

# Annual assurance and risks report

Local government

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# Summary

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## The challenging local government operating environment

1. The global Covid-19 pandemic and restrictions emerged at the end of March 2020 and persisted throughout the 2020/21 financial year. The 2020/21 annual accounts are the first to capture the full-year impact of Covid-19 on local government finances. Covid-19 created unprecedented conditions for councils and led to significant additional costs and loss of income throughout the year. It also led to greater and more frequent errors in councils' unaudited accounts. Auditors reported wider issues relating to progress with transformation and savings plans, support for ALEOs, increased instances of controls weaknesses, adverse impacts on long term planning and ongoing workforce capacity issues.

2. Councils' revenue funding from the Scottish Government increased by 13 per cent in real terms in 2020/21, mainly as a result of an additional £1.5 billion of Covid-19 funding from the Scottish Government. When this funding is excluded, there has been a real term underlying reduction in local government funding of 4.2 per cent since 2013/14.

3. Alongside dealing with a wide range of Covid-19 challenges on existing business and operations, councils also took on the additional responsibility of administering over £1.4 billion Covid-19 support grants to local businesses and individuals on behalf of the Scottish Government. This placed a significant additional burden on council finance staff during the year.

4. Councils have had a very difficult year. They have had to manage their ongoing response to the pandemic whilst at the same time beginning the process of recovery from the impact of the pandemic on key services. For example, dealing with increased demand and service backlogs that have built up during the various periods of lockdown restrictions. This is against a backdrop of long-standing pre-existing pressures and challenges such as increased demand from an ageing population and the need to deal with major long-term issues such as climate change and inequalities.

5. A key priority for councils' approaches to recovery and renewal is assessing the impact of service disruption on the most vulnerable and learning from this to inform and refine how they support those most affected. The pandemic continued to have a direct impact on a number of key council services such as education and social care. The local government workforce continues to be under pressure with high absence levels and impacts on wellbeing, particularly for frontline workers. This creates potential risks moving forward.

## Progress by councils against the Accounts Commission's strategic priorities

6. The Accounts Commission's strategic priorities reflect the current risks in councils in this environment. A summary of progress made by councils against these priorities is set out in [Exhibit 1](#).

### Exhibit 1

#### Progress by councils in 2021 against the Accounts Commission's strategic priorities

Priority area	Key findings
<b>Inequalities:</b>  the contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities	<ul style="list-style-type: none"> <li>– Councils are prioritising a commitment to reducing inequalities in their communities.</li> <li>– Councils are considering equalities as part of their decision making, engaging with harder to reach communities on service delivery and transformation and creating measurable equalities outcomes.</li> <li>– There are examples of councils working well with partners to target specific support towards disadvantaged and vulnerable groups within their communities, who may have been particularly impacted during the pandemic.</li> </ul>
<b>Funding:</b>  the impact of funding on local government's ability to fulfil its role	<ul style="list-style-type: none"> <li>– Funding for councils is decreasing and much of the funding is allocated by Scottish Government for specific purposes, reducing the discretion of councils in spending decisions.</li> <li>– Councils and IJBs are carrying out medium-term financial planning to provide more certainty around service provision and savings targets.</li> <li>– Some plans need to be reviewed to reflect the impact of Covid-19 to adjust priorities and targets, so they remain appropriate and deliverable.</li> </ul>
<b>Communities:</b>  the relationship between local government and its' different communities	<ul style="list-style-type: none"> <li>– Councils with BVARs in 2021 all had a clear vision and strategic direction, aligned with local outcome improvement plans.</li> <li>– Good working relationships with partners allowed councils to respond more effectively to the challenges created by the pandemic.</li> <li>– However, it is not always clear whether partnerships are delivering improved outcomes due to a lack of performance reporting.</li> <li>– Some councils are consulting widely with communities and involving them in decision making, however, councils have much more to do to fulfil the ambitions of the Community Empowerment Act. There is little evidence of direct community input driving recovery actions or meaningfully reshaping services.</li> </ul>
<b>Recovery:</b>  what contribution local government makes to Scotland's response to, and recovery from, the pandemic	<ul style="list-style-type: none"> <li>– Councils made changes to governance structures in response to Covid-19 and, despite the potential risks for scrutiny and decision making involved in this, the new arrangements were found to be effective.</li> <li>– Many councils have shown strong leadership, though as in previous years, there has been turnover.</li> <li>– BVAR councils were providing training for elected members and carrying out workforce planning, but there are still areas where improvements are needed.</li> <li>– Councils are making use of self-evaluation to drive continuous improvement.</li> <li>– There are still areas for improvement in council performance reporting to allow councils to be able to better demonstrate progress against priorities.</li> <li>– Councils are meeting their statutory responsibilities on public performance reporting under the 2018 SPI direction, but there is scope for improvement around reporting on benchmarking and performance against Best Value duties.</li> <li>– Covid-19 impacted on the ability of some councils to progress plans for transformation and make the associated savings.</li> </ul>

## Key strategic risks for councils

7. [Exhibit 2](#) sets out what our review highlights are the key risks to councils from our audit evidence (Part 3 sets out in detail the key risks for each priority area). It does not cover the wider context risks such as digital inclusion, climate change, the long-term economic shock of the pandemic, impact on equalities gaps and educational attainment, which also have significant implications for local government.

### Exhibit 2 Summary of key risks

Priority	Risks identified from 2021 audit evidence
<b>Inequalities</b>	Councils fail to address the longstanding and significant inequalities experienced in their communities, many of which have been exacerbated by the impact of the Covid-19 pandemic. These include the poverty-related education attainment gap, inequalities of access to high quality sustainable employment and the potential impact of current cost of living rises.
<b>Funding</b>	Councils' and integration joint boards (IJBs) struggle to deliver long term sustainable financial and service planning in the context of reducing levels of funding and ongoing uncertainties over longer-term funding settlements.
<b>Communities</b>	Councils do not deliver improved outcomes for communities because: <ul style="list-style-type: none"> <li>• limited opportunities are provided for communities to influence or take control of decision-making processes and/or local services</li> <li>• there is ineffective collaboration with Community Planning Partnerships and third sector partners</li> <li>• councils focus on recovery not renewal</li> <li>• performance against strategic priorities deteriorates as a consequence of financial and demand pressures.</li> </ul>
<b>Recovery</b>	There is insufficient leadership capacity and skills at elected member and senior officer level: <ul style="list-style-type: none"> <li>• to deliver the transformation required for Covid-19 recovery and renewal at sufficient pace</li> <li>• to address underlying challenges to financial sustainability that pre-date Covid-19</li> <li>• to deliver other public policy commitments e.g., net zero, reducing child poverty, reducing homelessness</li> <li>• for effective scrutiny and challenge</li> <li>• to develop the workforce to deliver transformation and improvement.</li> </ul>

8. These key strategic risks have been used to inform the proposed options for Best Value thematic annual audit work for 2022/23 for consideration by the Commission (See AARR cover report), in line with the process agreed by the Commission at its February meeting for identifying potential BV thematic work under the new [Code of Audit Practice 2021](#).

## Controller of Audit conclusions

9. Overall, I am assured that our audit work is providing good coverage of the Commission's new strategic areas of interest in councils (inequalities, funding, recovery, and communities) and that the increasingly integrated approach to auditing Best Value in councils is effective. 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. The BVARs are having an impact, with all councils implementing improvements in response to the reports.

10. This gives me confidence that when the Best Value approach changes under the next audit appointments from 2022/23 and becomes fully integrated into the annual audit, we will be able to continue to provide high quality work which reflects the Commission's BV auditing expectations and the requirements of the new [Code of Audit Practice](#).

11. Notwithstanding this generally positive picture, in preparing the AARR, I have identified two council AARs which did not explicitly report on whether the council in question had complied with its public performance reporting obligations under the Commission's 2018 SPI Direction. I have followed this issue up with the auditor in the firm concerned.

12. I shall also be liaising with local government appointed auditors to ensure that as we enter the final year of the current round of audit appointments, follow-up audit work on all BVARs published to date takes place during 2022 and is reported in this year's AARs (2021/22). These audit findings will be used to inform the proposed scheduling of the first year of Best Value audit reporting on councils under the new Code of Audit Practice, as discussed with the Commission at its February meeting.

13. Looking beyond the audit work undertaken by local government auditors, the AARR highlights a number of significant strategic local government risks and challenges. Some of these relate to the ongoing impact of the Covid-19 on local communities and council services, including the impact of the pandemic on the ability of some councils to progress their improvement and transformation agendas. Other risks, such as climate change and the longstanding pressures on social care services, predate the pandemic. The potential impact of the creation of a new National Care Service for Scotland by 2026 and the impact of the May 2020 local government elections on strategic leadership are also both major challenges facing local government in Scotland moving forward, as is workforce capacity. These major risks should, I believe, feature in the Commission's risk register.

14. The AARR provides good assurance that councils are making progress against the Commission's four key priorities (inequalities, funding, communities, and recovery). It also shows that in most instances councils have robust arrangements in place to support the delivery of Best Value.

15. However, the AARR also highlights the need for further progress to be made by some councils against a number of important aspects of Best Value. These include:

- strengthened leadership and an increased depth and pace of improvement
- the need for more systematic approaches to self-evaluation to drive improvement
- further action to be taken to address mixed progress in implementing aspects of the Community Empowerment (Scotland) 2015 Act, for example in relation to participatory budgeting
- scope for improved performance reporting by councils to:
  - better demonstrate progress against local priorities (including with partners)
  - report more effectively on benchmarking activity and the use of the Local Government Benchmarking Framework (LGBF)
  - more clearly show how they are meeting the requirements of the Commission's Statutory Performance Information (SPI) Direction.

16. Audit responses to these risks are already well reflected in the Commission's work programme through ongoing local government annual audit work, BVARs, overview reporting, and performance audit work. I will, however, continue to monitor these strategic risks to ensure that appropriate responses to them can either be reflected in the Commission's dynamic work programme or through reporting to the Commission under my S102 powers.

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# Introduction

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## Background

17. 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 inform the future work programme, including future Best Value work, the Commission's discussions at its strategy seminar and its consideration of the draft *Local government in Scotland 2022* report at the April 2022 Commission meeting.

