, eg, improve the health and wellbeing of our communities
 - **education**, eg, developing, educated, responsible and informed citizens
 - **the economy**, eg, promote economic growth and tackle disadvantage

- **community safety**, eg, people are part of safe and caring communities
- **involving communities**, eg, enhance participation, capacity and empowerment across our communities.

51. Most of the Year 3 BVAR councils' vision and priorities are either the same as those of their partners through working to the same plan or are aligned with those of their partners.

- In North Lanarkshire and Midlothian, the council and the community planning partnership work to the same plan. The Plan for North Lanarkshire brings together the LOIP and the council's business plan (approved in March 2019) while the Single Midlothian Plan, updated annually, sets out the vision of the council and its partners in the CPP and directs the council's work.
- The vision and priorities of Stirling and Perth and Kinross councils are aligned with those of their partners. In Stirling, the council has aligned the four partnership outcomes in its local outcomes improvement plan (LOIP) with the six priorities of the council in the most recent iteration of its business plan. In Perth and Kinross, the council's vision is shared with the community planning partnership (CPP) and the LOIP and the corporate plan have the same five strategic objectives.
- In South Lanarkshire, the council and its partners have a shared vision but the links between plans could be clearer. Four out of the five ambitions in the council plan overlap with those of the community planning partnership.

52. Despite councils having outcomes-based objectives and priorities, most Year 3 BVAR councils were limited in their ability to show if and how these outcomes were being achieved due to weaknesses in their performance management arrangements:

- Perth and Kinross Council had not used a specialised software system for managing performance for over five years and could do more to consistently demonstrate that performance management was driving change and improvement. The council could make more explicit the linkages between underperforming service performance indicators and the associated actions in improvement plans.
- Scottish Borders Council has only recently aligned its performance management framework with its current corporate plan (since 2018/19). Performance reports lack a clear, succinct overview of the council's position and the number of indicators and the amounts of performance information provided vary significantly across the four corporate themes. There is scope for performance reporting to more clearly and consistently include concise information on reasons for underperformance and actions to address these, helping drive continuous improvement.
- Highland Council does not make good enough use of data and scrutiny to drive improvement. The council has very recently set targets for improvement across the indicators in its new corporate plan.
- North Lanarkshire needs to maintain focus on underperforming areas. It needs to understand better and learn from service user satisfaction information, particularly for care services.

- South Lanarkshire is aiming to provide elected members with a clearer picture of performance against the objectives in its business plan. The BVAR reported that for some indicators it was not always clear how targets or timescales had been met and many of the targets were set lower than the performance level achieved in previous years.
- In Stirling, development of an effective performance management framework has been slow. Performance reporting does not provide a clear summary of performance against all its priorities or key performance measures to elected members or the public.

Fairness and equality are embedded in councils where these were reviewed by auditors

53. Tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens should be key priorities for local authorities and all of their partners, including local communities. In achieving Best Value, a local authority will be able to demonstrate that equality and equity considerations lie at the heart of strategic planning and service delivery.
54. Auditors reported on equalities in three councils through AARs – Argyll and Bute, City of Edinburgh and West Dunbartonshire - and made the following observations:
 - Equality, diversity and human rights are embedded in the City of Edinburgh Council's vision and strategic direction.
 - Argyll and Bute Council has embedded consideration of users' needs, equalities and equal opportunities at the planning and budgeting stages of service redesign.
 - West Dunbartonshire Council has satisfactory arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.
55. The South Lanarkshire BVAR commented that the council has shown a commitment to dealing with staff fairly and equitably. Examples include effective working relations and open communication with trade unions, being the first local authority in Scotland to introduce a menopause policy and running transgender awareness sessions for managers and head teachers to help them understand how they can better support trans staff and pupils.

There has been a notable level of change in leadership over the last 18 months in councils and IJBs

56. Changes in leadership can be positive and can lead to an increased pace of improvement but they can also have an impact on capacity and momentum. In many cases new chief executives introduce a management restructure. Six of the seven BVAR councils this year have experienced a change of chief executive in the last 18 months (Highland, Midlothian, North Lanarkshire, Perth and Kinross, South Lanarkshire and Stirling). Since August 2018, new chief executives have also been appointed in Falkirk and North Ayrshire. We reported two recent chief executive departures in the *Current audit issues in councils* report to the FAAC in November 2019 in Argyll and Bute (left January 2020) and East Lothian (left December 2019). The retirement of Orkney Islands Council's chief executive has also recently been confirmed.
57. In the Stirling Council BVAR we reported that the number of changes in senior management had slowed the council's pace of improvement: "*There have been several management*

restructures in the last five years. In August 2018, the previous chief executive resigned after four years in post. These changes have been disruptive and unsettling for some staff, have caused a loss of corporate memory and have slowed the council's overall pace of improvement. A period of stability is now needed. The interim chief executive for the six-month period from September 2018 was permanently appointed in March 2019."

58. A period of stability is also required at Highland Council, in order for the leadership team to work together to deliver the improvements required to sustain and improve services in the future.
59. In North Lanarkshire Council we reported that the new chief executive has "*created a new energy and focus*". In Perth and Kinross Council, we found the new chief executive's vision of the Perth and Kinross Offer has been widely welcomed by officers and members and has the potential to provide a step-change in the pace of improvement.
60. We reported in the *Local Government in Scotland: Financial overview 2018/19* that over one third of IJBs had experienced a change in their chief officer or chief finance officer during 2018/19. In some cases, both these postholders had changed. For example, in the Scottish Borders, there have been four chief officers since the IJB was established in 2016, and no permanent chief financial officer. The lack of continuous leadership has impaired the IJB's progress. However, there is now continuity in the position of a chief officer and a refreshed effort by the council, NHS Borders and the IJB to address their shared challenges cooperatively.

Long-term financial planning has not advanced since last year. More progress is needed and the content of medium-term financial plans could be improved

61. The need to find and deliver savings is expected to continue, increasing the importance of medium and long-term planning to manage these financial challenges and to make well-informed decisions aligned to council priorities. Previous Accounts Commission reports have recommended that councils should plan for a range of scenarios, so they are prepared for different future levels of funding and income
62. The content of medium-term financial plans (MTFPs) could be improved. The *Local government in Scotland: Financial overview 2018/19* encouraged councils to review their MTFPs annually and highlighted that not all included key elements, for example, estimates for Scottish Government funding, a total projection for net expenditure, projections of net expenditure at service level, projections for service income or projections for the cost of borrowing.
63. Our *Local government in Scotland: Financial overview 2018/19* reported that long-term financial planning, covering more than five years, is only taking place in ten councils and has not progressed since last year. Examples of where it is taking place include:
 - Dundee City Council where auditors highlighted the good progress the council had made in long-term financial planning. In August 2019 a long-term financial outlook and financial strategy covering the ten-year period 2020-30 was approved by elected members. The report noted the projected revenue requirements for the period to 2030, the projected savings and efficiencies required over the period to deliver balanced

budgets and recommended the adoption of the long-term financial strategy which, critically, would be linked to the council's Changing for the Future transformational change programme.

