

428th meeting of the Accounts Commission for Scotland

**Thursday 9 June 2016, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh**

Agenda

1. **Apologies for absence.**
 2. **Declarations of interest.**
 3. **Decisions on taking business in private:** The Commission will consider whether to take items 11 to 17 in private (* see note).
 4. **Minutes of meeting of 12 May 2016.**
 5. **Minutes of meeting of Audit Scotland Board of 24 March 2016.**
 6. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
 7. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
 8. **Housing Benefit Audit Annual Report** The Commission will consider a report by the Assistant Auditor General.
 9. **The New Approach to Auditing Best Value:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 10. **Audit of Best Value: Follow Up: South Ayrshire Council:** The Commission will consider a report by the Controller of Audit.
- The following items are proposed to be considered in private:**
11. **Audit of Best Value: Follow Up: South Ayrshire Council:** The Commission will consider the action that it wishes to take.
 12. **Draft report: Housing benefit audit – initiatives which deliver continuous improvement:** The Commission will consider a report by the Assistant Auditor General
 13. **National Fraud Initiative:** The Commission will consider a report by the Assistant Auditor General.
 14. **Auditing Best Value: Year 1 Programme:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 15. **Community Empowerment Act: consultation response:** The Commission will consider a report by Secretary to the Commission.
 16. **Review of Commission Code of Conduct and Appointment of Standards Officer:** The Commission will consider a report by Secretary to the Commission.
 17. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 11 to 17 be considered in private because:

- Item 11 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 12 proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 13 presents a draft report, which requires further stakeholder consultation by Audit Scotland before publishing.
- Item 14 proposes a programme of Best Value auditing activity, which the Commission would wish to consult with affected stakeholders before publishing.
- Item 15 presents a draft response to a Scottish Government consultation exercise, which may have aspects of business in relation to Commission policy which the Commission wishes to discuss in private before publishing.
- Item 16 presents issues in relation to the Commission's code of conduct and thus affecting the conduct of Commission members, which the Commission may wish to discuss in private before publishing.
- Item 17 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of the Commission of 12 May 2016	AC.2016.6.1
Agenda Item 5: Minutes of meeting of Audit Scotland Board of 24 March 2016	AC.2016.6.2
Agenda Item 6: Report by Secretary to the Commission	AC.2016.6.3
Agenda Item 8: Report by Assistant Auditor General	AC.2016.6.4
Agenda Item 9: Report by the Director of Performance Audit and Best Value	AC.2016.6.5
Agenda Item 10: Report by the Director of Performance Audit and Best Value	AC.2016.6.6
Agenda Item 12: Report by Assistant Auditor General	AC.2016.6.7
Agenda Item 13: Report by Assistant Auditor General	AC.2016.6.8
Agenda Item 14: Report by the Director of Performance Audit and Best Value	AC.2016.6.9
Agenda Item 15: Report by Secretary to the Commission	AC.2016.6.10
Agenda Item 16: Report by Secretary to the Commission	AC.2016.6.11

MEETING: 9 JUNE 2016

MINUTES OF PREVIOUS MEETING

Minutes of the 427th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 12 May 2016, at 10.15am

PRESENT: Douglas Sinclair (Chair)
Ronnie Hinds (Deputy Chair)
Sandy Cumming
Sheila Gunn
Christine May
Stephen Moore
Alan Campbell
Pauline Weetman
Geraldine Wooley
Graham Sharp
Sophie Flemig
Tim McKay

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Martin Allan, Audit Officer, PABV [Item 14]
Angela Canning, Assistant Director, PABV [Item 14]
Antony Clark, Assistant Director, PABV [Item 12]
Angela Cullen, Assistant Director, PABV [Item 15]
Russell Frith, Assistant Auditor General, [Item 16]
John Gilchrist, Manager, Audit Strategy [Item 16]
Graeme Greenhill, Senior Manager, PABV [Items 13 and 15]
Ursula Lodge, Audit Manager, PABV [Item 13]
Mark McCabe, Senior Manager, PABV [Item 14]
Martin McLauchlan, Senior Auditor, PABV [Item 14]
Owen Smith, Senior Manager, Audit Strategy [Item 16]
Shelagh Stewart, Audit Manager, PABV [Item 15]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 14 April 2016
5.	Minutes of meeting of Financial Audit Assurance Committee 28 April 2016
6.	Minutes of meeting of Performance Audit Committee 28 April 2016
7.	Update report by the Secretary to the Accounts Commission
8.	Update report by the Controller of Audit
9.	Commission Annual Report 2015/16
10.	Draft Commission Strategy Update
11.	Commission Engagement Strategy Update
12.	Strategic Scrutiny Update
13.	Briefing: City Deals
14.	Local Government Overview Report: Initial impact of the 2016 report and approach for 2017
15.	Performance audit: draft report: Roads maintenance – follow-up
16.	Procurement of audits: appointments
17.	Commission business matters

1. Apologies for absence

It was noted that no apologies for absence had been received.

2. Declarations of interest

Christine May declared an interest in items 9 and 10 as Vice-Chair of Fife Cultural Trust, in relation to references to arm's length external organisations.

3. Decisions on taking business in private

It was agreed that items 15 to 17 should be taken in private for the following reasons:

- Item 15 proposes a draft performance audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 16 requires discussion of issues involving commercial confidentiality.

4. Minutes of meeting of 14 April 2016

The minutes of the meeting of 14 April 2016 were submitted and approved, subject to noting:

- In relation to item 6 (second bullet point), advice from the Secretary that the Commission's response to the Scottish Government consultation on the Scottish Household Survey was available on the members' extranet.
- In relation to item 8 (second bullet point, final sub-bullet), advice from the Director of PABV that the relatively light amount of scrutiny activity in November and December as shown in the National Scrutiny Plan was explained by the scheduling of other work throughout the rest of the year, and is not a regular occurrence.

5. Minutes of meeting of Financial Audit Assurance Committee 28 April 2016

The minutes of the meeting of the Financial Audit Assurance Committee of 28 April 2016 were submitted and approved.

6. Minutes of meeting of Performance Audit Committee 28 April 2016

The minutes of the meeting of the Performance Audit Committee of 28 April 2016 were submitted and approved, subject to noting advice from the Secretary, in relation to item 8, final bullet point, that the outputs from *How councils work – roles and relationships* would be considered by the Commission at its June or August meeting.

7. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

Following discussion, the Commission agreed to note the report, subject to noting that, in paragraph 19, “Jim Logue” should read “Jim McCabe”.

8. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

9. Commission Annual Report 2015/16

The Commission considered a report by the Secretary to the Commission proposing the publication of the Commission’s annual report 2015/16.

Following discussion, the Commission approved the 2015/16 annual report and associated publication arrangements, subject to revisions agreed in the discussion.

Action: Secretary

10. Draft Commission Strategy 2016-21

The Commission considered a report by the Secretary to the Commission proposing a Commission Strategy for 2016-21.