18. During 2020 and 2021 the Commission and I have overseen a variety of reports, including a performance audit, Best Value Assurance Reports (BVARs), annual audit reports (AARs) in local government bodies and briefing papers. Throughout the period Audit Scotland and the Commission have continued to balance discharging their responsibilities effectively during the continuing pandemic with the need to recognise and reflect the significant impact responding to Covid-19 has had on councils and other public bodies. The pandemic has though impacted on the timing of some of our audit work, most notably delaying the timing of some annual audits which had a consequent knock-on impact on the timing of the Financial Local Government Overview. In addition, we experienced specific challenges around the availability of some Covid-19 spend data which impacted on the timing of our *Scotland's financial response to Covid-19* performance audit work.

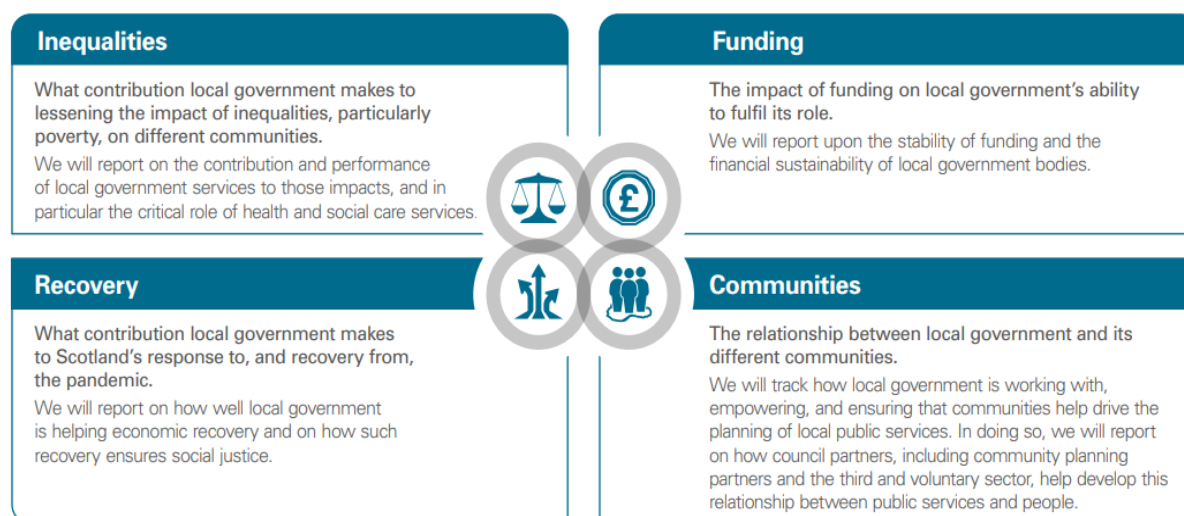
19. This report summarises progress, good practice, areas for improvement and risks identified through our audit work. It also looks at the pace and depth of continuous improvement in councils and provides an assessment of the extent to which councils are progressing with the Commission's four audit priorities. This year the AARR will also inform the new approach to thematic BV reporting by identifying options for thematic work for coverage by all auditors in their annual audit work.



## Audit priorities

20. In its *Strategy 2021-26*, the Commission set out the four priorities it will focus on for the next five years ([Exhibit 3](#)). We will use these priorities to inform how we assess both council's immediate response to the Covid-19 pandemic and their longer-term recovery and renewal work. The AARR this year has been structured around these priority areas and the key findings against each are set out in [Exhibit 1 \(page 4\)](#).

### Exhibit 3 Accounts Commission priority areas



Source: Accounts Commission strategy 2021-26

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# Part 1

## Work completed on behalf of the Accounts Commission in 2021

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21. 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.

### Impact of Covid-19 on annual audit work

22. Covid-19 has had, and continues to have, a massive impact across the country. The Local Government and Financial Local Government Overviews will continue to report on the ongoing impact of Covid-19 over the medium-term.

23. In 2020, the Scottish Government wrote to all local government bodies to set out its expectations for the 2019/20 annual accounts and audits. It set out a two-month relaxation to the timetable, with the aim to publish unaudited accounts online by the 31 August (usually 30 June) and to meet to consider them within two months of publication. The accounts regulations were amended for 2020/21 to defer the sign off date from 30 September to 31 October, with the Coronavirus Scotland Act permitting a further deferral to 30 November.

24. [Exhibit 4](#) gives a summary of when council and IJB audited accounts were signed off. The feedback from auditors has suggested that this year has been tougher than last year due to some of the following issues:

- A late start to this year's audit
- A failure by some councils to provide accounts on time
- Significantly increased levels of errors in accounts this year
- Poor quality working papers from councils and delays in receiving responses to queries
- The ongoing impact of carrying out the audit fully remotely
- Additional Covid-19 expenditure and funding streams being audited this year
- Fatigue for finance and audit teams.

## Exhibit 4

### Timings of council and IJB accounts and audit work completion 2020/21

Deadline	Number submitted – councils	Number submitted - IJBs
Accounts certified – October 2021	11	17
Accounts certified – November 2021 (extended date)	12	11
Accounts certified past the deadline	9	2

*Source: Audit Scotland*

25. The Local Government in Scotland: Financial overview 2020/21 was delayed due to the impact of Covid-19. Challenges in gathering evidence from annual accounts, AARs and auditor returns meant that publication was pushed back from January until March 2022. The increased number of significant errors identified through the audit process meant that we saw an increase in the number of changes required from unaudited to audited accounts, therefore analysis within the report was based on audited data where possible.

26. The Local Government in Scotland: Overview 2022 will publish in May 2022, in line with a similar timetable as that adopted in the prior year. It will be the first report published following the recent local government elections. The Commission intend to use the report as an important strategic document for new and returning councillors and plan to produce a checklist of useful questions to support councillors in their roles.

## Annual audit reports

27. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The Code of Audit Practice 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 me as Controller of Audit. 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.

28. 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 normally the formal starting point for any statutory reporting.

29. In 2021, AARs were prepared for:

- 32 councils (including comment, if applicable, on 201 registered charities within 65 sets of charity accounts)
- 30 integration joint boards
- 11 pension funds
- 32 other small boards and partnerships.

30. There were no qualified audit opinions given within these reports. Further information on some specific issues identified within these is given at [paragraphs 35-43](#).

31. 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 continuing challenges the pandemic brought during the 2020/21 audit year and the enormous adaptability, professionalism and commitment shown by councils and audit teams throughout. Councils and IJBs have played a crucial role in leading and supporting local communities and vulnerable individuals over this period. I also welcomed the improvements that IJBs and councils have committed to making to ensure the 2021/22 accounts presented for audit are of a good quality, following an increase in the number and significance of adjustments required in the 2020/21 accounts.

32. In IJBs, AARs provide an opinion on the financial statements. Auditors also report on some aspects of BV through their wider scope audit work on financial management and sustainability and governance. Auditors also report on the arrangements in place for demonstrating Best Value in each IJB.

33. This year's IJB AARs reported that:

- 22 IJBs have appropriate arrangements for BV in place
- 4 IJBs were working on developing their arrangements
- 2 had arrangements in place, but the auditors judged that they needed further improvement
- 2 IJB AARs had no clear judgement on the IJBs' arrangements for demonstrating Best Value.

34. The eleven local government pension fund AARs note some positive performance, despite the challenging year. The accounts were signed off to the original deadline of October for eight, with only one fund failing to meet the extended deadline of November. The funds reported positive investment returns in 2020/21, with the majority of funds outperforming their annual benchmarks. The triennial funding revaluation took place across the funds in March 2020, to review each fund's financial position and set appropriate contribution rates for each employer for the upcoming three years. Overall,

the funding position has improved across Scotland, with nine funds showing an improved funding position compared to 2017 and seven funds show funding levels of more than 100 per cent.

35. I highlight some specific issues arising from the 2020/21 Local Government AARs below:

## Procurement

36. There have been two recent cases of council procurement exercises that may have breached European law and were subject to Internal Audit investigations. Comhairle nan Eilean Siar likely breached European Law around the process for awarding the lease of Lews Castle in Stornoway to an outside hospitality operator. The council agreed to a settlement in September 2020. Internal Audit investigated the procurement exercise and found that it failed to provide the market with equity of information, access to officers and access to site visits to inform draft tender documentation. The investigation also found that council officers appeared to have acted in a way that could only be deemed to have undermined the reputation of the council and/or public perception of conduct expected by a public body. The BVAR on Comhairle nan Eilean Siar which is due to be reported to the Commission in September 2022 will provide an update of progress made by the council in implementing a range of improvement actions arising from the Internal Audit investigation into this matter.

37. An internal audit investigation was also carried out around procurement at Orkney Islands Council, in relation to an order of 80,000 tonnes of stone from a quarry in Oban without following open tendering requirements. The investigation found that there were fundamental weaknesses in the way the orders were placed. It was done outwith the open procedure required by the council's own policies and by law. This resulted in reputational damage to the council, in particular by a lack of inclusiveness towards local businesses. Improvement actions being taken by the council in response to the findings of this internal audit investigation continue to be monitored closely by the local appointed auditor.

## Equal pay

38. As a consequence of the Accounts Commission's longstanding interest in equal pay, as reported on in [2017](#) and [2022](#), auditors are continuing to monitor councils' progress in implementing the 1999 single status agreement (SSA), including the settlement of new or outstanding equal pay claims. Glasgow City Council has previously made settlements to thousands of current and past employees in relation to historic equal pay claims. The settlements made covered the period up to March 2018. There is a potential further liability in relation to these claimants, from April 2018 until the date the new pay and grading system is implemented.

39. In February 2021, the GMB union launched equal pay claims against Dundee City Council. It has alleged that women employed, in roles filled mainly by women, by the council and two of its ALEOs do not receive the same bonuses and enhancements as those offered for roles filled mainly by men. The council is carrying out a job evaluation exercise to match trade roles onto the council pay scale, ending the payment of bonuses. Until this

exercise is complete it is too early for the council to give an indication of the likely cost to resolve the issue.