- East Renfrewshire Council where long-term financial plans are in place which demonstrate how the council will address future challenges. As part of the annual budget setting meeting, the council presents its long-term financial plan, covering the period 2019 to 2025. This provides detail on the range of funding scenarios which the council is planning for, and also provides some useful commentary and narrative for the economic and demographic that the council is planning for over the period. The council has included reference to the Scottish Government's medium-term financial strategy in its financial strategy

64. As reported in the *Local government in Scotland: Financial overview 2018/19*, two-thirds of IJBs have a medium-term financial plan in place, an improving position from the previous year. However, no IJBs had a financial plan that extended for more than five years. A focus on longer-term financial planning is required by IJBs as changes under integration are only likely to be achieved in the longer-term.

SAP 1 - Risks identified and future audit work planned to report on the risks

	Risks identified	Accounts Commission key risk area	Future audit work
Priorities and outcomes	Councils cannot show they are addressing their priorities through improving outcomes.	Ability to deliver better outcomes	<p>Monitor and report developments in performance management frameworks and the reporting of outcomes in AARs, BVARs and in overview reporting.</p> <p>Future performance audits relating to specific issues or client groups, eg, Social care sustainability (Autumn 2020), Mental health (2022/23), Progress in addressing child poverty (2022/23)</p>
Leadership	Changes in leadership have a negative impact on capacity and momentum to deliver the transformation required for financial sustainability.	Leadership, governance and organisational capacity	<p>Monitor and report any changes in senior management regularly to the Accounts Commission through current audit issues work and overview reporting</p> <p>Briefing paper on leadership (date tbc)</p>

	Risks identified	Accounts Commission key risk area	Future audit work
Long-term financial planning	<p>Long-term financial planning is not developed, contributing to financial sustainability risks in councils and integration joint boards</p> <p>Medium-term financial plans do not include key elements so elected members and officers are not fully informed before making difficult decisions.</p>	Challenging and uncertain financial outlook	<p>Monitor developments in long-term and medium-term financial planning in AARs, BVARs and report in detail in overview reporting.</p> <p>Future performance audits relating to financial sustainability: Social care sustainability (Autumn 2020), Early learning and childcare (2021/22)</p>

SAP 2 – The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners

65. The Accounts Commission's report, [*How councils work – Options appraisal: Are you getting it right?*](#) from 2014 set out the importance of options appraisal. Councils need to consider a wide range of options when considering what services to provide and how to deliver them. They must assure themselves the services they are providing are value for money, efficient and effective and demonstrate Best Value through continuous improvement. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.
66. A robust options appraisal helps councils make important decisions and provides assurance that all the relevant issues, including quality, cost and risk have been considered. It also helps to ensure decisions are transparent and based on solid information.
67. In making more fundamental changes councils have different approaches. Many have a transformation programme, although it is not always called this, whereas some integrate service redesign work into mainstream council management and improvement activity.

There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign.

68. There is limited audit evidence from this year's BVARs and AARs of the systematic use of options appraisal by councils. Auditors are required to undertake work covering all the SAPs over the five-year period of their appointment, meaning they will not necessarily report on options appraisal every year and so what has been reported can be viewed as an indication. A small number of individual options appraisal exercises were referred to in our BVAR work in 2019:
 - We reported that, overall, Scottish Borders Council undertakes effective options appraisals when tackling significant decisions, for example, the outsourcing of ICT, setting up a trust for delivering cultural services and developing a long-term approach to the school estate.
 - In North Lanarkshire an options appraisal for the delivery of community engagement was used, involving six options including an online engagement hub and the use of an external consultant to manage all aspects of the citizens' panel.
69. Options appraisal was also referred to in a small number of AARs. This tended to be in relation to processes in place around transformation activities:
 - In Aberdeen City Council, arrangements for options appraisal are included within their business case template. We concluded their arrangements were robust and appropriate.
 - In Falkirk Council, we highlighted that the majority of projects in the transformation programme required an options appraisal. We reviewed a sample of three options appraisals and were satisfied they were used to stimulate discussion and debate prior to selection of the favoured option. However, the success of the transformation

programme will rely on increasing the pace of transformational change and officers providing members with real options for savings.

There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. There are many examples of effective smaller-scale joint working.

- 70.** Working well with local partners in the public, private and third sectors is becoming increasingly important as councils try to deliver more for less. Councils can do this in a number of ways, including:
- shared arrangements between councils
 - using the CPP as a vehicle for collaborating with partners, including the third sector
 - working together through integration joint boards, entering into shared services and other collaborative arrangements, including regional working.
- 71.** Year 3 BVAR councils generally work well with partners. There are examples of councils working with partners to redesign services:
- In Midlothian more than 16 organisations from across the CPP and the third sector are working on a project to redesign mental health and wellbeing support services.
 - Stirling Council is working in partnership with NHS Forth Valley and the Scottish Ambulance Service to create Stirling Health and Care Village (operational January 2019).
- 72.** Other examples of partnership working between Year 3 BVAR councils and partners are set out below:
- Stirling Council is working with Includem, a third sector organisation, to improve outcomes for looked after children and shares the trading standards service with Clackmannanshire.
 - In South Lanarkshire, the Scottish Fire and Rescue Service works with the council's housing and social work teams to increase the number of home safety visits for vulnerable people.
 - In Midlothian the CPP identified improving positive destinations for school leavers as a priority. Different departments within the council, Skills Development Scotland, local colleges and universities collaborated in a number of ways, for example, investing in individual school leavers who were considered at risk of not achieving a positive destination. As a result, the percentage of pupils entering a positive destination improved.
- 73.** Many shared arrangements, of varying scales, are in place between Year 3 BVAR councils and other councils:
- Perth and Kinross Council has a service level agreement in place with Angus, Dundee City and Fife councils for the provision of additional environmental health, trading standards and food safety services if required. These four councils also share specialist equipment and operatives to deal with contaminated land.

- Scottish Borders Council shares a chief internal auditor post with Midlothian Council.
- South Lanarkshire Council hosts the Clyde Valley Learning and Development Partnership. This delivers shared approaches to training, learning and development across eight councils
- North Lanarkshire Council is the lead authority on the Clyde Valley Residual Waste Partnership. This is an agreement with four other local authorities to ensure the requirements relevant to the ban on biodegradable waste going to landfill are met by 2021, through a two-stage treatment process.