Following discussion, the Commission approved the Commission Strategy 2016-21 and associated publication arrangements, subject to revisions agreed in the discussion.

Action: Secretary

11. Commission Engagement Strategy 2016/17

The Commission considered a report by the Secretary to the Commission presenting a revised Commission Engagement Plan, to be known as the Commission’s Engagement Strategy 2016/17.

Following discussion, the Commission approved the Commission’s Engagement Strategy 2016/17 and associated publication arrangements, subject to revisions agreed in the discussion.

Action: Secretary

12. Strategic Scrutiny Update

The Commission considered a report by the Director of PABV on the meeting of the Strategic Scrutiny Group (SSG) on 31 March 2016. It also incorporated a summary of the key early messages arising from the work of the SSG short-life working group on the role of external scrutiny in the 21st Century.

During discussion, the Commission:

- Noted that further updates will be presented to the Commission following future SSG meetings.
- Agreed that the report of the short-life working group include reference to issues around the costs and benefits of external scrutiny coordination.

Action: Director of PABV

Thereafter, the Commission noted the update report.

13. Briefing: City Deals

The Commission considered a report by the Director of PABV providing a briefing paper on City Deals.

During discussion, the Commission:

- Agreed that scoping for proposed future audit work on City Deals include consideration of its impact at an aggregate and national level.
- Agreed that the Director provide further information on the councils not currently involved in City Deals in Scotland.

Action: Director of PABV

Thereafter, the Commission noted the report.

14. Local Government Overview Report: Initial impact of the 2016 report and approach for 2017

The Commission considered a report by the Director of PABV providing a summary of the initial impact of the 2016 local government overview report. It also invited the Commission to consider the approach to the 2017 overview report, including the Commission's oversight of the process.

Martin McLauchlan and Martin Allan undertook a presentation on a new section of the Commission website allowing interactive analysis of council accounts information. During discussion, the Commission:

- Noted the impact of the 2016 overview report.
- Approved the proposed approach to the 2017 overview report.
- Agreed that further thought be given to how the Commission oversees the development of the report.
- Approved the proposals to better integrate overview planning and reporting with wider Commission strategic planning processes.

Actions: Secretary and Director of PABV

15. Performance audit: draft report: Roads maintenance – follow-up [in private]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report, *Maintaining Scotland's roads: A follow-up report*, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

- To approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Alan Campbell and Christine May.

- To approve the publication and promotion arrangements for the report, including the Chair writing to all councils on publication of the report.

Actions: Director of PABV

16. Procurement of audits: appointments [in private]

The Commission considered a report by the Assistant Auditor General making the final recommendations for the appointment of auditors to local government bodies for the 2016/17 to 2020/21 appointment period, following consultation on conflicts of interest with both audited bodies and the proposed appointed auditors.

Following discussion, the Commission approved the appointments of auditors to local government bodies in Scotland for the period 2016/17 to 2020/21, subject to noting that the appointments to Audit Services Group, Audit Scotland, should be regarded as appointments to Fiona Kordiak, Director of Audit Services.

Action: Assistant Auditor General

17. Commission business matters

There being no further business, the meeting was closed.

Minutes of Meeting of **Audit Scotland** held on 24
March 2016 in the offices of Audit Scotland at
102 West Port, Edinburgh

PRESENT: I Leitch (Chair)
C Gardner
H Logan
D Sinclair
R Griggs

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
D Hanlon, Corporate Finance Manager
J Gillies, Communications Manager
B Stoddart, Graphic Designer
M Taylor, Assistant Director, Audit Services Group
M Walker, Assistant Director, Corporate Performance and Risk

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Accountable Officer's Report
5.	Accounts Commission Chair's Report
6.	Minutes of the meeting dated 26 February 2016
7.	Minutes of the Audit Committee meeting dated 3 December 2015
8.	Minutes of the Remuneration and Human Resources Committee meeting dated 29 October 2015
9.	Review of the Actions Tracker
10.	Audit Scotland Budget 2016/17
11.	Audit Scotland Annual Report and Accounts
12.	Securing World Class Audit (a) Funding and Fees – Fee Setting Policies (b) New Financial Powers Update
13.	Openness and Transparency: Publication of Board Papers
14.	Evaluation of Board Effectiveness
15.	Discussion on Standing Orders
16.	AOB
17.	Date of next meeting

1. Apologies

There were no apologies.

2. Declarations of Interest

Ian Leitch declared his membership of the Scottish Legal Complaints Commission. Heather Logan declared her membership of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO).

3. Chair's Report

Ian Leitch advised that he had held regular meetings with Diane McGiffen, Chief Operating Officer, and Martin Walker, Assistant Director Corporate Performance and Risk, to discuss Board matters and discussions with Russell Frith on the progress of work on fees and funding. The Chair congratulated Caroline Gardner on her election as a Fellow to the Royal Society of Edinburgh.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting, including the conclusion of work in advance of the dissolution of the fourth session of the Scottish Parliament. She advised of evidence sessions with the Public Audit Committee on the Community Planning: an update report and on the Changing Models of Health and Social Care report, and the recent publication of Section 22 reports on Further Education colleges. Caroline reported on the work now beginning to prepare for the next session of the Scottish Parliament, and on recent discussions with Scottish Parliament officials on Audit Scotland's role in supporting the orientation process for new MSPs. Caroline also advised that the moratorium on publications for both the Scottish parliamentary elections and the European Union referendum had a significant impact on what was possible before the end of June, but that the report on Common Agriculture Policy Futures Programme: an Update report would be published on 16 May 2016.

5. Accounts Commission Chair's Report

Douglas Sinclair provided an update on the work of the Accounts Commission since the previous meeting of the Board. He advised that the Commission's annual Local Government Overview report had been published and received considerable coverage in the media, and on the outcome of the recent Accounts Commission Strategy Seminar and the discussions held.

6. Minutes of the meeting dated 26 February 2016

The Board considered the note of the meeting of Board members on 26 February 2016, which had been previously circulated. The Board members confirmed the note was an accurate record of the meeting.

The Chair advised that, as previously raised, a discussion on the question of the quorum would be considered in conjunction with item 15.

7. Minutes of the Audit Committee meeting dated 3 December 2015

The Board considered the note of the meeting of the Audit Committee 3 December 2015.

8. Minutes of the Remuneration and Human Resources meeting dated 29 October 2015

The Board considered the note of the Remuneration and Human Resources meeting of 29 October 2015, which had been previously circulated.

9. Review of the Actions Tracker

The members noted the update provided by the Action Tracker, which had been previously circulated.

The Chair advised that a discussion on the question of the quorum would be considered in conjunction with item 15.

It was agreed that action was concluded on item 6 on Ethical Standards.

10. Audit Scotland Budget 2016/17

David Hanlon, Corporate Finance Manager, joined the meeting.

David Hanlon, Corporate Finance Manager, introduced the Audit Scotland Budget 2016/17 report, which had been previously circulated.