40. At both of these councils these issues continue to be monitored closely by the local appointed auditor.

## Control weaknesses

41. Both East Renfrewshire and Fife Councils recently implemented new payroll systems and auditors have been monitoring underlying control issues in relation to these. East Renfrewshire Council implemented a new payroll in November 2020 and a benefits system in December 2020. The council experienced capacity issues in implementing and operating the new systems, which resulted in delays to input and adoption of controls on the new system. There was a failure to implement routine controls to ensure the system was up-to-date and operating correctly. Fife Council implemented its new general ledger, accounts payable and payroll systems in July and November 2020. Fife demonstrated more significant issues than East Renfrewshire, with key control weaknesses in budgetary control, payroll, control account reconciliations, journal authorisation, access rights and changes to supplier details.

42. In both cases auditors were concerned about the impact of the absence of key controls on the completeness of data in financial ledgers, which in turn created uncertainty about the figures in the annual accounts. To be able to complete the audit work auditors needed to extend the sample sizes of transactions tested and undertake other audit procedures. This allowed them to gather sufficient assurances over transactions and the completeness and accuracy of balances recorded at the end of the year.

## High number of errors in accounts

43. As reported in the Local government in Scotland: Financial overview 2020/21, the additional challenges council finance teams faced as a result of Covid-19 may have led to an increased number of errors in the accounts in 2020/21. Some of these errors related to Covid-19 specific funding, like business support grants and funding for personal protective equipment. Guidance on how to treat these transactions in the accounts was not issued until June 2020, after unaudited accounts had already been prepared. There were also higher numbers of errors in other areas, like asset valuations and the consolidation of group accounts

## Wider audit dimensions

44. 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 5 \(page 15\)](#). Best Value sits at the heart of the four dimensions. The Code was recently reviewed in advance of the next five-year appointment of auditors, and the Code of Audit Practice 2021 was approved by the Auditor General and Accounts Commission in June 2021.

45. 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 assessment of whether the audited body is demonstrating it is securing best value through 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 5

### Audit dimensions



Source: Code of Audit Practice 2016

## Best Value Assurance reports

46. Best Value in councils is assessed over the audit appointment (usually five years, now extended to six as a result of the pandemic), as part of the annual audit work. The Commission will also consider a Best Value Assurance Report (BVAR) for each council at least once in the appointment period. 2020/21 was the fifth year of this approach. The Commission has agreed that from 2022/23, Best Value will be assessed entirely through the annual audit. Annual thematic work will be carried out by auditors and reported in annual audit reports. The Annual Risk and Assurance reports will help the Commission in choosing these themes by highlighting the key risks facing local government ([Exhibit 2](#)).

47. Between January 2021 and January 2022, I produced four BVARs (Aberdeen City Council, East Dunbartonshire, South Ayrshire, Falkirk) and the Commission made findings on each of them. A summary of the pace and depth of continuous improvement identified across these four BVARs is set out 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 Best Value characteristics are covered by audit work in every council over a six-year period.



## National reports and briefings

48. A summary of the reports, briefing papers and other relevant outputs produced by Audit Scotland on behalf of the Accounts Commission is set out in [Exhibit 6](#).

### Exhibit 6

#### Summary of findings from relevant national reports, briefings, and other outputs in 2021 and January 2022

Report	Findings
<a href="#">Tracking the impact of Covid-19 on Scotland's public finances</a>  Briefing paper: February 2021	<p>A snapshot of the position before the spring budget revision.</p> <p>The briefing describes some of the challenges the Scottish Government has faced. There is the potential for confusion over whether funding announcements from the UK government represent new funding or are part of the already guaranteed amounts. If the Scottish Government commits guaranteed Barnett consequential to its own spending initiatives, those funds will not be available to match any UK spending announcements made later.</p> <p>It is likely to become more difficult to identify what is and isn't Covid-19 spending as time goes on.</p> <p>Risks identified included: spending decisions having to be made with less time for the analysis and consultation that would usually occur, some groups are likely to be disproportionately impacted and further data will be needed on this so that the Scottish Government can direct funding to where it's needed, and the economic impact will have long term consequences for public finances.</p>
<a href="#">Improving outcomes for young people through school education</a>  <b>Performance audit: March 2021</b>	<p>The pandemic affected children and young people in many ways, including learning, wellbeing and economic circumstances. Pupils living in the most challenging circumstances have been most affected by school closures.</p> <p>Those involved in planning, delivering and supporting education were working well together prior to the pandemic. This helped them to collaborate to deliver a rapid response in challenge circumstances. Covid-19 reinforced the importance of education and other sectors working together to tackle issues affecting young people's outcomes, like poverty and health and wellbeing.</p> <p>There has been an increase in types of opportunities, awards and qualifications available, but better data is needed to understand if outcomes are improving.</p> <p>There is wide variation in performance across councils, with some indicators in some areas getting worse. The rate of improvement has been inconsistent across measures. Data gaps from Covid-19 exam cancellations will impact the ability to measure progress.</p> <p>The poverty related attainment gap is still wide, and Covid-19 has exacerbated inequalities. Progress on closing the gap has been limited. Improvement needs to happen more quickly and consistently across the country.</p> <p>Spend on education has increased in real terms, largely due to the Attainment Scotland Fund. £200m was spent on Covid-19 mitigation measures and education recovery.</p>
<a href="#">Local Government in Scotland</a>	<p>The report focused on councils' initial response to the Covid-19 pandemic.</p>



<p><a href="#">Overview 2021</a> <b>Overview: May 2021</b></p>	<p>Relationships with communities have been vital. Council and communities have worked well together, already stronger partnerships made for a smoother transition.</p> <p>Levels of service disruption have varied. There were significant negative impacts on some areas and client groups.</p> <p>There were significant changes in council governance structures and processes. Councils will need to manage the pressures on staff.</p> <p>Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic. The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils.</p> <p>Councils have started to plan for longer term recovery from the crisis. There has been ongoing learning resulting from the emergency response to the pandemic.</p>
<p><a href="#">The impact of Covid-19 on Scottish councils' benefit services</a></p> <p><b>Thematic study: October 2021</b></p>	<p>This report was based on a survey sent to all councils and returned by all except three.</p> <p>Councils reacted positively to the implications of the pandemic and were effective in meeting the significant challenges of delivering the benefit services remotely.</p> <p>More than three quarters of council's benefit services were adversely impacted by Covid-19 absences during 2020/21.</p> <p>The worldwide shortage of IT and office equipment contributed to delays in claims processing times during the early stages of the pandemic. However, by the end of 2020/21, 18 of 29 councils had either maintained or improved on 2019/20 new claims processing performance.</p> <p>Although most benefit staff worked from home during 2020/21, the accuracy of claims had not been adversely affected, with 21 of the 28 councils that provided data reporting that performance had been maintained or improved.</p>
<p><a href="#">Auditing climate change: an update</a></p> <p>Other output: October 2021</p>	<p>A paper setting out some of the key themes and challenges from a July 2021 roundtable on our approach to auditing climate change, along with principles for how we will work.</p>
<p><a href="#">Community empowerment: Covid-19 update</a></p> <p>Other output: October 2021</p>	<p>A set of case studies giving examples of community responses to the pandemic and sharing learning from the experiences of bodies involved.</p>
<p><a href="#">Social care</a></p> <p>Briefing paper January 2022</p>	<p>There are huge challenges facing the sustainability of social care. There are good examples of improved service delivery, but the pace of change has been slow. Progress in moving to more preventative approaches to delivering social care has been limited. This has led to tighter eligibility criteria being applied for accessing care and increasing levels of unmet need.</p> <p>Service users and carers do not always have a say in what support works best for them. Bringing together their views, knowledge and experience is critical if the Scottish Government is to deliver its long-standing ambitions for social care.</p>

	<p>Staff in social care are under immense pressure, and the sector faces ongoing challenges with recruitment and retention. Staff are not adequately valued, engaged, or rewarded for their vitally important role. This puts the capacity, sustainability, and quality of care services at a considerable risk.</p> <p>Other challenges identified include:</p> <ul style="list-style-type: none"> <li>• Commissioning focuses on cost rather than quality or outcomes</li> <li>• High turnover of staff, increasing short-term posts and an ageing workforce affecting leadership capacity</li> <li>• Inability or unwillingness to share information and a lack of relevant data</li> </ul> <p>Significant changes are planned over the next five years, including the introduction of a National Care Service, but some things cannot wait. A plan is needed now to address the significant challenges facing social care.</p>
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Source: Audit Scotland

## Correspondence

49. 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. The Code states that the key factor in determining whether we examine an issue of concern is its relevance to Audit Scotland's role and functions. The Financial Audit and Assurance Committee of the Commission is updated every six months on correspondence received.

50. During 2020/21, we received 70 issues of concern about local government bodies; this includes whistleblowing disclosures and objections to accounts. The councils with the highest proportion of concerns raised in 2020/21 were City of Edinburgh and Highland (both with 11 per cent), followed by Fife and North Ayrshire (both with 10 per cent).

51. There are some recurring themes in the correspondence we received about local government, including management of contracts (including issues relating to Covid-19 disruption), alleged fraud, public engagement in decision-making, grant funding and housing services.

52. We use correspondence to add to our knowledge of audited public bodies, and most issues of concern informed audit work in some way. Issues raised in half of concerns (51 per cent) in 2020/21 were used as audit intelligence to help identify risks and inform audit planning. In 12 per cent of cases, correspondence resulted in auditors taking direct action, either including the issues raised in planned audit work or auditors did additional audit work to examine the issue.

# Part 2

## The pace and depth of continuous improvement in councils in 2021

### Councils with BVARs in year five

53. 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 relation to Best Value characteristics and service performance. Key messages from the four councils for which BVARs were completed between January 2021 and January 2022 (Year 5) are set out in [Exhibit 7](#).

- The pace of improvement across the four councils has been mixed. East Dunbartonshire Council has shown a good pace of improvement since 2017 and Aberdeen City Council has made significant improvement since its last Best Value audit in 2015. By contrast, continuous improvement in both South Ayrshire and Falkirk Councils has been slow.
- All four BVAR councils use self-assessment to inform improvement activity and show awareness of where improvement is needed.