74. Other examples of collaborative working referred to in this year's AARs include the following:

- A shared Head of Service for Roads and Transportation was appointed in January 2019 for both West Dunbartonshire and Inverclyde Councils. This role is to be extended to wider Environmental Services from April 2020.
- Inverclyde Council has also agreed to implement a shared management model for Internal Audit services with West Dunbartonshire Council. This will involve a single Head of Internal Audit to oversee both internal audit departments from January 2020.

CPPs need to take a more active role in leading partnership working and strategic change in some areas

75. In two Year 3 BVAR council areas, we found that CPPs needed to take a more active role in leading partnership working and strategic change. Partnership working was taking place in these areas but most of it was taking place outwith the direction of the CPP:

- In Perth and Kinross, we found there was an opportunity to increase the impact of partnership working by increasing the effectiveness of the CPP. Concerns raised about the CPP by elected members and partners included community planning being seen as a separate process that sits to one side of other effective partnership working and the need for the CPP board to be more strategic. Attendance was not seen by some as an effective use of attendees' time.
- In South Lanarkshire we reported the activities of the thematic groups should be better coordinated by the CPP board to ensure they contribute to achieving the community plan objectives. There is also a lack of clarity around the resourcing of community planning initiatives by the CPP, with little evidence of resource pooling.

76. The effectiveness of partnership working with the third sector in our Year 3 BVAR councils was mixed:

- In Highland, the Highland Third Sector Interface (TSI), the representative body for third sector organisations, notes some opportunities for improvement have been lost through a lack of good partnership working with the third sector, although there are early signs of improved approaches to joint working.
- South Lanarkshire Council is looking to extend its links with the third sector by involving other organisations to help them engage with hard-to reach groups.

- In Perth and Kinross, the TSI found it challenging to engage with all the local action partnerships through the CPP structure.
- In Midlothian, engagement and partnership working with the third sector is effective at community planning level. The TSI feels a valued member of the CPP and shares the vision and priorities of the Single Midlothian Plan. The TSI also values the support the council gives in terms of attending meetings, sharing information and facilitating links with wider partners.

The development of city and growth deals has led to increased joint working between councils and with partners, typically on large infrastructure projects

- 77.** The *Scotland's City Region and Growth Deals* performance audit notes that city region and growth deals arrangements have led to an increase in joint working between councils with external bodies, such as the UK and Scottish Governments, national agencies, councils, universities and business representatives. There is also evidence of increased joint working across councils among councillors and at chief executive and officer levels. This is beginning to influence how councils work and make decisions in other areas of council activity. For example, in the Glasgow region, the chief executives are in the early stages of looking at how they could distribute funding to address child poverty and post-EU funding on a regional basis.
- 78.** Many of the comments in this year's AARs around partnership working referred to work relating to the relevant city deal or growth deal.

While there remain concerns around the operation of IJBs, there is some evidence of IJBs improving outcomes

- 79.** In the *Local Government in Scotland: Financial overview 2018/19*, we highlight the significant challenges for IJBs and the need to do much more to address financial sustainability. We also report that the pace of progress with integration has been too slow. Year 3 BVAR reports indicate some specific areas of concern but also highlight some evidence of IJBs improving outcomes.
- 80.** Integration joint boards were in place in six of our seven BVAR councils. In Highland, health and social care services are delivered through a lead agency model, the only one of its kind in Scotland. All adult social care services in the area are the responsibility of NHS Highland, and Highland Council is responsible for all community children's services. In Highland we found limited progress has been made in shifting the balance of care, but some outcomes have improved recently.
- 81.** We reported concerns around operational issues in Stirling, Perth and Kinross and Scottish Borders:
- In Stirling the size and structure of the IJB makes taking decisions more challenging. The IJB is the only HSCP in Scotland that spans two local authorities. It is the second largest in Scotland with 36 board members. Agendas are large and at times debates are cut short because of time constraints. The size of the board makes it unwieldy and reduces its effectiveness as a decision-making forum.

- Perth and Kinross IJB has had numerous changes in membership over the last three years, making its operation more difficult. Scrutiny and governance remain challenging. The effectiveness of working arrangements with the IJB has strengthened in the last 12 months with increased communication at executive level and a new leadership team in place.
- Scottish Borders Health and Social Care Partnership IJB has had four chief officers since it was established in 2016 and the lack of continuous leadership has impaired its progress.

82. We highlighted a number of operational achievements and improved outcomes in other areas:

- In Midlothian IJB we noted a more strategic approach to planning underpinned by extensive public consultation, delivery of a £1 million underspend and investment in workforce planning.
- South Lanarkshire IJB has made good initial progress and there are examples of changes to models of service delivery designed to improve outcomes for residents, for example, the extension of palliative care services. Funds have been redirected into community services such as homecare, district nursing and other community-based services. There is also evidence of performance improvements with decreasing unscheduled bed days and a reduction in bed days lost as a result of delayed discharge.
- In North Lanarkshire IJB some progress has been made against the national performance indicators used to measure the success of integration. This includes a reduction in the number of unplanned hospital bed days and an increase in the proportion of people spending the last six months of their lives in the community. The number of bed days lost due to delayed discharges, the level of emergency admissions and attendances at A&E remain a big challenge for North Lanarkshire.
- Aberdeenshire IJB reported scores at or above the Scottish average in 16 out of 19 national indicators in its 2019 annual performance report.
- East Dunbartonshire IJB either improved or maintained performance in 18 out of 20 Scottish Government core indicators. It also performed well in its own indicators based on health and social care experiences
- Orkney Islands IJB showed positive performance in comparison to its peer group for eight out of nine outcomes.

Five of the Year 3 BVAR councils are at an early stage of implementing their current transformation plans. Some councils cannot demonstrate they have effectively planned to deliver the service redesign required to address future budget gaps

83. Financial and demand pressures mean that planning and implementing changes to find efficiencies alone is no longer enough and the redesign of service delivery is needed to address future budget gaps. Councils are required to make significant savings over the next five years, reporting a budget gap in 2019/20 of £0.5 billion. Councils plan to fill two-thirds of the projected budget gap in 2019/20 through savings, and this will include savings from

transformation. In 2018/19, councils delivered 87 per cent of planned savings, many using reserves to fill the gap but reliance on reserves is unsustainable.