David invited members to consider and approve the proposed budget for 2016/16 which was based on that approved by the Scottish Commission for Public Audit (SCPA) on 29 January 2016 and included in the 2016/17 Scottish Budget Bill which was approved by Parliament on 24 February 2016.

Members noted the proposed budget and discussed the proposed increase in service charges, the terms of the lease at West Port and the action taken to negotiate a more favourable position with the landlords. Members also discussed the outline plans for modest investment in the Glasgow office to make better use of the available space and to consider the incorporation of a shower to support more active colleagues who cycle and exercise.

Following discussion, members approved the budget.

David Hanlon, Corporate Finance Manager, left the meeting.

11. Audit Scotland Annual Report and Accounts

James Gillies, Communications Manager, and Bruce Stoddart, Graphic Designer, joined the meeting.

James Gillies introduced the Audit Scotland Annual Report and Accounts report, a copy of which had been previously circulated. Bruce Stoddart provided a demonstration of the Audit Scotland Annual Report and Accounts which provided an outline of the format and proposed content, following which members were invited to comment.

Members welcomed the opportunity to comment on the proposed outline, provided feedback on the proposed design and noted that a final version would be presented to their meeting in June 2016.

Action:

- **The Communications Manager will report on Audit Scotland Annual Report and Accounts. (June 2016)**

James Gillies, Communications Manager, and Bruce Stoddart, Graphic Designer, left the meeting.

12. Securing World Class Audit

(a) Funding and Fees – Fee Setting Policies

Russell Frith, Assistant Auditor General, introduced the report on Funding and Fees – Fee Setting Policies, a copy of which had been previously circulated.

Russell invited members to consider the detailed policies to be adopted for the setting of fees from 2016/17 and agree the basis for apportionment of costs in setting fees.

Member considered the proposals and requested further detail on the proposed approach to consultation on fees with clients and stakeholders.

Following discussion, members agreed the basis for the apportionment of costs in setting fees, subject to reviewing the outcomes of the proposals in practice. The Board also noted the work underway to confirm the impact on fees of the proposed policies, the discounts offered by firms and the review of auditor remuneration at individual body level and that a report on the overall likely impact will be brought to the Board at its meeting in May together with a draft consultation paper.

Action:

- **The Assistant Auditor General will report on the impact of the proposed policies and bring a draft consultation paper to the next meeting of the Board. (May 2016)**

(b) New Financial Powers Update

Mark Taylor, Assistant Director, Audit Services Group, joined the meeting.

Mark Taylor, Assistant Director, Audit Services Group, introduced the New Financial Powers Update report, which had been previously circulated.

Mark invited members to note the key developments surrounding further financial devolution, including Audit Scotland's organisational arrangements in this area. There was considerable discussion of the impact of the new financial powers and the risks and opportunities that they present to the Scottish Government, the Scottish Parliament and to audit work.

Members welcomed the update and discussed their role in overseeing how Audit Scotland is able to respond to the new financial powers, noting the proposal for the team to bring six monthly briefings to the Board, and further briefings where necessary. The Chair thanked Mark for his comprehensive update.

Action:

- **The Assistant Director, Audit Services Group, will provide an update on the New Financial Powers. (September 2016)**

Mark Taylor, Assistant Director, Audit Services Group, left the meeting.

13. Openness and Transparency: Publication of Board Papers

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Openness and Transparency: Publication of Board Papers, a copy of which had been previously circulated. Martin invited members to consider and agree the categories and criteria to inform the decision on public/private papers and the supporting guidance and administrative arrangements to achieve increased openness and transparency around the conduct of Board business.

During detailed discussion, members considered the proposed criteria and process to determine public and private papers, the process of publication and the supporting administrative arrangements.

Members welcomed the report and agreed to implement the new arrangements with effect from the papers for the May 2016 meeting. Members also agreed that the effectiveness of the arrangements should be reviewed after six months.

Actions:

- **The Assistant Director, Corporate Performance and Risk to issue the operational guidance for the publication of Board papers prior to the next meeting of the Board. (April 2016)**
- **The Chief Operating Officer to schedule a future agenda item to review the arrangements. (December 2016)**

14. Evaluation of Board Effectiveness

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Evaluation of Board Business, which had been previously circulated. The Chief Operating Officer advised the Board that the questionnaire should be considered in the context of setting up a facilitated session for the Board to consider how it works and its priorities, and that, with the agreement of the Board a date would be set for late May or June 2016. Members agreed that such a session would be useful, and that the questionnaire could help to inform the focus for that event.

There was discussion on the existing review arrangements in place to assess the performance of Board members and the Chair of the Board.

Members considered the proposed process, timeline and agreed the self evaluation process for 2015/16. Members noted that the self evaluation questionnaire could be further refined to better reflect the operating environment and role of the Audit Scotland Board.

Actions:

- **The Chief Operating Officer to identify potential dates and develop options for the facilitated session. (May 2016)**
- **The Assistant Director, Corporate Performance and Risk to refine the self evaluation questionnaire. (May 2016)**

15. Discussion on Standing Orders

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Discussion on Standing Orders, a copy of which had been previously circulated. Martin invited members to discuss the options for changes to Standing Orders in light of recent discussions and reports.

The Chair advised that he wished to undertake further discussion with the Auditor General for Scotland and the Chair of the Accounts Commission for Scotland on the quorum arrangements for meetings and that the item therefore be deferred.

- **The Chief Operating Officer to schedule a future agenda item following the further discussions noted above. (May 2016)**

16. AOB

a) The Board noted the publication of the Public Audit Committee legacy paper which contains several references to Audit Scotland.

- **The Chief Operating Officer to circulate a copy of the PAC legacy paper to Board members. (April 2016)**

b) The Chief Operating Officer provided an update on the arrangements for the opening of the West Port office after the meeting of the Board.

17. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting had been scheduled for **3 May 2016** in the offices of Audit Scotland, 102 West Port, Edinburgh. Russel Griggs advised that he would be able to attend meetings in the morning of 3 May, but would have to leave at lunchtime.

MEETING: 9 JUNE 2016

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

UPDATE REPORT

Introduction

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

Commission business

Publications:

4. On 26 May, the Accounts Commission published its 15/16 [Annual Report](#). This year's [highlights](#) include moves towards gender balance, a 40 year celebration and a new responsibility - auditing integrating joint boards. The report was sent out to over 4,700 stakeholders in councils, government, parliament and scrutiny partners. The email also included links to our other recent publications – including our [Strategy and annual action plan 2016-21](#), [Engagement strategy and engagement plan 2016/17](#) (and accompanying progress report 15/16) and the annual progress report 2015/16.
5. On 10 May, [Reshaping care for older people – impact report](#) was published. The report summarises the impact made by the joint Accounts Commission and Auditor General for Scotland performance audit [Reshaping care for older people](#) published in February 2014. Evidence of progress was reported in a number of areas – for instance, soon after our report was published, the legislation requiring NHS boards and councils to integrate adult health and social care services received royal assent. Many of the recommendations we made in the report are also being taken forward as part of the integration agenda.