### Exhibit 7

#### Summary of findings on pace and depth of continuous improvement from the four councils subject to BVARs in 2021

Pace of improvement was mixed across BVAR councils

Council	Continuous improvement key messages
<b>Aberdeen City Council</b>	Aberdeen City Council has demonstrated significant improvements in key areas since its 2015 Best Value report. A major transformation programme has led to an effective organisational structure and improved governance and reporting arrangement. The council has delivered challenging savings targets, and ambitious capital projects, while delivering services within budget. Its financial management arrangements are well developed alongside governance requirements associated with its bond holding.
<b>East Dunbartonshire Council</b>	The council has demonstrated a good pace of improvement since the last Best Value report in 2017. Service performance is strong and has improved in the majority of services, prior to the Covid-19 pandemic. The council's priorities are clearly reflected in its financial plans and its Business and Improvement Plans. It is well placed to meet the challenges of the future.
<b>South Ayrshire Council</b>	<p>The council has set a clear vision, which reflects local needs and is supported by, and well-aligned to, the plans and work of its partners. The council also responded well to the challenges of the Covid-19 pandemic.</p> <p>There are good working relationships between officers and elected members, but the council's leadership – elected members and management – has made limited progress on key aspects of Best Value. Progress has been particularly slow in community planning, financial and workforce planning, transformation and some aspects of community empowerment. While there has been some very recent progress, the council's leadership needs to increase its ambition, pace and focus to deliver improvements in these important areas.</p>

Council	Continuous improvement key messages
<b>Falkirk Council</b>	In our last Best Value report in 2018, we said that the council would need strong leadership to make the necessary step change in its pace of improvement. Since then, the council has taken a range of actions to improve leadership and develop an improvement culture. However, elected members and the corporate management team have not yet demonstrated the collective leadership required to drive the change necessary to deliver the council's priorities. The council has made insufficient progress on key aspects of Best Value, including improving financial sustainability, performance management and reporting, community empowerment and equalities. It has only recently begun to take forward developments in these important areas.

Source: Audit Scotland

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## Follow up of year one to four BVARs

54. A further 25 councils have already had a BVAR published as part of the six-year programme. Auditors were required to follow-up on the previous Best Value audit findings in the 2020/21 AARs.

55. Auditors reported positive progress against BVAR recommendations, though improvement actions during the last year have been impacted by Covid-19. Of the six BVARs published in Year 4, five report on progress made by the council to some extent. The remaining council, Moray, had a BVAR follow-up report published in March 2022. All report that some progress has been made. Argyll and Bute Council and Dundee City Council note that some improvements have been made, but that the pace has been impacted by Covid-19. The Argyll and Bute Council AAR recommends that the council reviews its BVAR action plan to revise actions and key dates to inject pace and momentum into the work.

# Part 3

## Progress against the Commission's priorities in 2021

56. Audit findings reported this year on councils' performance against each of the Commission's audit priorities are set out below.

### **Inequalities – the contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities**

57. Covid-19 has had a profound and often devastating impact on people across Scotland. It has exposed existing inequalities across society and increased the risk of the most vulnerable and marginalised groups – who already experience poorer outcomes – getting left even further behind. The depth and breadth of these impacts will be a key focus of audit work in the years ahead. Reporting on how public bodies are tackling inequalities as Scotland recovers from the pandemic is set out as a priority in the joint work programme of the Accounts Commission and Auditor General.

58. The audit-focused equality outcome published by the Accounts Commission and Audit Scotland in April 2021 will frame the approach: *Our work supports the public sector to address inequalities including protected characteristics and socio-economic disadvantage, and to protect human rights*. This outcome recognises that human rights and equalities considerations must be central to how delivery of public services is assessed. It reflects the connectedness of different forms of inequalities and the multiple ways people experience disadvantage and poorer outcomes.

59. Aligned to this, the Accounts Commission's 2021–26 Strategy reflects the critical role that councils have in delivering high-quality services and improving outcomes for local people. It recognises that service user and equality perspectives will be underpinning considerations. Promoting flexibility in how local public services are delivered, placing greater emphasis on collaborative working and the importance of increasing empowerment of citizens and communities, will support councils to reduce disadvantage and inequality and improve outcomes.

### **Councils are prioritising a commitment to reducing inequalities in their communities as well as considering equalities as part of their decision making**

60. Tackling poverty, reducing inequality, and promoting fairness, respect and dignity for all citizens should be key priorities for local authorities and 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. All councils talk about tackling inequalities within their Covid-19 recovery plans. The 2021 BVARs found examples of councils prioritising equalities considerations in their work, though there was room for improvement, particularly in Falkirk.

**2021 AARR:** Most councils are making good progress towards their statutory equality responsibilities. Reports highlighted some good examples of councils' work to address inequalities in their communities.

61. The BVAR on Aberdeen City Council reported that the council considers equalities across its work, both when engaging with hard-to-reach communities and with its own workforce. Equalities is a key focus of the local outcome improvement plan. The council has carried out work to understand its diverse communities and has set equalities performance indicators. They have also been working on establishing an Equality Ambassador Network of staff, who will act as contacts on equality and diversity issues and help to share information across the organisation.

62. Aberdeen City Council considered equalities issues as part of the development of the transformation programme as well as in the development of budget options. An equality impact and risk assessment was carried out in relation to Covid-19, which included direct engagement with harder to reach communities.

63. The East Dunbartonshire BVAR found that the council routinely used equality impact assessments and provides these to members to consider when making decisions. The council has appointed an equalities officer who has been working with services across the council to create equality outcomes with measurable actions for the council's next Equality Outcomes and Mainstreaming report.

64. East Dunbartonshire Council runs local projects targeted specifically at reducing inequalities across different communities. One of these is the Snack and Play programme, part of the council's Child Poverty Action Plan. This has been run by the council, in partnership with East Dunbartonshire Leisure and Culture Trust, since 2017/18 and gives children the chance to attend a local primary school during school holidays. It is open to all children but prioritises those in receipt of free school meals or identified as vulnerable, and includes a hot lunch as well as play, sports and craft activities. During Covid-19 the programme was targeted at vulnerable children and the children of key workers during the Easter and summer holidays.

65. The South Ayrshire Council BVAR reported that addressing poverty is one of the key focus areas of the CPP. In January 2021 it reviewed its priorities and agreed that the strategic theme of 'closing the poverty-related outcomes gaps for children and young people' should be redefined as 'closing the poverty-related outcomes gaps'. This was to reflect the wider impact on the family and community.

66. The BVAR on Falkirk Council found that the council needs to better demonstrate that it is meeting its equalities duties. The council has reduced its gender pay gap over the last five years, from 6.6 per cent in 2015/16 to 4.6 per cent in 2019/20, but the gap is still higher than the national figure of 3.4 per cent. Despite the council's commitment to tackling inequalities, and the positive actions taken in relation to this, an internal audit report in 2019/20 offered only 'limited assurance' about its arrangements for meeting its duties under the Equality Act. The report identified some significant weaknesses in the council's arrangements, including a lack of an appropriate governance framework and the absence of reports on progress against statutory requirements. While the council has created an action plan to address the report recommendations, none of the actions has a target completion date.



67. Equalities will be covered in every council at least once across the six-year audit appointment, as identified in the individual Best Value audit plans. This year, auditors had planned to consider equalities as part of the AAR work in six councils. Examples of the positive work being done around equalities includes:

- The City of Edinburgh Council's programme of work focussing on recovery from Covid-19 includes a working group on Life Chances, aimed at aligning the council's recovery activity to the key theme of addressing poverty, promoting sustainability, and improving well-being.
- North Ayrshire Council has clear strategies in place for progressing the equalities agenda, including an updated Equality Outcomes Plan for 2021-25 and equalities built into the council plan and performance measures.
- Shetland Council has shown a commitment to reducing inequalities through partnership working, which has been evidenced through the outcomes achieved and the individual projects undertaken.
- South Lanarkshire Council published its first Community Wealth Building Strategy in March 2021, and the council aims for this to contribute to its overarching objective to tackle poverty, deprivation and reduce inequalities.
- West Lothian Council has completed a rollout of corporate equality and diversity training to all council employees and provides online training on integrated impact assessments. It has also reviewed its recruitment and selection training to incorporate best practice on equality and diversity.

68. AARs also noted some areas for improvement or further work:

- Angus Council have renewed their equality impact assessment forms and developed an e-learning course, but training for elected members has not yet taken place.
- The Dundee CPP needs to set out how it will measure the impact of its action plan to reduce inequality and poverty. It is taking forward actions to improve performance monitoring and reporting to demonstrate impact against key priorities and the new arrangements were expected to be in place by the end of 2021.
- While East Lothian Council has worked with partners to deliver some successful initiatives, reporting against equalities and Fairer Scotland duties needs to be more joined up.

69. BVAR work during the year identified examples of councils working to target specific support towards disadvantaged and vulnerable groups within their communities, who may have been particularly impacted during the pandemic. (See [paragraph 79](#) for further examples of this work).

- Aberdeen City Council established three wellbeing hubs in the city's three priority neighbourhoods, to support children and their families during the pandemic. They focussed on areas like preventative work to support

family wellbeing and improving awareness of mental health and wellbeing to address stigma and cultural issues.

- East Dunbartonshire Council were able to use a stock of computers they already had as part of a school replacement programme to make sure pupils were supported with home learning. The council worked with head teachers to identify where the devices were most needed to make sure pupils were not disadvantaged by not being able to access online learning opportunities.

## Funding – the impact of funding on local government’s ability to fulfil its role

70. Local government has seen reducing budgets in recent years, while funding for other areas has been rising. Excluding Covid-19 money, funding from the Scottish Government to local government between 2013/14 and 2020/21 decreased by 4.2 per cent in real terms. During the same period Scottish Government funding across other areas increased by 4.3 per cent. There is continued uncertainty in funding for councils, with short-term funding cycles, ringfenced funding and continuity of Covid-19 funds. Ringfenced policy streams, for example, for early learning and childcare, are constraining the policy discretion of councils.

71. The impact of Covid-19, and the additional funding provided by the Scottish Government, had a significant impact on councils’ performance against budgets. Councils reported underspends against budgets, largely due to a reduction in services as an impact of Covid-19, also due to unspent Covid-19 funding being carried forward to the next year.