84. It is difficult to assess the overall progress and impact of transformational change with many programmes at an early stage of implementation. In five of the Year 3 BVAR councils, progress with current transformation plans is at an early stage:
- In Highland Council a three-year change programme has been developed for the period from 2019/20. Good progress is reported but risks exist around 17 per cent of projected savings this year.
 - Stirling Council is currently realigning its transformation agenda with its five-year business plan.
 - The business case for North Lanarkshire Council's large-scale transformation programme, focusing on digital, was approved in March 2019.
 - In Perth and Kinross Council, the Perth and Kinross Offer, an initiative setting out how the council will improve in partnership with citizens and communities, is currently being developed.
 - The current transformation programme in Scottish Borders Council began in February 2019.
85. In Midlothian Council, progress with transformation has been relatively slow. The council has made limited progress on its corporate transformation programme which has contributed to its difficulties in reaching a sustainable financial position.
86. South Lanarkshire Council uses an ongoing risk-based approach of structured self-assessments to review and redesign services with a focus on transformational change.

SAP 2 – Risks identified and future audit work planned to report on risks

	Risks identified	Accounts Commission key risk area	Future audit work
Options appraisal	Options appraisal is not being used systematically by councils when making decisions about service redesign.	Ability to deliver better outcomes	The use of options appraisals will continue to be monitored and reported in future BVARs, AARs and overview reports. Options appraisals featuring in performance audits will also be reported.
Collaborative working	The full potential of collaborative working is not being maximised leading to services not being as	Challenging and uncertain financial outlook	The extent to which councils are working collaboratively will continue to be monitored and reported in future BVARs, AARs and overview reports. Future performance audits featuring collaborative working examples, including:

	Risks identified	Accounts Commission key risk area	Future audit work
	efficient or effective as they could be.		<p>Early learning and childcare (early 2020 and 2021/22),</p> <p>Social care sustainability (Autumn 2020)</p> <p>Improving outcomes for children with additional support needs (Spring 2021)</p> <p>Health and social care: the third performance audit (2023/24)</p>
Transformation	<p>Councils cannot deliver the level of service redesign required to address future budget gaps.</p> <p>The pace of change is not adequate to respond to developing challenges and forecasted funding reductions.</p>	Challenging and uncertain financial outlook	<p>The extent to which councils are redesigning services and the savings they are making will continue to be monitored and reported in future BVARs, AARs and overview reports.</p> <p>Performance audits focusing on financial sustainability or ways of delivering services differently:</p> <p>Supporting economic growth: the role of local authorities (mid-2020)</p> <p>Digital progress in local government (mid-2020)</p>

SAP 3 - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future

- 87. Councils should have arrangements in place that prepare and support elected members and senior managers to respond to the challenging and changing local and national demands. This means ensuring there is appropriate, ongoing training and development to support both elected members and management. The 2016 report on [How councils work: Role and responsibilities in councils – Are you still getting it right?](#) stresses the importance of training and development to support elected members with the skills and tools required to carry out their complex and evolving roles.
- 88. Councils should also have regular and structured mechanisms in place to consult and engage with all members of staff. Understanding and acting on the views of staff, giving them ownership of change programmes, is key to driving improvement.

There is still a mixed picture across councils on the effectiveness of training and development for elected members

- 89. Elected members have a responsibility to take advantage of the training opportunities provided. In Stirling and South Lanarkshire councils, officers had put in place extensive training and development programmes but uptake by elected members was limited. Attendance at training sessions was also reported as being low in North Lanarkshire and Midlothian councils.
- 90. In Highland Council and Scottish Borders Council extensive induction training programmes were in place for new members. But there was limited evidence of continuous development and further training beyond a series of briefings.
- 91. Elected members should work with officers to review their personal training and development needs and agree a plan to ensure they have the skills required to effectively fulfil their scrutiny and challenge roles. Training and support for members needs tailored to their individual needs on an ongoing basis. Perth and Kinross Council was the only Year 3 BVAR council to systematically use personal development plans. Despite Renfrewshire Council's Year 1 BVAR recommending that elected members take advantage of the training and development opportunities the council provides, this year's AAR for the council recommends that further action is required by elected members to review their individual training requirements with a view to agreeing tailored personal development plans.
- 92. Elected members have asked for training and briefing materials to be made available online in a number of councils, to make them more accessible. North Lanarkshire Council has introduced an online portal which provides staff and elected members with more flexibility in accessing training.

Organisation-wide workforce planning is developing but not all councils have detailed service-level plans

- 93. Councils need to ensure they have the staff, skills and leaders to deliver change. This requires effective workforce planning. Also, councils spend a substantial part of their revenue budgets on their staff and reducing the workforce is one of the main ways councils have made savings.

94. We found in *Local government in Scotland: Challenges and performance 2019* that the quality of workforce planning was inconsistent. Councils need to do more to ensure they understand in detail the profile and capacity of the management and workforce they currently have and need in the future.
95. All Year 3 BVAR councils had organisation-wide workforce strategies of between three and five years in place but not all had detailed plans below them to implement the strategy. We also found limited information on learning and development opportunities provided for officers to enable them to fulfil their role effectively. Scottish Borders Council needs to develop longer-term workforce plans and ensure work is integrated into individual service plans. Similarly, detailed service-level workforce planning is still being developed in North Lanarkshire Council.
96. Stirling Council has a rolling five-year strategic workforce plan which is linked to its five-year business plan and budget-setting approach while South Lanarkshire Council has an organisation-wide three-year workforce plan. The plan details how workforce planning relates to the council's priority objectives and includes a profile of the current workforce to support succession planning.
97. Over the last year improved workforce plans have been developed in East Lothian, West Dunbartonshire and in the Orkney Islands in response to recommendations in Year 1 and Year 2 BVARs. Wider issues around workforce planning will be discussed in *Local government in Scotland: Challenges and performance 2020*.

Councils could do more to regularly consult and engage with their staff to help drive improvement

98. Four of the seven Year 3 BVAR councils have not conducted regular staff surveys. Surveying staff can provide valuable feedback to senior management, enabling them to understand and act on the views of staff, helping drive change and improvement. Scottish Borders Council has not run a council-wide staff survey since 2010 while Highland Council has not done so since 2015 and North Lanarkshire Council has not for a number of years. There were no staff surveys conducted at Stirling Council between 2008 and 2018. Midlothian, Perth and Kinross and South Lanarkshire councils all carried out staff surveys within the past two years.
99. Other methods of engaging with staff used by the Year 3 BVAR councils include:
- a three-year 'Investors in People' programme being rolled out across all services by North Lanarkshire Council
 - engagement events with members of staff on the budget in Midlothian, South Lanarkshire and Highland councils
 - an online staff survey and a number of round-table discussions with both management and operational staff on plans and priorities as part of the development of a new community plan in Stirling
 - regular meetings between the chief executive and staff from all services to share comments and ideas at Stirling Council and at Perth and Kinross Council the introduction of think yes sessions where staff are invited to share their thoughts and ideas on the future of the council and what challenges and opportunities they face.