Report	Date	Report downloads	Podcast downloads
Reshaping Care for Older People – Impact Report	10 May 2016	189	-
National Scrutiny Plan	31 Mar 2016	130	-
Local Government Overview 2016	17 Mar 2016	1292 (+381)	253 (0)
Changing Models of Health and	10 Mar 2016	3593 (+646)	872 (+62)

Report	Date	Report downloads	Podcast downloads
Social Care			
Community Planning update	3 Mar 2016	1555 (+301)	88 (0)
Procurement in Councils – impact report	8 Feb 2016	685 (+143)	-
City of Edinburgh Council Best Value	25 Feb 2016	452 (+103)	165 (0)
Major Capital Investment in Councils - Follow Up	14 Jan 2016	1251 (+157)	167 (0)
Argyll and Bute Best Value Audit	17 Dec 2015	772 (+95)	0 (0)
Health and Social Care Integration	3 Dec 2015	5873 (+723)	453 (0)
The Moray Council: Audit of Best Value and Community Planning Follow Up	29 Oct 2015	1020 (+52)	182 (0)
Falkirk Council: Audit of Best Value and Community Planning	27 Aug 2015	1271 (+97)	243 (0)
Scotland's Public Sector Workforce – Impact report	4 Aug 2015	891 (+54)	-
Aberdeen City Council Best Value Audit	2 Jul 2015	1369 (+46)	35 (0)
East Dunbartonshire: Audit of Best Value and Community Planning Follow Up	4 Jun 2015	1324 (+69)	41 (0)

Other business:

6. On 8 February 2016, the Commission published an [impact report](#) for the performance audit report [Procurement in councils](#), published in April 2014. The impact assessment noted threats to Scotland Excel's financial sustainability. In February 2016, Scotland Excel is governed by a Joint Committee comprising one or more elected members from each council. In February, the Commission wrote to the Joint Committee promoting the impact report and advising of the Commission's concerns. The Joint Committee meets twice each year and is responsible for the strategic direction of the organisation and also for approving its annual budget and business plan. The Director of Performance Audit and Best Value has since been invited to make a presentation about the impact assessment to the Joint Committee on 17 June.
7. On 20 May, the Commission Chair and Secretary met with the Cabinet of the Scottish Local Government Partnership (SLGP). Meetings of the Cabinet consist of the leaders and chief executives of the four member councils (i.e. Aberdeen, Glasgow, Renfrewshire and South Lanarkshire councils). Commission engagement with the SLGP has been developing over the past year as the organisation builds its own profile: in the past year we have sought the views of SLGP on our Performance Information Strategy, our annual performance information Direction, and our work programme. SLGP has responded to all of these. This meeting was the first opportunity for a more formal discussion around our respective interests. The Chair presented the Commission's Strategy and heard views from the participants on our work. It was agreed that formal engagement activities be put in place, in line with the Commission's Engagement Strategy.

8. On 19 May, the Chair, Deputy Chair and Secretary met with the Chair of the Local Government Benchmarking Framework Board. Members of the Commission met with held a Local Government Benchmarking Framework meeting. Among the business discussed was Clarifying focus and future direction of the project, customer satisfaction measures, Promoting good practice & learning, further development areas such as social services and economic development, and auditing Best Value.
9. Much the same business was covered in a meeting of the LGBF Board on the same day. Such meetings are attended by the Secretary to the Commission in an observer capacity. The papers for this meeting are available on the Commission members' extranet.
10. It is confirmed that there is no need for the optional Commission committee meetings on 16 June to take place.
11. The Scottish Government has confirmed that Commission members will receive a 1% uplift in daily fees for 2016/17, which is in line with Ministers' Public Sector Pay Policy. I have confirmed, after consultation with Audit Scotland, that this is affordable.
12. On 26 May, the Accounts Commission and the Auditor General for Scotland published the new [Code of Audit Practice](#). The revised Code follows consultation with stakeholders and aims to maximise the value and impact of public audit in Scotland. It also provides greater assurance and assists audited bodies to make improvements in the delivery of services. These changes will come into force from the start of the 2016/17 [audit appointments](#) in October.

Auditor General for Scotland

13. On 19 May, the Auditor General for Scotland published an update on the [Common Agricultural Policy Futures Programme](#). The report highlighted the serious cost and operational issues in the Scottish Government's programme which was set up to deliver complex agricultural reforms and financial support to rural workers. The report concluded that there is a significant risk that financial penalties charged by the EC for non-compliance will not be minimised and the range of potential penalties for 2015-16 may be between £40m-£125m. The report received a significant amount of media coverage. It has been downloaded 1,603 times and the podcast 174 times.

Audit Scotland

14. On 17 May, Audit Scotland colleagues took part in a community planning conference. They discussed how community planning can fulfil its potential to reduce inequalities and put communities at the heart of delivering public services. Colleagues were joined by practitioners and experts from organisations including local government and the third sector. This work builds on the Account Commission and Auditor General for Scotland's community planning [report](#) which was published earlier this year.
15. On 13 June, Audit Scotland will host an event organised by the David Hume Institute – [Britain's Decision: Facts and Impartial Analysis for the EU Referendum](#). The event will be chaired by the Auditor General who will be joined by Professor Laura Cram who will speak about David Cameron's renegotiation of Britain's terms of membership of the EU. Two important aspects of the negotiation will then be discussed by Professor Christina Boswell on migration, and Dr Daniel Clegg on welfare.

Issues affecting local government

Scottish Government:

16. In a [speech](#) to the opening of Parliament, First Minister Nicola Sturgeon outlined the SNP's priorities for its third term in government. "The defining mission of this government will be education," she said. "The expansion of childcare will be our most important infrastructure project of this parliament. It will help parents into work and it will be a transformational investment in the life chances of our children." She promised an extra £750m over for an attainment fund, aimed at narrowing the gap between children from richer and poorer backgrounds. A Commissioner for Fair Access will be appointed. Deputy First Minister John Swinney, who has [moved to the education brief](#) after nine years in charge of Holyrood's finances, will present MSPs with a delivery plan by the summer. Sturgeon also announced the creation of a [dedicated agency](#) to take [charge of Holyrood's new social security powers](#), conferred by the 2016 Scotland Act. On health, revenue spending is set to increase by £500m above inflation over the parliament, with additional resources for mental health and major reforms in primary care.
17. The First Minister is placing an emphasis on tackling inequalities and reforming how we the public sector deliver services, ensuring that participation and empowerment are at the centre of everything that is done. As part of this drive for a Fairer Scotland, the Scottish Government announced on 31 May that it is launching the Social Impact Pledge. The Pledge encourages public sector bodies to sign up and commit to changes within their policies and operations that will have direct benefits for communities across Scotland. The Pledge asks bodies to sign off on three things that they either have not done before or that will significantly increase the impact of existing activities. I will share the Commission's response at its next meeting.
18. The Local Government Boundary Commission has published the recommendations arising from the [5th Reviews of Local Government Electoral Arrangements](#). Key proposals include reducing the number of wards by two and the number of councillors by four, bringing the numbers to 351 and 1,219, respectively. The recommendations are intended to improve equity of representation. Chair of the Commission, Ronnie Hinds, said:

"We are grateful to councils and to the public who responded to our consultations over the last two years. Their input has been invaluable in shaping our proposals and while we must take account of our obligations under the legislation and consider the interests of the whole council area, we have been able to take on board many of the views expressed."
19. Reviews have been scheduled to enable recommendations to be implemented in time for the local government elections in May 2017.
20. On 23 May, the Scottish Government and Scottish Parliament [received new powers](#) through the Scotland Act 2016, with Cabinet Secretary for Finance and Constitution, Derek Mackay, pledging that the powers will be used to create a fairer country. Powers transferred allow for legislation in areas including consumer advocacy and advice, transport, competition, and equal opportunities. Newly-devolved powers over social security are to be transferred at a later date, while most tax powers that are being transferred will also take practical effect at a later date. Mr Mackay said:

"Reflecting our priorities, we are already working to use these powers as quickly as possible, to tackle inequality and create a fairer, more prosperous country... While the Scotland Act does not go as far as we would wish, we will always use all the powers available to us in the best interests of Scotland."

Scottish Parliament

General:

21. Ken MacIntosh (Labour) was [elected as the Presiding Officer](#) for the Fifth Session of the Scottish Parliament after three rounds of voting.
22. Nicola Sturgeon has confirmed her [Cabinet, Ministers](#) and Junior Ministers. [Kevin Stewart](#) has become the new Minister for Local Government and [Angela Constance](#) is now the Cabinet Secretary for Communities, Social Security and Equalities.
23. Nicola Sturgeon has [announced plans](#) to create a Scottish "Chancellor" in her new Cabinet to focus on the tax and welfare powers being devolved to Holyrood.
24. The First Minister [outlined](#) her priorities for government, giving a number of concessions to opposition parties. In the speech, she committed to 1% participatory budgeting for local authorities. Citizens could allocate up to £160m of the Scottish Budget if the SNP achieves its manifesto goal, the Participatory Budgeting Network has [pointed out](#).
25. Giving a [speech](#) in Edinburgh, Secretary of State for Scotland, David Mundell, looked ahead to the commencement of the Scotland Act 2016 and gave a commitment to work with the Scottish Government in a range of areas, particularly welfare. Reflecting on "new partnerships" recently introduced, David Mundell highlighted the success of the City Deals programme and outlined the benefits in terms of jobs, connectivity and infrastructure. However, he accepted the need to improve broadband and mobile coverage in some towns and villages and committed to further joint working in this area. Plans to explore further City Deals in Argyll & Bute, the South of Scotland and Dundee were also mentioned.
26. The Scottish Parliament Information Centre (SPICe) has produced a [report](#) which identifies 21 key issues for the new Scottish Parliament in Session 5.

Parliamentary Committee News

27. A new [committee structure for the Scottish Parliament has been announced](#), following three weeks of negotiation. There will be a reduction from 20 to 15 in the number of panels. The SNP will nominate conveners for eight committees but won't have a majority on any of them. Committees with an SNP convener include Finance, Local Government and Communities, and the Standards committee. Conservative MSPs will lead four committees, including Economy and Justice, while Labour's three convenerships are Public Audit Committee, Health and Public Petitions.

COSLA

28. The joint COSLA and Scottish Government Regeneration Capital Grant Fund (RCGF) is now open. The fund has an annual budget of £25m to provide financial support to projects that will help to deliver large-scale improvements to deprived areas. It focuses on projects that engage and involve local communities and those that can demonstrate the ability to deliver sustainable regeneration outcomes. Applications to the fund are made on an annual basis and where justified can potentially cover more than one financial year. The fund is open to all 32 Scottish Local Authorities individually or whether they exercise their functions through Urban Regeneration Companies (URCs) or other Special Purpose Vehicles (SPVs). The deadline for applications closes on Monday 20 June. More information can be found [here](#).

SOLACE

29. On 24 May, SOLACE, along with SOCITM (Society of Information Technology Management) and the Local Government Association jointly called for local leaders to champion digital innovation in their own authorities, as a vital step in building shared services and delivering place-based policy. [The paper](#) calls for local leaders to:
- Champion digital innovation in their own authority by acting as role model in the use of technology, making resources available, and finding space for innovation.
 - Promote digital innovation across the sector, by sharing and promoting their own organisation's best practice, as well as being open to learning from others and seeing potential for collaboration.
 - Share and collaborate not just across local government, but with central government, the NHS and other bodies too.
30. The bodies committed to working together and will be collaborating on a range of practical 'next steps', including events, training, and working to promote great examples of local digital innovation.
31. On 29 April, SOLACE launched a new report '[Leadership Actions for Innovation](#)'. On behalf of SOLACE's Innovation and Commissioning Network, the Accelerating Innovation in Local Government Research Project in 2015 conducted research into what senior managers might do to achieve more major innovations more quickly in their councils.

Improvement Service

32. The Improvement Service has launched a new website for aspiring councillors. [Localcouncillor.scot](#), is a new website for candidates standing in the 2017 local government elections and beyond. The website will help potential candidates make a decision on whether they would like to stand for election, highlight the important role councillors have in improving the lives of people in their area and support candidates that haven't previously been councillors to be better informed about what is expected of them should they be elected.
33. In April, the Improvement Service published an [overview of place-based working](#) both historically and in the context of current practice across Scotland. The report captures current place-based activities within 27 local authority areas and includes a synthesis of published materials on the subject. The report includes a practical checklist that summarises key issues that partnerships may wish to consider, either when embarking upon a new place-based initiative or when reviewing existing activities. Referring to the new publication, Colin Mair, Chief Executive of the Improvement Service, said:
- "The Community Empowerment (Scotland) Act 2015 is likely to increase significantly the focus on place-based working. In contrast to historical approaches...a major challenge in place-based working going forward will be to engage and embed effective approaches by utilising partners' mainstream resources as well as broader community assets...Ensuring these challenges are met will undoubtedly require a clear vision and strong leadership from Community Planning Partnerships."*
34. The Improvement Service plans to establish a place-based learning network to encourage collaboration and the sharing of good practice.

35. The Improvement Service has also established the first online [Business Analysis \(BA\) Framework](#) for the Scottish public sector. The Framework provides bitesize learning materials, including templates, guidance notes and tutorials, to assist councils in the analytical phase of business change projects. It has been designed for use by anyone involved in change and development projects throughout public sector organisations in Scotland.

Current activity and news in Scottish local government:

36. A new report published by PwC – [The Local State We're in 2016](#), reveals that council chief executives are uncertain about future financial stability. While two-thirds of chief executives reported that they were confident in being able to deliver the necessary financial savings in the next year without impacting the quality of services, this figure dramatically halves to under a third when considering the three year outlook, and drops to as low as 18% over the next five years. In addition to this, over half believe that some local authorities will get into serious financial crisis in the next year. This rises to 85% when considering the next five years, suggesting the threat of financial failure in local government is substantial.