## Councils and IJBs are carrying out medium-term financial planning, but some plans need to be reviewed to reflect the impact of Covid 19

72. Medium and long-term financial planning will become even more important as councils deal with recovery from the pandemic and the impact this has had on worsening the existing financial pressures they were already facing. The majority of councils and IJBs are planning on a medium-term basis, but there is less evidence of longer-term planning. There are examples of councils and IJBs revising plans and using things like scenario planning to consider the impact of Covid-19. However, as noted last year, others will now need to review their plans in light of the impact of the pandemic on services and budgets.

- Aberdeen City Council BVAR reported that the council has a medium-term financial plan in place, informed by comprehensive scenario planning. Longer-term planning work was carried out in 2016 and the council should make sure this work is regularly reviewed. The council produced a Financial Resilience Recovery Plan in June 2020 in response to Covid-19, setting out the potential deficit of £32 million that the council could face in 2020/21. It included a range of scenarios and planned actions to enable the council to address the emerging deficit.
- East Dunbartonshire Council has a medium-term financial plan, supported by a longer-term financial strategy, but has yet to develop a long-term

**2021 AARR:**  
Councils have made good progress on medium term planning; however, most councils will need to rework their medium and longer-term financial plans in light of Covid-19. IJBs face significant financial challenges.



financial plan. The BVAR reports that the financial plan still needs to be updated to reflect the implications of Covid-19.

- Falkirk Council has a medium-term plan, but it does not address the full extent of the projected future funding gap. A refreshed plan was presented to members in May 2021, but this was rejected as it was decided there was not yet enough clarity on the economic impact of Covid-19 on local government.
- The South Ayrshire BVAR found that the council did not have a medium-term financial plan in place and that the council's financial planning was not well developed enough to provide assurance about its financial sustainability.

73. Twenty-nine council AARs refer to having a medium-term financial plan in place, and 15 refer to a longer-term financial plan. Eleven specifically identified risks around the delivery of savings, two of which note a risk around delivering savings without adversely impacting service delivery. Twenty-seven IJB AARs talk about medium-term financial plans and four about long-term planning.

- Dundee Council considered its long-term financial strategy in January 2021 but decided there was too much uncertainty around the longer-term financial impact of the Covid-19 pandemic, including future funding levels and the use of the available financial flexibilities, to predict with any confidence the long-term financial position of the council. It is committed to revisit and update the long-term financial strategy once more clarity emerges, to enable it to align its budgets and service priorities.
- There is a risk to the long-term sustainability of Comhairle nan Eilean Siar given the probability of additional cost pressures, on top of the immediate response to Covid-19. Dependence on reserves to bridge budget gaps is unsustainable and savings plans may be too optimistic.
- Dundee IJB faces risks around its financial sustainability. The IJB's five-year financial framework needs to be updated to reflect the impact of the Covid-19 pandemic on services and funding streams.
- East Dunbartonshire IJB's medium five-year financial strategy is to be reviewed in the context of emerging impacts from the Covid-19 pandemic both in terms of medium / longer term cost pressures and to reflect new ways of working. Despite the overall surplus at the end of the year there remains a risk to financial sustainability in the medium-term.

74. Capital programmes are being impacted by Covid-19, with 23 council AARs reporting slippages in projects and the pandemic representing a significant factor in this. In some cases, the councils involved had a history of slippages and underspends in their capital programmes prior to Covid-19. Councils may need to consider whether future plans are realistic and achievable.

- Comhairle nan Eilean Siar underspent by £6.7 million on its capital budget for 2020/21, partly attributed to the impact of construction being halted due to Covid-19. The 2019/20 AAR noted that capital budgets had been

underspent in the last five years, and there was a risk the programmes and budgets were unrealistic. The auditor had recommended a review of the capital programme, but this has not yet taken place.

- Midlothian Council overspent against the original capital budget, reversing a historic trend of slippages. The impact of Covid-19 and Brexit meant that some projects had to be rephased during the year. Supply chain issues may impact the council's ability to deliver its significant capital programme in future years. Careful monitoring will be needed to make sure the programme remains affordable.
- South Lanarkshire Council reviewed its capital programmes to produce a more realistic estimate of what could be achieved given the Covid-19 restrictions. The final outturn showed slippage of 13 per cent against the revised general services capital works budget, largely due to Covid-19.

## **Communities and partnership working – the relationship between local government and its' different communities**

75. 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, participation requests and participatory budgeting. The Act requires community planning partners to secure the participation of community bodies in community planning, particularly those that represent the interests of people who experience inequalities of outcome from socio-economic disadvantage.

### **Councils with BVARs in 2021 all had a clear vision and strategic direction, aligned with local outcome improvement plans**

76. All four BVARs published during the year talk about the council having a clear vision and strategic priorities that align with the community planning partnerships local outcome improvement plans (LOIPs).

- Aberdeen City Council's strategies and plans are clearly aligned to the community planning partnership (CPP) LOIP. The vision and priorities are well articulated and embedded within the strategic planning framework.
- East Dunbartonshire BVAR reports that the council and its partners have a clear vision for the area, set out in the LOIP. The council has a clear strategic direction.
- South Ayrshire Council has a clear vision and priorities, which are aligned with the LOIP and shared by partners and elected members.
- Falkirk Council has set out a clear vision and priorities for the future. Members and officers have set a clear strategic direction for the council, including its recovery from the impact of Covid-19. The council revised its corporate plan in 2020, reducing the number of priorities. The revised priorities align the with wider priorities of the CPP.

77. Priorities across the BVAR councils and their CPPs include a focus on areas like inequalities, sustainability and climate change, the economy,

### **2021 AARR:**

The quality of the underlying council strategies and plans that support the delivery of the vision vary. Most of the 2020 BVARs report that it is difficult to demonstrate progress against the strategic objectives.

health and wellbeing, and the importance of early intervention and prevention. All four councils report progress against priorities in the form of performance indicators. Sixteen council AARs specifically refer to progress against council priorities being regularly reported.

**Good working relationships with partners allowed councils to respond more effectively to the challenges created by the pandemic. However, it is not always clear whether partnerships are delivering improved outcomes due to a lack of performance reporting.**

78. Partners play an important part in improving outcomes for communities. During the Covid-19 pandemic, local people and communities across Scotland were crucial in providing support to the most vulnerable people in society. Partnerships and the voluntary sector were vital in supporting and empowering people to do this. The recent [Community empowerment: Covid-19 update](#) noted that some communities were able to provide a faster and more targeted response in areas where existing relationships were stronger. This enabled rapid allocation of funding to well-established organisations supporting those most affected by Covid-19.

79. BVARs noted that these good relationships with partners helped them to be able to respond effectively to the challenges of Covid-19.

- The Aberdeen City CPP's progress in the use of digital technology and data sharing supported the work on the LOIP refresh and the short-term Social Economic Rescue Plan to respond to the immediate impact of Covid-19. Partners were able to effectively share data between them.
- The East Dunbartonshire BVAR noted that partnership working in the area was further strengthened during the response to Covid-19. Three supportive services were delivered by partners to provide assistance – a shopping and prescription assistance service, shielding support and the humanitarian assistance service. Partners worked together to make sure the three services were interlinked, and that people could be referred between them.
- South Ayrshire Council worked with partners to provide support to vulnerable communities during Covid-19 through the creation of the Ayrshire Resilience Partnership. This group included the Ayrshire Councils' chief executives, along with representatives from health, police and fire. It established close working relationships with business and local voluntary groups to deliver a range of services and support.
- Falkirk Council and its partners have strong relationships, which allowed them to work well together in their joint response to the pandemic. Actions included setting up a 'support for people' service helping to connect people with voluntary organisations and creating a database of community groups that supported more than 10,000 people to access things like self-isolation grants, food parcels and financial advice.

80. While the 2020 BVARs reported examples of partners successfully delivering improved outcomes, three of the four 2021 BVARs found a lack of reporting on performance against outcomes meant it wasn't clear whether CPPs were contributing to improving outcomes for their communities.

**2021 AARR:**

There is evidence of strong partnership working across Scotland. Some community planning partnerships are successfully delivering improved outcomes. Councils continue to work well with partners to develop and deliver city region and growth deals.

- The Aberdeen CPP is central to the work of the partners across the council area. The effective leadership and identification of priority themes with lead partners helps to provide a clear line of accountability for delivery. Scrutiny and oversight are supported by comprehensive supporting outcomes and performance indicators. Outcomes shows mixed progress, with improvement in 13 of 18 CPOP indicators, but there is a focus on longer-term measures.
- The East Dunbartonshire BVAR reported that the CPP's annual performance report does not give a clear summary of progress against the outcome performance indicators set out in the LOIP. The council and partners have recognised that the way performance against outcomes is reported could be improved and will consider this as part of the LOIP review.
- The South Ayrshire CPP has previously lacked strategic direction, but it has been making improvements. Performance information reported to the board focusses on actions rather than outcomes. The BVAR reported that the partnership still has work to do to improve outcomes for communities and develop performance information to demonstrate that outcomes are being delivered.
- The Falkirk BVAR found that a lack of performance reporting by the CPP makes it difficult to identify whether partnership working has contributed to improving outcomes for local people. The CPP has not produced an annual performance report against its strategic plan in the last three years, so it is unclear whether it has been successful in delivering its planned objectives.

### **Some councils are consulting widely with communities and involving them in decision making**

81. The 2021 BVARs reported on councils using a range of methods to engage with communities and involve them in decision making, but there were examples of a lack of consistency in how this is done across services.

82. Aberdeen CPP uses a range of consultation approaches including an online platform and a citizens panel, along with more traditional methods like community group meetings and public consultation events. Engagement with residents as part of the development of the local development plan led to an increased focus on sustainable development and identified the need to produce a more child friendly version of the plan.

83. East Dunbartonshire Council consults widely and encourages citizen participation. Council services have specific stages of planning for consulting and engaging with communities. The council is working to improve engagement with a wider range of people, for example, older people who may not have access to social media. The council has established a youth council and is gathering young people's views about the impact of the pandemic to influence council services.

84. South Ayrshire Council uses a range of methods to engage with communities, including citizen panels, consultations and a youth forum. The council recognised that even though it has a wide range of community

### **2021 AARR:**

There is evidence of councils engaging well with their communities but there is scope for more involvement in working together in the development of policies and services. There is evidence of progress against the Community Empowerment (Scotland) 2015 Act.

engagement activities, these were not consistent across the council and that it needed to improve its assessment of the impact of engagement. It responded to this by recently introducing a community engagement strategy to improve the consistency of the council's approach to involving communities in the future of council services.