- staff roadshows to consult on change programmes (Fit for 24 at Scottish Borders Council and the Perth and Kinross Offer at Perth and Kinross Council).

	Risks identified	Accounts Commission key risk area	Future audit work
Effectiveness of elected member training and development	Elected members do not have the skills required to effectively fulfil their scrutiny and challenge roles.	Leadership, governance and organisational capacity	Elected member training and development will continue to be monitored and reported in future BVARs, AARs and overview reports.
Workforce planning	<p>Workforce planning is not effective leading to councils not having the staff, skills and leaders they need to deliver change.</p> <p>The extent to which councils provide adequate learning and development opportunities for officers is not known.</p>	Leadership, governance and organisational capacity	<p>The effectiveness of workforce planning will continue to be monitored and reported in future BVARs, AARs and overview reports. It will be discussed in detail in <i>Local government in Scotland: Challenges and performance 2020</i></p> <p>Future performance audit on workforce planning: post-EU withdrawal (2021/22)</p> <p>Briefing paper: Teacher workforce planning (Winter 2020)</p>
Engaging with staff	A lack of regular staff engagement leads to staff not feeling informed, involved, valued or motivated making it harder for councils to implement improvements.	Leadership, governance and organisational capacity	<p>The effectiveness of staff engagement will continue to be monitored and reported in future BVARs, AARs and overview reports.</p> <p>Future performance audit on workforce planning: post-EU withdrawal (2021/22)</p> <p>Briefing paper: Teacher workforce planning (Winter 2020)</p>

SAP 3 - Risks identified and future audit work planned to report on the risks

SAP 4 – Empowering local communities and involving them in the design and delivery of local services and planning for their local area

100. Community empowerment is about supporting people to do things for themselves and enabling people to take control over decisions and factors that affect their lives. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved, through, for example:

- community asset transfers – where communities can take responsibility for land and buildings
- participation requests – where people can ask to take part in decisions about council services
- participatory budgeting – where communities can have a say in how the council should spend public money locally.

Working with other scrutiny bodies, we have developed a shared understanding of what we mean by community empowerment to support scrutiny

101. In July 2019, the Strategic Scrutiny Group, published [Principles for Community Empowerment](#), to establish a shared understanding of what we mean by community empowerment to support scrutiny. This group is made up of scrutiny bodies in local government and is chaired by the Account Commission. The principles document has been very well-received by other public bodies and third-sector organisations as well as the other scrutiny bodies.

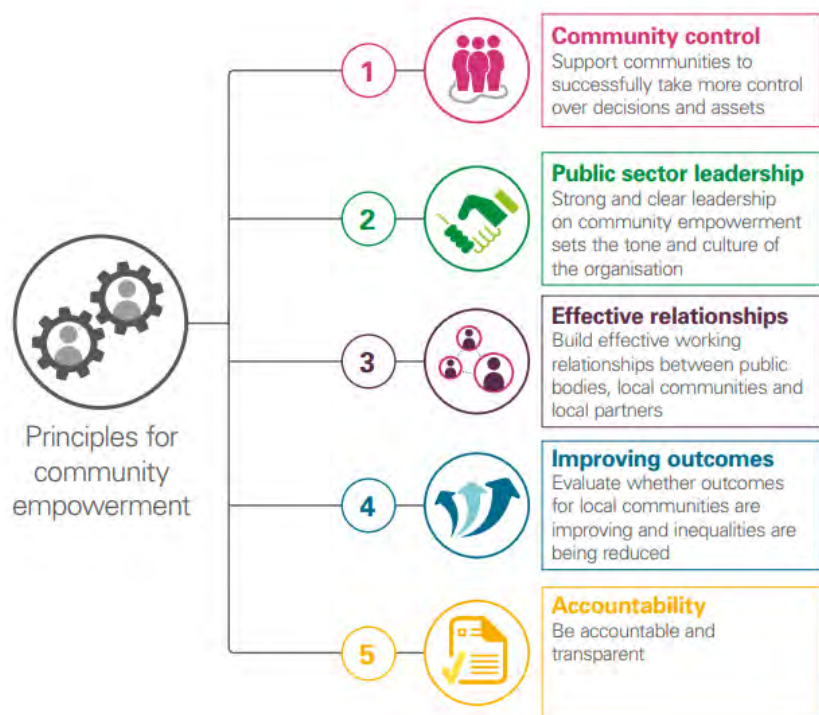
102. The principles document provides:

- an overview of what we mean by community empowerment
- summarises the benefits for communities and public bodies of doing community empowerment well and some of the risks associated with it
- outlines principles to promote a shared understanding across scrutiny bodies and to help public bodies make the most of the opportunities ([Exhibit 8](#))
- highlights some good practice examples of what is already happening across Scotland.

Most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes

103. In *Local government in Scotland: Challenges and performance 2019* we reported that some councils: had well-established arrangements in place to empower communities; were providing training to elected members and officers to enhance their knowledge of community empowerment; and were working to develop community capacity, including providing information and training to communities on how to deliver a service and support through the community asset transfer process.

104. Most councils could provide good examples of community engagement working well at a service level but could do more to involve communities earlier in strategic planning discussions and demonstrate the outcome of engagement.

Exhibit 8**Principles for community empowerment**

Source: Audit Scotland

Most of the Year 3 BVAR councils have been slow to progress elements of the Community Empowerment (Scotland) Act 2015

105. While we have seen examples of good progress in Midlothian Council, the majority of our Year 3 BVAR councils still need to do more to meet their obligations under the Community Empowerment (Scotland) Act 2015.

- In Scottish Borders Council, community asset transfers, participation requests and participatory budgeting are all at an early stage and the CPP has been slow to empower and engage communities
- South Lanarkshire Council needs to improve how it uses community engagement to shape services. It has recently established a Community Participation and Empowerment Team to review its approach to community participation and engagement.
- In Highland Council community asset transfers have increased but community experience of the process has been mixed.

Five of the seven Year 3 BVAR councils had not published locality plans for all the priority areas they identified

106. The Act requires CPPs to identify the areas within the council boundaries that have the poorest outcomes and publish 'locality plans' to improve outcomes for these communities. Five of the seven Year 3 BVAR councils did not have locality plans in place for all their priority areas. Both North and South Lanarkshire councils had no locality plans in place, Stirling had finalised one of four locality plans, Scottish Borders had developed all their locality plans but they were still in draft and Highland Council had developed plans for 11 out of 25 of its priority

areas. In many cases the slow progress is the result of a lack of resources – finances, staff and time – to carry out the significant level of engagement and consultation required.