Individual councils:

37. The City of Edinburgh Council [has said](#) it expects the inquiry into the recent school closures to conclude before the end of the year. The Council has said that it hopes to appoint an industry figure with PFI building contract experience to lead the inquiry by the summer, as well as confirming that all schools are due to be open in time for the new term in August.

38. Glasgow City Council officials have [warned](#) breakfast clubs could be called off "at short notice" as janitors announce further strike action.

39. Glasgow City Council [announced](#) it has suspended its head of land and environmental services pending an internal investigation, understood to focus on the award of contracts.

40. The Moray Community Planning Partnership, which includes HIE, Moray Council, the NHS and Skills Development Scotland, is [seeking the views of the local community](#) of the next ten years of public services in Moray.

41. Five councils: Renfrewshire, East Renfrewshire, North Lanarkshire, North Ayrshire and East Dunbartonshire, have [signed a £700m deal](#) that will see landfill-bound waste diverted for recycling with the remainder used for renewable energy.

42. On 23 May, Michael Russell MSP lodged a [motion](#) that the Scottish Parliament notes Audit Scotland's report on the budget setting process of Argyll & Bute Council for 2016-17. He expressed great concern over a lack of transparency and recommended that the council "consider the transparency of the final stages of the budget setting process" as "members of the public have no evidence of the discussions and endorsement of the budget by the Chief Financial Officer." He calls on the Scottish Government to intervene with urgency in order to restore public confidence in the democratic, transparent and accountable norms that should be observed by any council.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO):

43. According to the [Ombudsman's monthly overview](#) , Linda Johnston of North Lanarkshire Council is stepping down from her role as chair of the local government complaints handlers network. Linda took on the role at the network's inception in 2013, and the Ombudsman reports that much of its success can be attributed to her and her team who plan organise and support each network event. The new chair will be announced in due course.

Commissioner for Ethical Standards in Public Life in Scotland:

44. Since the previous meeting of the Commission, seven decisions on complaints relating to councillors have been published by the [Commissioner](#). The Commissioner decided that in each case individuals did not contravene the Councillors' Code of Conduct. The complaints were against:
- [Councillors George Adam, Yvonne Allan, Scott Carle, Neil Cooney, Barney Crockett, Lesley Dunbar, Gordon Graham, Ross Grant, Len Ironside, Jenny Laing, Graeme Lawrence, Ramsay Milne, M Tauqeer Malik, Jean Morrison, Nathan Morrison, Angela Taylor and William Young](#), Aberdeen City Council
 - [Councillors Bill Butler and Councillor Dr Martin Bartos](#), Glasgow City Council
 - [Provost Anna Hall](#), Renfrewshire Council
 - [Councillor Danny Delvin](#), East Renfrewshire Council
 - [Councillors Maureen Devlin and Anne Kegg](#), South Lanarkshire Council
 - [Councillor Joanna Mowat](#), The City of Edinburgh Council
 - [Councillor Lesley McDonald](#), South Lanarkshire Council

Standards Commission for Scotland:

45. There have been two hearings by the [Standards Commission for Scotland](#) since my last report:
46. At a Hearing of the Standards Commission for Scotland, on 17 May 2016, the Hearing Panel censured Councillor Roderick Balfour of Highland Council. Councillor Balfour had breached the Councillors' Code of Conduct which requires councillors to treat others, including members of the public, with respect. The sanction was imposed as a result of Councillor Balfour seeking to take photographs without indicating his intention to do so, and by directing an offensive comment towards a member of the public, when investigating a report of possible breach of a Tree Protection Order on 29 March 2015.
47. At a Hearing of the Standards Commission for Scotland, on 12 April 2016, the Hearing Panel censured Mr Owen McKee, a former Board Member of the Loch Lomond and the Trossachs National Park Authority. Mr McKee had breached the Authority's Code of Conduct for Board Members. The sanction was imposed as a result of a failure by Mr McKee to declare his shareholding in a gold mining company, Scotgold Ltd and a failure to withdraw from a Board meeting of the Authority where matters concerning a planning application from Scotgold Ltd were being considered.

Care Inspectorate

48. On 17 May, the Care Inspectorate published a report on the [joint inspection of health and social care services for elderly people in East Lothian](#). Inspectors looked at whether health and social work services worked together effectively to deliver high quality services to older people, which enabled them to be independent, safe, as healthy as possible and have a good sense of wellbeing. Inspectors also wanted to find out what progress the East Lothian Health and Social Care Partnership had made with health and social care integration. The report of the inspection identified key areas of good practice but also made ten recommendations for improvement. Across nine quality indicators, three were found to be good. These were “impact on staff,” “policy development and plans to support improvement in service,” and “leadership and direction.” Six indicators were found to be adequate.

Her Majesty’s Chief Inspector of Constabulary Scotland (HMICS)

49. On 18 May, HMICS published [terms of reference](#) for its Crime Audit 2016. The aim of this audit will be to assess the state, efficiency and effectiveness of crime recording by Police Scotland and the extent to which recording practice complies with the Scottish Crime Recording Standard and Counting Rules. HMICS will test the accuracy of around 7,000 incident and crime records, and will assess arrangements for the management, governance and auditing of crime recording.
50. On 17 May, HMICS published an [Inspection of Local Policing in Dumfries and Galloway](#). The report found that police officers and staff in Dumfries and Galloway have a strong sense of local identity and work hard to provide an efficient and effective service to their communities. It also found that crimes rates in the Dumfries and Galloway Division of Police Scotland are among the lowest in Scotland, while detections are the highest in the country. Importantly for a very rural division, the number of people killed or seriously injured on the roads also decreased by 30% and an initiative to support more mature drivers is highlighted as an example of good practice. However there have been increases in all categories of offences, apart from serious violent incidents.

Other UK Audit Bodies

National Audit Office:

51. On 27 May, the National Audit Office published its report on the Treasury’s sixth set of [Whole of Government Accounts](#) (WGA). This set of accounts shows that in 2014-15, the WGA net expenditure increased by £6.3 billion, to £152.0 billion. This is owing to an £8.4 billion increase in the estimated costs of provisions, which mainly relates to an increase in the liabilities for nuclear and oil and gas field decommissioning; a £7.5 billion increase in net interest on pension scheme liabilities; and the impact of the triple lock policy on state pensions of £3.6 billion. These costs are offset by an increase in overall revenues from £652.9 billion to £659.3 billion, which is largely due to an increase in Value Added Tax. Within net expenditure, wages and salaries are broadly stable at £148.3 billion compared to £148.2 billion, in the light of staff numbers falling by 20,346.
52. On 26 May, the National Audit Office published a report on [Discharging older patients from hospital](#), revealing that rising demand for services, combined with restricted or reduced funding, was putting pressure on the capacity of local health and social care systems. The report finds that the health and social care system’s management of discharging older patients from hospital does not represent value for money. The spending watchdog estimates that the gross annual cost to the NHS of treating older patients in hospital who no longer need to receive acute clinical care is in the region of £820 million.