85. Falkirk Council has used a range of methods to engage with communities, for example, surveys, public meetings, online consultations and social media. The BVAR found that there was a lack of consistency in how this is done across different council services. The council has worked to strengthen its commitment to community engagement recently, holding engagement events alongside the third sector. The results of a customer perceptions survey in February 2021 indicates that the council needs to do more to improve how communities can influence local decisions.

86. BVARs found a mixed picture in the progress with community empowerment across councils. Participatory budgeting in particular is an area that has lacked progress.

- The Aberdeen City Council BVAR found that aspects of community empowerment, including community leasing of council assets and participatory budgeting, are well established.
- East Dunbartonshire has made progress in implementing the requirements of the Community Empowerment Act. The council has a history of supporting community groups to manage and own facilities and has published a community asset transfer policy clearly setting out the process. The council has supported a number of small participatory budgeting projects and intends to further develop its understanding and approach to participatory budgeting.
- South Ayrshire Council has made good progress in some aspects of the Community Empowerment Act, but the BVAR found that the council lacked strategic drive to further expand participatory budgeting activity. Little progress has been made to mainstream participatory budgeting since 2017/18 and there is significant scepticism about participatory budgeting among elected members.
- The Falkirk BVAR reported that previously limited and slow progress has been made in empowering communities, but that this is now a greater priority for the council and the CPP. Since the introduction of the community empowerment act, the council's progress in participatory budgeting has been relatively slow and limited.

87. Eight council AARs included examples of work councils were doing on community engagement and empowerment, whilst some specifically noted improvements were needed.

- Midlothian Council works with NESTA on a listen and learn programme, highlighting the value of working together with communities. A services co-design project was brought together to shape and test new ways of working in partnership with communities.



- South Lanarkshire Council works with communities to identify priorities, and a refresh of the connect plan and community plan is currently underway. The council have been making good progress to address the BVAR recommendation to improve community engagement.
- Argyll and Bute Council has made limited progress on a programme to improve engagement skills across the organisation. The 2020 BVAR recommended that the council should work with communities to understand and address their concerns and to improve satisfaction with council services. This work has been impacted by Covid-19 and is still underway.

## **Recovery – what contribution local government makes to Scotland’s response to, and recovery from, the pandemic**

88. Local government will continue to play a crucial part in the recovery from the pandemic. [The Scottish Government Covid-19 recovery strategy](#) notes the joint approach in agreeing the shared vision and outcomes of Covid-19 recovery recognises the critical roles of both the Scottish Government and local government in leading the national and shared endeavour of Covid-19 recovery. The recovery activity will support rebuilding public services, good, green jobs and fair work, financial security for low-income households and the wellbeing of children and young people.

89. The upcoming Local government Overview Report 2022 will look further at the impact of the pandemic on local government over the past year. It will assess the ongoing impact and the wider challenges that are facing councils in the second year of the pandemic. It will have a particular focus on progress councils are making towards recovery and renewal.

90. The 2021 BVARs gave some examples of initial recovery work taking place in councils:

- Aberdeen City Council has produced a Financial Resilience and Recovery Plan to consider potential budget deficits as a result of the pandemic, along with planned mitigating actions. The CPP published a socio-economic recovery plan in July 2020, supported by locality recovery plans, setting out the partnership’s immediate response.
- East Dunbartonshire Council published an Economic Recovery Plan in August 2020, and a revised version at the beginning of 2021. The plan identifies the impacts and key issues for the local economy, setting out the actions the council and its partners are taking to address them.
- South Ayrshire Council formed a Covid-19 Recovery Group to oversee recovery planning. It published a strategic framework to direct planning for recovery and renewal and each service produced their own service improvement and recovery plan.
- Falkirk Council developed a new Corporate Plan in 2020 to reflect changes in priorities as a result of the impact of Covid-19. Views of communities, businesses and employees were gathered as part of this work. The council vision has also been incorporated into other strategic

plans like the new three-year business plan and the Economic Recovery Plan.

**Councils made changes to governance structures in response to Covid-19 and, despite the potential risks for scrutiny and decision making involved in this, the new arrangements were found to be effective**

91. As reported in the AARR last year, all bodies made immediate and significant changes to their governance arrangements in March 2020 in response to the Covid-19 pandemic. BVARs and AARs reported positively on governance arrangements despite these changes.

92. Aberdeen City Council made significant changes to governance structures as part of their transformation programme. The BVAR reported that the arrangements are now well established, and the council has been awarded the CIPFA governance mark of excellence. In response to Covid-19 Aberdeen City Council paused their full council and most committees between March and September 2020 and made their Urgent Business Committee the main decision-making forum.

93. East Dunbartonshire Council adapted their governance arrangements quickly in March 2020 to provide an emergency response to Covid-19. Committee meetings were suspended, and powers were delegated to the chief executive. Special meetings of the council could be called when there was a significant matter to discuss. Arrangements were later put in place to hold council and committee meetings virtually. The BVAR found that although these changes brought the risk of a reduced level of scrutiny by members, the council managed this risk effectively.

94. The Falkirk Council BVAR reported that the council had appropriate governance arrangements in place to support effective decision making and scrutiny. The council created an Emergency Executive Committee between May and September 2020 to take decisions that allowed the council to respond to the emergency and plan for recovery. Despite these arrangements the BVAR noted that there continued to be significant delays in making key decisions needed to deliver council priorities.

95. Twenty-seven of the council AARs specifically note that effective governance arrangements were in place. Where they talk about the new arrangements in place in response to Covid-19 these arrangements were found to be appropriate.

- Dumfries and Galloway Council have continued to improve and develop governance arrangements. The council reported progress on the six improvement actions arising from the 2019/20 self-assessment as well as further identified opportunities for improving governance.
- The City of Edinburgh Council responded quickly and effectively in making changes to political management arrangements in response to the pandemic. A leadership advisory panel was established, with membership including the leaders of each political group.

96. Part of the changes to governance arrangements involved councils moving to virtual committee meetings. Despite this new way of working councils are largely conducting their business in a transparent way. Most councils webcast or record their committee meetings and made arrangements for public access to meetings. A review of council websites in January 2022 showed 28 councils had live video or audio feeds of meetings and 30 produced recordings of meetings. Minutes and papers from meeting were usually available on the council's websites.

97. The South Ayrshire BVAR reported that the council had been slow to provide the public with access to its meeting during the pandemic, taking longer to establish arrangements for this than many other councils. It intended to have live streaming of some meetings in place for October 2021.

### **Many councils have shown strong leadership, though, as in previous years, there has been turnover**

98. Effective leadership is key to councils achieving their objectives and providing clear strategic direction and will be crucial in the recovery from the pandemic. As with last year's AARR, a mixed picture has been reported across councils, with some examples of strong leadership, but with changes still taking place in some councils

99. Of the four BVARs published in the last year, two reported on good leadership, while the other two noted weaknesses that were impacting on the council's ability to make progress on priorities.

- Aberdeen City Council's Corporate Management Team has shown strong leadership and clear strategic direction in driving forward improvements and transformation. Management development schemes have been developed to increase leadership capacity beneath chief officer level.
- East Dunbartonshire Council has provided effective leadership in delivering the council's priorities. Officers and elected members work well together and provide a clear strategic direction. Officer leadership has been stable, with no new corporate management appointments in recent years.
- In contrast, the South Ayrshire Council BVAR reported that the council leadership had made limited progress on key aspects of Best Value. The council's leadership needs to increase its ambition and pace of change to be able to deliver improvement. The council lacks a strategic programme for developing leadership skills and capacity.
- Falkirk Council have taken action to improve leadership since the 2018 BV report, including introducing a leadership forum and leadership team development sessions. However, the most recent BVAR still found that the council failed to demonstrate the collective leadership required to drive the improvement needed to achieve its priorities.

100. Council AARs report changes in leadership or a management restructure in seven councils, with three specifically noting difficulties in recruiting to management posts, including:

### **2021 AARR:**

Many councils have made changes to their management teams and there continues to be significant change to IJB' leadership. This can be a catalyst for improvement but can also present some risks.



- Comhairle nan Eilean Siar which has had difficulty filling the post for Director for Assets, Finance and Resources, since the previous post holder left in February 2021. It had organisational restructures in 2017 and 2018, but now needs to identify a sustainable organisational structure to support service delivery.
- Orkney Council, which has had significant turnover within the senior management team in recent years. A revised structure is being developed and due to be implemented by March 2022. Departures from the senior management team have left gaps and a 2020/21 recruitment campaign for the chief executive post failed to identify a suitable candidate, so the role is currently filled on an interim basis.

101. We have previously reported on the potential risks of the significant amount of change that had been taking place in IJB leadership. There was little reference to leadership change within this year's IJB AARS, but there were a couple of areas of concern around management capacity noted:

- Edinburgh IJB needs to prioritise commissioning an independent assessment of leadership and management capacity that the IJB will need to succeed over the next few years. A significant level of change has been committed to for the next three years, so this should be an area of priority.
- The auditors of Falkirk IJB reported that without a formalised integration scheme in place there is a risk that delivery of the IJB priorities could be impacted by a lack of management capacity.

### **BVAR councils were providing training for elected members but attendance could be improved**

102. As councils undertake the challenges of recovering from the impact of Covid-19, making sure elected members and senior officers have the skills and support they need to effectively carry out their roles will be important. There is also the potential for an influx of new councillors following the May 2022 local government elections. Councils should have arrangements in place to 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 induction, ongoing training, and development to support both elected members and management.

103. The 2021 BVARs found councils had comprehensive training programmes in place, though attendance could be improved, and councils had not yet developed individual personal development plans for members.

- Member training at Aberdeen City Council is comprehensive, but attendance can be variable depending on role, experience, and tenure. The council is planning to introduce tailored personal development plans for members before the 2022 election.
- The East Dunbartonshire BVAR reported that the council has an effective training programme to support elected members. This includes a comprehensive induction programme for new members. The council previously tried to sign up all members to individual development plans, but the uptake was limited.

### **2021 AARR:**

Good training programmes on a range of topics are provided for elected members but attendance could improve.