- 107.** The Commission is intending to make the theme of community empowerment more prominent across its work and is considering how to report on this in the future. It plans to focus on sharing good practice in areas such as the transfer of community assets, participation requests and participatory budgeting and is considering using the 2020/21 performance and challenges local government overview report to highlight messages from Best Value audit work in this area.

SAP 4 - Risks identified and future audit work planned to report on the risks

	Risks identified	Accounts Commission key risk area	Future audit work
Empowering local communities	Councils provide little opportunity for communities to influence or take control of decision-making processes	Progress with public service reform	Community empowerment will continue to be monitored and reported in future BVARs, AARs and overview reports. The Commission is currently developing its future audit approach and considering using the 2020/21 performance and challenges local government overview report to highlight messages from Best Value audit work in this area focusing on: consultation and engagement, community use/ownership of local assets and resources and sustainability of new initiatives.
Engaging with local communities	There are poor relationships and a lack of trust between communities and the council. This can affect the willingness and capacity to share power and work together	Ability to deliver better outcomes Progress with public service reform	Community engagement will continue to be monitored and reported in future BVARs, AARs and overview reports. Future performance audits that may inform this risk include those relating to specific issues or client groups, eg: Social care sustainability (Autumn 2020) Mental health (2022/23) Housing for an older population (2022/23) The Commission is considering how to report on consultation and engagement (see above)

SAP 5 - Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes

108. Councils need robust self-evaluation and quality performance information to identify where improvement is needed to deliver on their priorities. Rigorous self-evaluation, based on good quality information, can provide this.

109. Good performance reporting includes:

- clearly stating how performance and spend are linked to the council's priorities
- local indicators which demonstrate quality of service
- public satisfaction levels
- an overall assessment of the council's performance against outcomes
- benchmarking of performance with others to identify areas for improvement and where they can learn from others.

A more systematic approach is required to self-evaluation in many councils

110. Two of the seven Year 3 BVAR councils demonstrated effective self-evaluation:

- South Lanarkshire Council uses a structured self-assessment and review programme to drive continuous improvement. The council uses the Empower self-assessment model, based on EFQM and PSIF principles, to identify areas for review. It has adopted a proportionate and risk-based approach to self-assessment targeting areas of poor or deteriorating performance.
- North Lanarkshire Council has a good approach to self-evaluation but should ensure the actions from these exercises are clear and measurable.

111. However, lack of consistency of approach to self-evaluation was a frequent finding for the other councils:

- Midlothian lacked a corporate approach to self-evaluation
- The approaches of Scottish Borders, Highland and Stirling councils to self-evaluation and continuous improvement have been inconsistent. A more systematic approach is required.
- Perth and Kinross Council's self-evaluation could be more explicit about improvement plans.

Many councils could improve on how they report performance information to the public

112. The Commission places great emphasis on councils' responsibilities for public performance reporting. This is a key element of the performance management framework and covers how effectively local authorities are reporting performance information to the public. The Commission does not prescribe how councils should report this information, but expects them to provide the public with fair, balanced and engaging performance information.

113. The 2015 SPI direction, which was applicable for the 2018/19 audits, requires each council to report a range of information setting out its performance in improving local public services,

improving local outcomes, engaging with communities and service users and in achieving Best Value. Councils are also required to report on their performance in local government benchmarking framework (LGBF) indicators.

- 114.** South Lanarkshire Council introduced 'spotlights' performance pages on its website in 2017/18, designed to give the public an overview of council performance. The infographics show performance against certain measures for each of the council's strategic objectives. The information presented on the website includes details of performance over the last three years and comparisons with Scottish averages where applicable. The information reported in these pages provides a comprehensive picture of service performance.
- 115.** However, the other six Year 3 BVAR councils each demonstrated some weaknesses in how they reported performance to the public:
- In Perth and Kinross Council we reported that public performance reporting should be more balanced.
 - Stirling Council does not provide a clear summary of performance against all its priorities or key performance measures to councillors or to the public.
 - In Scottish Borders Council, performance reporting to members and the public should be more comprehensive and clearer about why performance has deteriorated and what action is being taken.
 - Highland Council could be clearer about progress against targets when reporting.
 - Midlothian council provides comprehensive performance information to elected members and the public but the vast majority of its 139 indicators do not have targets
 - Public performance information on North Lanarkshire Council's website is not kept up to date. The annual audit report stated that the website was still not up-to-date despite being mentioned in the BVAR.
- 116.** Weaknesses in public performance reporting were also reported through the AARs. For example:
- Falkirk Council did not produce an annual report of performance against key indicators in each Directorate's performance plan. No up-to-date performance information was available for 2018/19. There was also no evidence that key outcomes within the Community Plan are publicly reported.
 - Annual reports at corporate level were not produced for Moray Council in 2017/18 and there was no overall summary of how the council performed on the LGBF indicators. Members and the wider public wishing to scrutinise performance information cannot easily access annual performance information.
- 117.** A revised SPI direction was published by the Accounts Commission in December 2018, which applies from 2019/20 (Part 4).

SAP 5 - Risks identified and future audit work planned to report on the risks

Risks identified	Accounts Commission key risk area	Future audit work
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Public performance reporting	Performance is not reported accurately or comprehensively to the public or to elected members leading to a lack of accountability and a lack of knowledge to make informed decisions.	Ability to deliver better outcomes	<p>As 2019/20 is the first year of the new SPI direction, auditors have been asked to report, in their 2019/20 AARs, a conclusion on the effectiveness and appropriateness of the arrangements in place for complying with the direction and any recommendations for improvement in the arrangements.</p> <p>Public performance reporting will continue to be monitored and reported in future BVARs, AARs and overview reports.</p>
Self-evaluation	Councils are not self-aware and do not understand their own performance and so cannot make improvements.	Ability to deliver better outcomes	The effectiveness of self-evaluation will continue to be monitored and reported in future BVARs, AARs and overview reports.

Part 4

Looking forward

Annual audit assessment of key risks

- 118.** The annual audit work carried out by auditors is planned to address the key audit risks in each council. Alongside local government-level risks, local audit work will also be informed by local risks. The results of this work will be reported in annual audit reports for 2019/20.
- 119.** Throughout 2019, auditors have advised Audit Scotland of any emerging issues and risks in audited bodies on an ongoing basis. These are reported to the Accounts Commission through the current audit issues papers presented to the Performance Audit Committee and the Financial Audit and Assurance Committee twice a year and in my updates at Accounts Commission meetings. These inform Audit Scotland's public sector risk register.