53. On 20 May, the National Audit Office published a report on [Shared service centres](#), finding that the Government's programme to transfer back-office functions to two shared service centres had made savings, but had not demonstrated good value for money to date due to a failure in managing risks associated with the move.

Public Accounts Committee:

54. On 4 May, the Public Accounts Committee published [Accountability to Parliament for Taxpayers Money](#). The report warns that poor data and increasing complexity are undermining Parliament's ability to hold the Government to account. It also finds there are "too many examples" of departmental Accounting Officers allowing projects and initiatives such as [funding to the charity Kids Company](#) "to proceed unchallenged, despite strong evidence of poor value for money". The Committee's report is informed by [evidence](#) taken from senior civil servants Sir Jeremy Heywood, Sir Nicholas Macpherson and John Manzoni. The Committee describes a lack of cost and performance data across government as a long-standing problem, weakening the ability of Accounting Officers "to hold delivery bodies to account and intervene effectively where required".

Other general

55. According to Social Enterprise UK, only 33% of councils in England regularly consider social value in their procurement and commissioning. This is despite the Public Services (Social Value Act) placing a duty on public bodies in England and Wales to consider how the services they commission and procure might improve the economic, social and environmental wellbeing of the area. [Procuring for Good](#) also found that a quarter (24%) of councils have a social value policy, with smaller district councils less likely to consider social value than larger councils. Social Enterprise UK chief executive Peter Holbrook said the analysis showed that, where the will exists, councils in England are using the Act to embed social value into the way they commission services. However, he added that too many councils still viewed the legislation as a duty rather than an opportunity.

56. Children's services in Birmingham are to be run by a voluntary trust under plans [announced](#) by the City Council. The move to what the authority called a new model of children's service is part of a plan to turn around the city's social services, which have been described as failing in [reviews of the council's performance](#).

Conclusion

57. The Commission is invited to consider and note this report.

Paul Reilly
Secretary to the Commission
1 June 2016

MEETING: 9 JUNE 2016

REPORT BY: ASSISTANT AUDITOR GENERAL

HOUSING BENEFIT AUDIT ANNUAL REPORT

Purpose

1. The purpose of this report is to seek the Commission's endorsement of the outcome of Audit Scotland's housing benefit audit work during 2015/16, and to agree the arrangements for publication and promotion of the report.

Background

2. The report provides a summary of the audit work carried out by Audit Scotland on Scottish council's housing benefit (HB) services during 2015/16.
3. Eleven risk assessment visits were completed during 2015/16. Following receipt and review of council improvement plans, progress reports were requested from six councils. Three progress reports relate to risk assessment reports issued in 2014/15.
4. When benefit services are well managed they can deliver value for money and high quality services for claimants. However, we found:
 - speed of processing performance was of concern in seven councils
 - quality checking is not carried out consistently and that outcomes from quality checks are not routinely collated and analysed
 - business planning and performance reporting weaknesses which included targets not being set for all areas of the service and limited performance reporting in respect of all areas of the service.
5. In line with Audit Scotland's objective of identifying and sharing good practice, three thematic studies were undertaken during 2015/16:
 - A review of housing benefit subsidy certification issues in 2014/15 noted that auditors identified 43 errors across 18 councils resulting in subsidy being over claimed by £1.134 million (0.06% of expenditure) in the year-end claims submitted by councils to the DWP.
 - A review of activity to reduce fraud and error in housing benefit highlighted that claimant error resulted in a loss of £770 million across the UK in 2014/15. From April 2013, there was a reduction in intervention activity by some Scottish councils. During 2014/15, significant improvements were noted in intervention activity, however, there remains scope for further improvement.
 - A report, "Housing Benefit Good Practice Guide: initiatives which deliver best value" was published. The report summarises initiatives introduced by councils which have helped to deliver continuous improvement.
6. Universal Credit (UC) continues to be rolled out with all Scottish councils now having some local residents claiming UC. The Department for Work and Pensions (DWP) plan is that the majority of existing working age HB claimants will migrate to UC by 2021.
7. Scottish councils have now completed the transfer of responsibility for investigating benefit fraud to the DWP's Single Fraud Investigation Service (SFIS).

8. The Scottish Parliament's new devolved social security powers may result in some aspects of the devolved benefits being delivered by a number of organisations including local authorities.

Publication and promotion of the report

9. It is proposed that the report be published on the Accounts Commission website, alongside other related work, such as the report Housing benefit audit – initiatives which deliver continuous improvement, which is elsewhere on today's agenda. It is also proposed that the Chair write to council chief executives promoting the report.

Future of HB performance audit work

10. From October 2016, the responsibility in Audit Scotland for HB audit function will move from Audit Strategy to Audit Services Group. One of the current benefit auditors is retiring later this calendar year and the other benefit auditor will move to Audit Services to continue delivering the benefits audits.

Conclusion

11. The Commission is invited to:
 - endorse the report of the outcomes of the 2015/16 benefit performance audit work and
 - agree that the Chair write to council chief executives promoting the report.

Russell Frith
Assistant Auditor General
1 June 2016

Benefit Performance Audit Annual Update 2015/16



Prepared for The Accounts Commission
June 2016

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Purpose

1. This report provides a summary of the performance audit work carried out by Audit Scotland on Scottish councils' housing benefit (HB) services during 2015/16.

Key messages

2. During 2015/16 we issued 11 reports to councils which identified 45 risks to continuous improvement that were accepted. We found that 85% of risks identified during previous risk assessments had been either fully or partially addressed (83% in 2014/15). Council feedback on the performance audit process remains positive.
3. When benefit services are well managed they can deliver value for money and high quality services for customers. However, we found that:
 - speed of processing performance was of concern in seven councils. For example, in two councils the level of benefit processing resources may not be sufficient to sustain or improve current claims processing performance
 - quality checking is not carried out consistently, and that outcomes from quality checks are not routinely collated and analysed in six councils
 - business planning and performance reporting were weak in four councils which included targets not being set for all areas of the service and limited performance reporting in respect of all areas of the service.
4. Universal Credit (UC) continues to be rolled out across Scotland with all councils now having some local residents claiming UC. The Department for Work and Pensions (DWP) plan is that the majority of existing HB claims will migrate to UC by 2021.
5. Scottish councils have now completed the transfer of responsibility for investigating benefit fraud and, in many cases, fraud staff to the DWPs Single Fraud Investigation Service (SFIS). Councils need to ensure that sufficient resources are in place to investigate other types of fraud.
6. The Scottish Parliament's new devolved social security powers may result in some aspects of the devolved benefits being delivered by a number of organisations including local authorities.