- South Ayrshire Council has a programme of training for elected members but on average members attended less than half of the available sessions between 2017/18 and 2020/21. The council is considering a more personalised development package, including personal development plans for each member.

## BVAR councils were all carrying out workforce planning

104. BVAR councils all had workforce planning in place, though service level planning was not yet fully embedded in South Ayrshire.

- South Ayrshire Council has a corporate workforce plan up to 2022, along with a workforce planning toolkit. However, the BVAR found that the guidance and toolkits for both workforce planning and succession planning are not embedded or consistently deployed throughout the council. There is also no clear link between workforce planning and the council priorities.
- Aberdeen City Council has a multi-year workforce strategy that links to the LOIP and to council outcomes. Detailed workforce planning is done as part of the annual planning and budgeting cycle.
- East Dunbartonshire Council has made significant improvements in its workforce planning arrangements since its previous BV report and is demonstrating a good practice approach to workforce planning. Individual service workforce plans have been developed. The council is waiting to see how services will be delivered post Covid-19 before revisiting the workforce strategy and plans.
- Falkirk Council has made good progress with workforce planning and has a detailed workforce strategy, supported by a workforce plan that links to the corporate plan priorities.

105. Councils should 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. BVAR councils were consulting with staff including engaging with them on changes during, and resulting from, the pandemic.

- Aberdeen City Council consulted with staff as part of its transformation programme. It also recently completed a 'Future of Work' survey to ask staff for views on things like the response to Covid-19 and the arrangements for the shift to remote working.
- East Dunbartonshire Council had conducted a staff survey in 2019 and had been due to discuss the results but this was delayed due to Covid-19. The council planned to carry out a new survey from September 2021 to March 2022 and use the results to inform council and service action plans to improve employee engagement.
- South Ayrshire Council was proactive in communicating with staff during the pandemic. The results of an Employee Covid-19 Recovery Survey showed that 80 per cent of respondents agreed they were kept up to date

## 2021 AARR:

Councils are developing organisation-wide workforce plans, but Covid-19 has had a significant impact on workforce planning. Councils are engaging with staff, but response rates are low.

## 2021 AARR:

A small number of councils use

during the period. Employees are expected to be involved in the council's 'Future Operating Model' project that commenced in March 2021.

## **Councils are making use of self-evaluation work to drive continuous improvement.**

106. Robust self-evaluation and good quality performance reporting are important factors in council's identifying where improvements are needed to be able to deliver on their priorities. This will be important going forward, to identify where councils wish to focus their attention as part of pandemic recovery plans.

107. All four 2021 BVARs were making use of self-evaluation to inform improvement activity:

- Aberdeen City Council uses self-evaluation effectively to inform its plans and the process is now well embedded in the annual planning cycle. The CMT and senior staff oversee improvement projects through a Performance Management Board, and progress reports on the work are presented to elected members. Although the council is committed to carrying out post project reviews to identify lessons learned it needs to make sure these are being consistently carried out.
- East Dunbartonshire Council also uses self-assessment to drive improvement. Areas for improvement are identified from performance information and actions to address these are included within Business Improvement Plans. Some of these actions will trigger further improvement projects. Progress against this work is reported to elected members quarterly through How Good Is Our Service reports.
- South Ayrshire Council has a structured approach to continuous improvement that focusses on the use of self-evaluation. The How Good Is Our Council approach is used. Services are continually reviewed based on inspection reports and performance. Officers and members have been trained on self-evaluation.
- Falkirk Council uses a range of approaches to identifying areas for improvement, including self-assessment along with internal audit and external inspections.

108. The council AARs that report on self-evaluation and improvement mainly give positive examples of continuous improvement and self-evaluation work, though in three councils the impact of Covid-19 on this work is noted.

- While North Lanarkshire Council's planned 12-week self-evaluation in Spring 2020 was postponed due to the pandemic, the council has continued with its commitment to self-evaluation. It completed an exercise to evaluate its response to Covid-19 and developed an action plan. The results of this fed into the Programme of Work for 2021/22,
- Angus Council AAR notes that it needs to more clearly demonstrate how self-assessment and external scrutiny feed into service improvement activity.

### **2021 AARR:**

While there has been improvement in performance reporting, it will be increasingly

## **There are still areas for improvement in council performance reporting to allow councils to be able to better demonstrate progress against priorities.**

109. Good performance reporting plays a key role in improving performance. Performance reports should include how performance links to council priorities, indicators on service quality and satisfaction and an overall assessment of how the council is performing against outcomes. Performance reports should also benchmark a council's performance against others.

110. There are examples of councils with good performance management and reporting in place, but like in previous years, there are areas where improvements are needed. 2021 BVARs reported a mixed picture on performance reporting. Aberdeen City and South Ayrshire BVARs both reported that the councils had revised their performance management frameworks, but both still had room for improvement on how performance was reported:

- Both Aberdeen City Council and South Ayrshire Council could improve their reporting to make overall progress against outcomes clearer by including a high-level summary of performance
- South Ayrshire Council's new indicators could make it more difficult to demonstrate progress against priorities due to a lack of trend information and some indicators being less clearly linked to the priorities that the previous set. Performance reports also lack targets for the majority of indicators
- Falkirk Council also revised its performance management framework. The council's reports on performance against priorities now more clearly demonstrate whether they are being achieved. There is still scope for further improvements, for example, by including actions that are being taken to address areas of underperformance
- East Dunbartonshire has a comprehensive performance management framework with regular reporting on progress against targets, used to identify areas of good practice and areas for improvement.

111. Council AARs note that councils are reporting regularly on performance, though due to the impact of Covid-19 some councils made changes, including delaying some performance reports. Councils may need to review their performance reporting and measures used in light of changes to priorities and plans due to the pandemic.

112. There were some examples given in AARs of areas where improvements are needed:

- Comhairle nan Eilean Siar's BV self-assessment work identified a recurring issue with the council's ability to demonstrate outcomes. A BV action plan working group has been set up to identify evidence to demonstrate how outcomes are being achieved.
- Dundee Council's previous BVAR has reported that the council had been slow to develop a consistent approach to monitoring and reporting

performance and that regular reports for members were still being developed. In 2020/21 a revised performance management framework was developed and is intended to be fully deployed from 2022/23.

- Whilst most IJB AARs noted that effective arrangements were in place for managing and reporting performance, three noted issues around this, with work underway to improve this. For example, Edinburgh IJB committed to developing a performance management framework by April 2021 and has been carrying out work looking at understanding outcomes and developing corresponding indicators.

113. Ten council AARs specifically referred to council performance and service delivery having been impacted by Covid-19. Five council AARs note that a large number of performance indicators were missing data to be able to analyse trends, some note this is due to Covid-19 but it's not clear if that is the case for all those with missing data. Examples of noted impacts on service performance include:

- The City of Edinburgh Council added a 'blue' status within its RAG assessment of progress against KPIs, to indicate areas where the impact of Covid-19 means comparison with performance in previous years is not appropriate. These areas include education, homelessness, street cleaning, rent arrears, commercial income, lost time due to ill health and the delivery of savings.
- West Lothian Council found a number of indicators were either impacted by a reduced staff capacity due to Covid-19, or more indirectly by an increased demand for some services from the public as a result of Covid-19. The AAR also noted that Covid-19 has impacted on the council meeting the scheduled dates for actions in the improvement plan.
- The East Dunbartonshire BVAR notes that Covid-19 had a significant impact on services. Performance reporting identified areas where indicators had been impacted by Covid-19, for example, the number of new start businesses supported by the council and other partners saw a significant drop.
- The West Dunbartonshire Council AAR reports that the pandemic worsened the challenges of poverty and inequality in the area. They are facing particular challenges in the average tariff score for pupils from the most deprived areas and the proportion of households in fuel poverty.

**Although councils are meeting their statutory responsibilities on public performance reporting under the 2018 SPI direction, there is scope for improvement around reporting on benchmarking and performance against Best Value duties.**

114. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. Councils have responsibilities, under their BV duty, to report performance to the public. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction 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.

115. The Accounts Commission considered a paper on the draft 2021 SPI direction at its December meeting and an update was given on councils' progress against the requirements of the 2018 Direction. It found that all councils were reporting, to some degree, performance information that can be compared over time and between different bodies. However, there is significant variation in the extent to which they are meeting the requirements of the Direction and scope for improvement in how some areas are reported. The report also noted that there could be improvements in the consistency of reporting of progress against the Direction in the AARs. The specific areas for improvement in council reporting noted include:

- Improving the accessibility of performance pages, to make it easy for citizens to access performance information
- Reporting on performance against their Best Value duty, in particular reporting progress against previous Best Value assessments
- Reporting on comparative benchmarking information, including relating to the LGBF
- Clarifying the impact of Covid-19 on performance and on performance reporting.

116. All except two council AARs report on the council's public performance reporting with reference to the 2018 SPI direction. Similar to the findings of the Accounts Commission report, although all councils were reporting on performance to the public, some AARs noted improvements that could be made. These improvements included having an overall assessment of council performance, identifying areas where council performance could be improved and demonstrating how the council is meeting the Best Value requirements.

### **Covid-19 has impacted on the ability of some councils to progress plans for transformation and make the associated savings**

117. In 2020/21 Progress with transformation has been mixed across both councils and IJBs, some have made positive progress, while others have faced challenges due to the impact of Covid-19. Similarly, the ability to make the associated savings was impacted in some councils. Of the four BVARs during the year, two have made good progress with transformation, while the other two have lacked pace.

118. Aberdeen City Council made significant changes to its organisational and governance structures as part of its transformation programme. The

### **2021 AARR:**

Covid-19 has delayed some transformation work, and this has increased some financial pressures and future service development. It has also led to re-assessment of transformation plans and



effective redesign of services and a move to a commissioning-led approach has allowed the council to successfully deliver the required savings needed to maintain its financial sustainability over the short to medium term.

119. East Dunbartonshire Council's programme of transformation projects aims to achieve financial savings and deliver service improvements or address inequalities. The programme has not been updated since Covid-19, as service improvements have been focussed on the council's response. An interim programme was due to be reported to the council in September 2021, with a full updated programme to be produced after a public engagement process.