Best Value in councils

- 120.** A further seven BVARs are planned to be published in 2020. These are provisional publication dates and are subject to change:
- Argyll and Bute Council (April 2020)
 - Moray Council (May 2020)
 - North Ayrshire Council (June 2020)
 - City of Edinburgh Council (August 2020)
 - Dundee City Council (September 2020)
 - Aberdeenshire Council (October 2020)
 - Falkirk Council (November 2020).
- 121.** The final six BVARs are planned in 2021, year five of the audit appointments:
- Aberdeen City Council
 - Angus Council
 - East Dunbartonshire Council
 - Comhairle nan Eilean Siar
 - Shetland Islands Council
 - South Ayrshire Council.
- 122.** The Controller of Audit has not yet confirmed the timing of BVARs for these councils, to provide flexibility to react to any issues identified by local auditors.
- 123.** A schedule of planned BV work for each council during the remainder of the audit appointment is contained in each auditor's five-year Best Value Audit Plan (BVAP). Auditors are not required to publish the BVAPs as the future BVAR programme could be amended as risk assessments change across the councils.

- 124.** Where a BVAR has been published in a previous year, the annual audit report should include follow up of the auditor recommendations and any additional Accounts Commission recommendations included in their findings. Auditors should also make reference to their current judgement on the pace and depth of continuous improvement. This should reflect on the BVAR judgement and be updated for the results of follow-up audit work. The results of this work will be reported in the next Annual Assurance and Risks Report.
- 125.** The Accounts Commission has agreed the Best Value audit approach in councils for the audit appointments from 2021/22. Best Value audit work will be fully integrated into annual audit work and reported in the AARs; the new Code of Audit Practice will reflect this. This builds on auditors' current reporting of BV findings in AARs:
- An Annual Audit Report for each council will be reviewed by the Commission at least once over the five-year audit appointment. The AARs will be presented under the cover of a S102 Controller's report. No separate Best Value Assurance Reports (BVARs) will be published. This will provide the Commission with assurance on BV in each individual council.
 - The Accounts Commission will determine coverage of Best Value thematic work. This work will be carried out as part of the annual audit and reported in AARs. Themes will be selected after consideration of risk areas reported by auditors and reflected in the Controller's Annual Assurance and Risks Report. This will provide assurance to the Commission on its selected themes across Scotland and support national Best Value thematic reporting.
- 126.** The audit approach for auditing Best Value in IJBs is currently being discussed with the Commission. In December 2019 I delivered a presentation to the Commission on how we might best achieve the objective of providing assurance to the Commission on BV in IJBs, in a way that is proportionate and adds value. We will focus on developing the detail of the new approach in 2020.

National performance audits

- 127.** Audit Scotland carries out a programme of national performance audits that it undertakes on behalf of the Commission and Auditor General for Scotland. There is a comprehensive process for identifying and refining the programme of work. This includes ongoing work by the three cluster groups in Audit Scotland and a central team to collate potential areas of interest. Consideration of options and priorities by the Commission and the Auditor General is at the heart of the process. Consultation with other stakeholders also contributes to the assessment process. The Commission is considering its forward work programme in March. Audit Scotland has several performance audits planned in the coming year on behalf of the Commission including:
- Early learning and childcare: Progress report
 - Affordable housing
 - Improving educational outcomes for young people through school education
 - Digital progress in local government
 - Supporting economic growth: the role of local authorities.

Housing benefit performance audits (HBPA)

128. In view of the changes to the social security landscape, a more strategic approach is being taken to HBPA from 2019/20. This will shift the balance of work from reports on the risks at individual councils towards more cross-cutting thematic reviews that look at risks across councils. There are two such thematic reviews planned for 2019/20; one on overpayments, and the other on resourcing models. In addition, the audit team is taking a more risk-based and proportionate approach to changes in performance at individual councils. Two reviews of individual councils are planned to take place during 2019/20.

New SPI Direction

129. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report its:

- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

130. As 2019/20 is the first year of the direction, auditors have been asked to evaluate the effectiveness and appropriateness of the arrangements at each council to fulfil the above requirements and report their conclusions in their 2019/20 annual audit reports along with any recommendations for improvements in the arrangements.

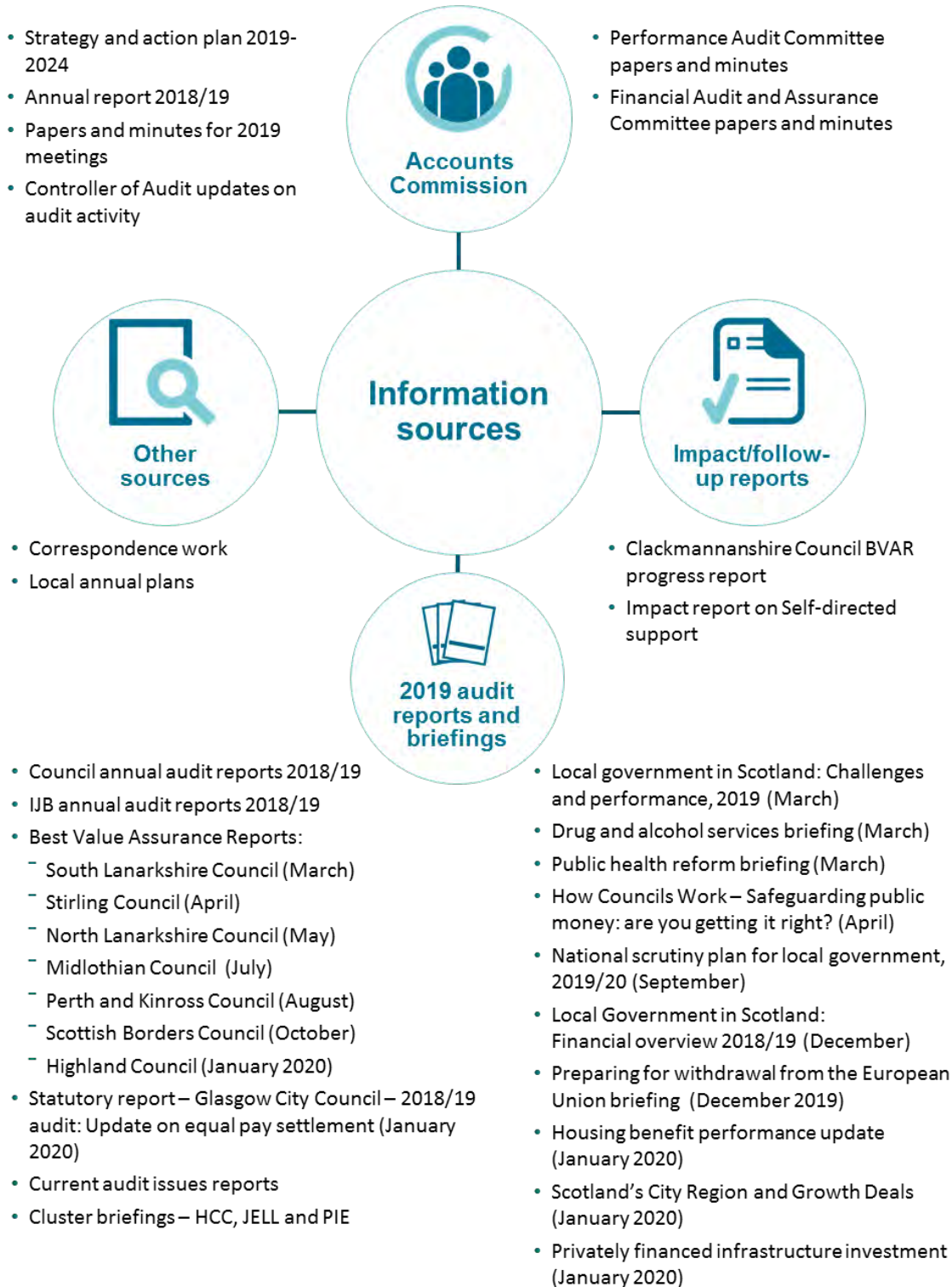
Shared risk assessment and the National Scrutiny Plan