120. The South Ayrshire BVAR found that the council's approach to transformation has lacked pace and ambition and is significantly behind other councils. It has historically been ICT focussed, rather than looking at the transformation of core council services. Significant progress is required to make the transformational change needed given the long-term financial challenges the council faces.

121. The Falkirk Council BVAR reported that the council has not achieved transformational change at the pace and depth necessary to deliver on the council's priorities and address budget gaps. The appointed auditor has consistently reported each year that it has not been possible to verify the savings that have been delivered through the transformation programme. The council had recognised that the lack of progress means that the level of savings it had hope to achieve, and the timescales involved, are unrealistic.

122. Council AARs reported some examples of transformation in response to the challenges of the pandemic, including digital transformation. Others noted that transformation plans need to be reviewed in light of Covid-19.

- Angus Council has continued to work towards achieving change programme savings and a number of savings projects have been completed, despite the challenges caused by Covid-19. The council is likely to find it difficult to make the remaining savings where it is reliant on partners, like the IJB, which has delayed some planned savings initiatives while focussing on responding to the pandemic
- Midlothian Council were not able to make many of the savings originally planned for 2021/22 due to Covid-19. Areas of potential savings impacted by this include a planned implementation of a management review, cost reductions relating to digital service provision and efficiency targets within the place directorate. Covid-19 recovery planning has meant the transformation plans in place will now need to be reviewed and reset
- East and North Ayrshire councils both made good progress with transformation, particularly the development of renewal plans in response to Covid-19
- East Renfrewshire Council AAR reports that digitisation has been important to the council's pandemic response and to its reconfiguration of services. It has also established a new approach to manage the prioritisation of transformation projects and developed a savings template to outline the nature of the savings made

- IJB AARs note that there are risks around the future financial sustainability of some IJBs without transformation taking place at pace, particularly due to the levels of savings that will be required in some areas.



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# Part 4

## Looking forward

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123. The five-year audit appointment was due to end after the conclusion of the 2020/21 audit. As reported in the AARR last year, the Accounts Commission and the Auditor General took the decision to delay the appointment of new auditors for a year due to the impact of Covid-19 on the audit work and to give continuity to audit bodies during a challenging period.

### Annual audit assessment of key risks

124. 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 planning guidance sets out the expectations of the work auditors will do to report on these risks. The results of this work will be reported in annual audit reports for 2020/21.

125. Throughout 2021, 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 quarterly to the Financial Audit and Assurance Committee and in my updates at Accounts Commission meetings. These inform Audit Scotland's public sector risk register.

### Conclusion of the Best Value Audit Reports in councils

126. The final three BVARs planned are:

- Angus Council (June 2022)
- Shetland Islands Council (August 2022)
- Comhairle nan Eilean Siar (September 2022)

127. 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.

## Work programme – 2022/23 and beyond

128. In addition to the local audit work, annual AARR, annual financial and local government overviews and 6 monthly current issues report, our work programme includes:

Area of focus	Latest plans
* <b>Community justice: Sustainable alternatives to custody</b>	The recent Auditor General briefing paper on this topic highlighted that the Scottish Government had not achieved its aim to shift the balance of sentencing from prison to the community. This joint performance audit, which we plan to publish during Q3 2022/23, will extend our audit work to consider the roles and work of other key stakeholders, including local government and third sector.
** <b>Climate change</b>	In addition to our planned work in this area, Audit Scotland is developing a front-facing accessible data tool to improve transparency and scrutiny of progress on climate change. It will provide information and data on a range of climate change issues such as progress against emission targets, progress on key policies and milestones and information on adaptations. Both products are planned for Q3 2022/23.
* <b>Social care</b>	A series of themed performance audits will follow the social care briefing planned for January 2022, with the first planned in Q4 2022/23.
* <b>Reviewing Scotland's financial response to the Covid-19 pandemic</b>	In 2022/23 we will move into the recovery phase of our approach to following the pandemic pound, which will assess the wider impact on public finances of recovery from a pandemic. A performance audit planned for Winter 2022/23 will look at how budget headings and spending considerations have changed to meet the ongoing response to the pandemic as well as the recovery against backlogs and other costs of dealing with the aftermath of a pandemic.
* <b>Mental health</b>	We are proposing to undertake a performance audit on adult mental health services. We will start scoping this in January and plan to report during Q4 2022/23.
* <b>Early learning and childcare</b>	The next audit in this series will look at whether the expansion in funded early learning and childcare was delivered as planned and how much it cost. We plan to report in Q4 2022/23.
* <b>Digital exclusion and connectivity</b>	We are planning to publish a performance audit in 2023/24 on how the public sector is addressing digital exclusion and connectivity. We will also continue to look at digital exclusion through other audit work, such as overviews and our community empowerment work.
* <b>Child poverty</b>	In 2023/24 we plan to look at the progress made in achieving interim targets within the Child Poverty (Scotland) Act 2017. This will include looking at any additional plans and actions the Scottish Government is putting in place with local government and their partners to mitigate the new risks in this area created by Covid-19.

\* Joint with the Auditor General

\*\* Audit Scotland publication

## Housing benefit performance audits

129. In view of the continuing adverse effects on council benefit services arising from the Covid-19 pandemic, the team carried out a thematic study in 2020/21 on 'The impact of Covid-19 on Scottish councils' benefit services'. A report published in October 2021 contained six recommendations for councils to consider in the event of a future high impact event occurring. It also identified a wide variance in resourcing levels across Scottish councils' benefit services and therefore, following discussion with the Accounts Commission, a thematic study on 'Resourcing the benefit service' was approved for inclusion in the 2021/22 work programme. This study is

currently being scoped by the team, and a report is planned for publication in October 2022. In addition, the team also plans to carry out two individual council HB performance audits during the year.

## SPI Direction

130. The Accounts Commission issued a revised 2021 Statutory Performance Information Direction in December 2021 which requires a council to report on:

131. Statutory Performance Indicator 1: Improving local services and local outcomes

- Its performance in improving local public services, both provided by itself and in conjunction with its partners and communities.
- Progress against the desired outcomes agreed with its partners and communities.

132. The Commission expects the council to report such information to allow comparison (i) over time and (ii) with other similar bodies (thus drawing upon information published by the Local Government Benchmarking Framework and from other benchmarking activities).

133. The Commission expects the council to, in agreeing its outcomes with its partners and communities, report on how it has engaged with, responded to and helped to empower its communities, including those who require greater support.

134. Statutory Performance Indicator 2: Demonstrating Best Value

- Its assessment of how it is performing against its duty of Best Value, including self-assessments and service review activity, and how it has responded to this assessment
- Audit assessments (including those in the annual audit) of its performance against its Best Value duty, and how it has responded to these assessments
- Assessments from other scrutiny and inspection bodies, and how it has responded to these assessments.

135. 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 annual audit reports along with any recommendations for improvements in the arrangements.

## Shared risk assessment

136. As a result of the pandemic and the stretch on resources across all the audit, scrutiny and regulatory bodies, the Strategic Scrutiny Group (SSG) agreed a light touch approach for 2022. The SSG's Scrutiny Improvement website, hosted by Audit Scotland, has been updated and contains details of all planned scrutiny work by council with links to individual scrutiny bodies' work programmes. This will be updated monthly coordinated by Audit Scotland staff. The arrangements for coordinating scrutiny at a local level continue to include members of the Local Area Network (LAN) for each council.

## Best Value in IJBs

137. Our development of the audit of BV in IJBs approach recognised that IJBs are different from councils and merit their own reporting, beyond the current broader coverage within local government overview reporting. IJB BV audits will have a narrower focus than Best Value Audit Reports for councils given the need to be risk-based and proportionate and to limit fees on audited bodies.

138. The BV in IJB audits will focus on adding value and supporting improvement, while recognising the need to limit demands on IJB members and officers and noting the role for self-evaluation and Care Inspectorate (CI) and Healthcare Improvement Scotland (HIS) inspection work as important evidence sources. We have agreed to review their joint inspection schedule to consider the opportunities to align our best value audit schedule.

139. It is currently planned that beginning from October 2023, the Commission will receive a Controller of Audit (CoA) report for each IJB, alongside their AARs, once over the five-year appointment period.

140. However, the Scottish Government's commitment to implementing a new National Care Service which is currently to become operational by 2026 creates a significantly changed context for the Commission's current plans for auditing BV in IJBs which it will need to consider carefully. Not least because under the current proposals IJBs will cease to exist in 2026 and will be replaced by Community Health and Social Care Boards (HSCBs).

141. If the new NCS becomes operational, as planned, by 2026 this raises some important questions about our current plans for auditing BV in IJBs and whether our resources be used more effectively to add value, hold to account and support improvement:

- is there any value in only completing two years of a four-year programme of IJB BV audits?
- Are there better ways of maintaining a focus on health and social care quality and sustainability through:
  - the next and third health and social care performance audit due to start in 2023?

- national thematic performance audit work focused on action taken to address the critical issues in delivery of social care services highlighted in the Commission/AGS January 2022 social care briefing?
- a continued focus on IJB risks and performance through the annual audit?
- audit work on Scottish Government planning and preparations for the new NCS?

142. These are all issues the Commission will wish to consider as it develops its wider programme of health and social care-related audit work.

## Integrated Best Value work

143. From 2022/23, under the [Code of Audit Practice 2021](#) Best Value audit work in Scottish councils will be fully integrated with the annual audit and after completion of the current programme of council Best Value audits in 2022, no further Best Value Assurance Reports (BVARs) will be produced. BV work will, in future, be reported in Annual Audit Reports (AARs) including annual risk based, follow up and thematic BV work.

144. Beginning in October 2023, when the first AARs of the newly appointed auditors will be published, AARs for each council will be reviewed by the Commission at least once over the five-year audit appointment to provide the Commission with assurance on BV in each individual council.

145. AARs for each council will be considered by the Commission under the cover of a statutory report from the Controller of Audit made under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation, including the Local Government in Scotland Act 2003). The sequencing of these reports will be based on a schedule which will be agreed with the Commission.

146. In addition, each year the Commission will now use this Annual Assurance and Risks Report to help identify thematic work for coverage by all auditors in the following year's audit. This new approach to thematic BV reporting, which is introduced as part of the new Code, will enable the Commission for the first time to report nationally on key Best Value related issues of interest on an annual basis.

# Annual assurance and risks report

## Local government

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