131. Following a review of the shared risk assessment process, from 2019/20 there is a greater focus on coordinating and reporting on scrutiny at a national level. The National Scrutiny Plan (NSP) for local government, to be updated every six months, summarises the strategic scrutiny activity planned each year across councils. The arrangements for coordinating scrutiny at a local level continue to include a Local Area Network (LAN) for each council. LANs are led by the local auditor of the relevant council, and the results of discussions between the LAN and its council feed into the NSP. We are monitoring the impact of these changes and will report regularly to the SSG.

132. In addition to the auditing activities set out above, my team and colleagues from across Audit Scotland will continue to monitor and provide briefings on key risks and issues of interest.

Appendix 1

Information sources used



Appendix 2

Summary of identified audit risks

Key risk areas - Commission	Risks described in AARR based on audit evidence from 2019
Challenging and uncertain financial outlook	Long-term financial planning is not developed, contributing to financial sustainability risks in councils and integration joint boards.
	Elected members and officers are not fully informed before making difficult decisions, eg, medium-term financial plans do not include key elements.
	The full potential of collaborative working is not being maximised leading to services not being as efficient or effective as they could be.
	Councils cannot deliver the level of service redesign required to address future budget gaps.
	The pace of change is not adequate to respond to developing challenges and forecasted funding reductions.
Ability to deliver better outcomes	Councils cannot show they are addressing their priorities through improving outcomes.
	Councils are not self-aware and do not understand their own performance and so cannot make improvements.
	Options appraisal is not being used systematically by councils when making decisions about service redesign.
Progress with public service reform	Councils provide little opportunity for communities to influence or take control of decision-making processes
	There are poor relationships and a lack of trust between communities and the council. This can affect the willingness and capacity to share power and work together towards a shared goal
Leadership, governance and organisational capacity	Changes in leadership have a negative impact on capacity and momentum to deliver the transformation required for financial sustainability.
	Elected members do not have the skills required to effectively fulfil their scrutiny and challenge roles.
	Workforce planning is not effective leading to councils not having the staff, skills and leaders they need to deliver change.
	The extent to which councils provide adequate learning and development opportunities for officers is not known.
	A lack of regular staff engagement leads to staff not feeling informed, involved, valued or motivated making it harder for councils to implement improvements.
	Performance is not reported accurately or comprehensively to the public or to elected members leading to a lack of accountability and a lack of knowledge to make informed decisions.

Appendix 3

Summary of progress against the SAPs; comparing 2018 and 2019

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)
SAP 1: Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning	
<p>Councils need to continue to develop and strengthen their arrangements to show that outcomes are being achieved.</p> <p>Collaborative leadership and cultural differences between the partner bodies is affecting the pace of change for IJBs, which will impact on service delivery.</p> <p>Long-term financial planning is not fully developed - Councils should build on their medium-term financial planning and develop suitable long-term financial plans.. The majority of IJBs do not have medium term financial plans, and none currently have long term financial plans</p>	<p>Councils generally set out priorities with a focus on outcomes aligned with work of their partners. But progress is often unclear due to weaknesses in performance reporting.</p> <p>There has been a notable level of change in leadership over the last 18 months in councils and IJBs.</p> <p>Long-term financial planning has not advanced since last year. More progress is needed and the content of medium-term financial plans could be improved.</p> <p>Auditors reported that in the councils where they reviewed fairness and equality, these were embedded in council activities.</p>
SAP 2: The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners	
<p>Councils are in the early stages of new or refreshed transformation programmes.</p> <p>Councils show improving practice but scope for more improvement when considering service delivery options such as ALEOs.</p> <p>There is more evidence of councils collaborating with other public-sector bodies, however there is limited evidence of councils sharing services</p>	<p>Five of the Year 3 BVAR councils are at an early stage of rolling out their current transformation plans.</p> <p>There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign.</p> <p>There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. The development of city</p>

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)
	and growth deals has led to increased joint working between councils and with partners.
SAP 3: Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future	
<p>Training programmes should be tailored to suit the needs of councillors which should improve attendance rates.</p> <p>Councils are at various stages in developing organisational-wide workforce planning. Generally, further work is required.</p>	<p>There is still a mixed picture across councils on the effectiveness of training and development for elected members.</p> <p>Organisation-wide workforce planning is developing but not all councils have developed detailed service-level plans</p>
SAP 4: Empowering local communities and involving them in the design and delivery of local services and planning for their local area	
<p>Councils are beginning to implement their community empowerment arrangements at a local level - While arrangements for discharging responsibilities under the Community Empowerment Act have been established, there is limited progress.</p> <p>Where councils are undertaking public consultations, there is little evidence to show that they are taking the results into account when setting the annual budget.</p>	<p>Most of this year's BVAR councils have been slow to progress elements of the Community Empowerment Act</p> <p>Working with other scrutiny bodies we have developed a shared understanding of what we mean by community empowerment to support scrutiny.</p>
SAP 5: Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.	
<p>Councils have effective performance management frameworks in place. However, public performance reporting ranges in quality, and there is scope for councils to learn from each other to continue to improve the standard of reporting to their communities</p>	<p>Many councils could improve on how they report performance information to the public.</p> <p>A more systematic approach to self-evaluation is required in many councils.</p>

Annual assurance and risks report

Local government

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