Background

7. During 2015/16, one in five eligible Scottish households received financial support to help pay for their rent in the form of means tested HB. Scottish councils paid out £1.73 billion in HB awards in 2015/16 (£1.74 billion in 2014/15).
8. Between March 2009 and March 2015, there has been a 7% increase in HB claims in Scotland. However, the increase has not been constant with a 1.6% reduction in claim numbers between March 2014 and March 2015. This is discussed in more detail at paragraph 30.
9. In 2015/16, councils received £27.8 million (£29.5 million in 2014/15) in funding from the DWP to deliver HB services. This 5.8% reduction in funding in 2015/16 is due to assumed efficiency savings. There is no consistent data available to allow comparison across Scottish councils regarding the cost of administering HB in 2015/16. The latest statutory performance indicators published for 2012/13, before council tax was abolished, indicated that the cost of administration of both HB and council tax benefit at that time was £71.4 million in Scotland.
10. The main objective of the benefit performance audit is to help councils improve their benefit services but it also holds councils to account for any failing services. The audit has two phases:
 - a risk assessment phase that identifies risks to continuous improvement
 - a focused audit phase that examines the service, or parts of it in more detail, if a council is unable or unwilling to address key risks identified in phase one.
11. Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions, with associated timescales, that they will take to address the identified risks. These reports are also copied to the DWP to provide assurances over how Scottish councils are performing.
12. When a focused audit is required the Controller of Audit prepares a report to the Accounts Commission. Focused audit reports are provided to council Chief Executives and are also copied to the DWP and published on the Audit Scotland website.

Work carried out during 2015/16

13. We reviewed our risk based approach to benefit performance audit to ensure that the councils that we considered to be the highest risk were visited during the year. Appendix A contains the details of the 11 risk assessment reports that were issued to council Chief Executives during 2015/16. No focused audits were carried out.
14. Following receipt and review of council improvement plans to address the risks identified in our risk assessment reports, progress reports were requested from six councils. Three progress reports relate to risk assessment reports issued in 2014/15 as detailed in *Appendix B*.
15. To date, we have received progress reports from all six councils. Due to further improvements being required, we have requested updates from Clackmannanshire Council and East Dunbartonshire Council in July 2016. Action taken to address risks was considered to be satisfactory in all updates received to date.
16. In line with Audit Scotland's objective of identifying and sharing good practice, three thematic studies were undertaken during 2015/16. More information on each study is provided in the following paragraphs.

Review of housing benefit subsidy certification issues 2014/15

17. A review was undertaken of issues identified by auditors during the certification of the 2014/15 HB subsidy claims. Auditors identified 43 errors across 18 councils, an improvement from 2013/14 where auditors identified 60 errors in subsidy claims in respect of 19 councils. The errors identified resulted in subsidy being over claimed by £1.134 million (0.06% of expenditure) in the year-end claims submitted by councils to the DWP.
18. Auditors reported that most errors were identified in the classification of expenditure and the calculation of claimant income. The report is available on our [website](#).

Review of activity to reduce fraud and error in housing benefit

19. A review of the activity undertaken by Scottish councils in order to reduce fraud and error highlighted that the monetary value of HB fraud and error has been steadily rising across the UK, with 2014/15 showing a loss of £1.38 billion. Claimant error is the largest contributor to this figure with a total loss of £770 million (56%).

20. From April 2013, there was a reduction in intervention activity by some councils as a result of the need to manage the impact of the UK government's welfare reform agenda.
21. However, during 2014/15, there was a significant increase in intervention activity and improvements to the methods of identifying suitable cases. Although many councils have introduced innovative ways of carrying out interventions that have produced positive outcomes, there remains scope for further improvement in others. The report is available on our [website](#).

Housing Benefit Good Practice Guide: initiatives which deliver best value

22. This report summarises initiatives introduced by councils, and identified during our HB performance audits in 2013/14 and 2014/15, which have helped to deliver continuous improvement.
23. The report also considers the effectiveness of these initiatives in helping to deliver continuous improvement in benefit services and it is hoped that these might be of interest to councils that are finding it difficult to deliver continuous improvement going forward in an environment of reducing budgets and increasing workloads. The report is available on our [website](#).

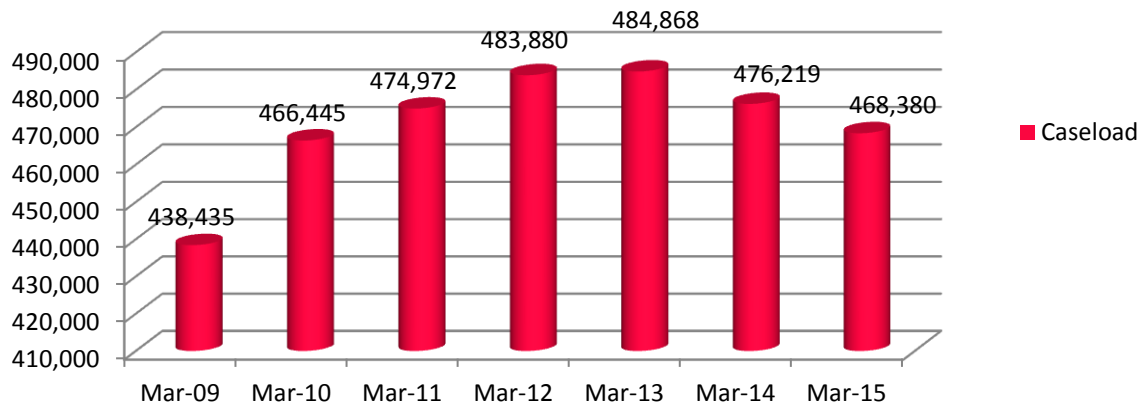
Outcomes of the 2015/16 risk assessments

24. Audit Scotland identified 45 risks to continuous improvement (70 in 2014/15) in the 11 risk assessments completed in 2015/16. We are pleased to report that only one risk to continuous improvement was identified in both the Moray Council and Orkney Islands Council.
25. Our work identified that 85% (123 out of 145) of previously agreed actions had been fully or partially implemented (83% in 2014/15).
26. Improvement plans have been received from all councils visited. Analysis of the risks identified shows that:
 - 100% (100% in 2014/15) of the identified risks were fully accepted by councils

- 17% (25/145) of agreed risks from previous risk assessments were carried forward (22% in 2014/15). Councils have cited resourcing issues as a reason why not all agreed actions have been implemented.
27. We have found that where benefit services are well managed they can deliver value for money and high quality services for claimants.
28. During 2015/16 Audit Scotland has identified weaknesses in the following key areas:
- Quality checking is not carried out consistently and outcomes are not routinely collated and analysed in respect of all activities to inform a risk-based approach. In addition, more work needs to be done to measure performance and improvement over time which can then be used to evaluate individual performance.
 - Business planning and performance reporting weaknesses were identified. It was noted that targets are not set for all areas of the service and/or there is limited performance reporting to senior management and elected members in respect of all areas of the service. The level of resources within the benefit service may not be sufficient to enable the service to continually improve or sustain current performance levels across all of its activities. The continued use of temporary staff on short term contracts could result in the further loss of staff to other areas of the council or externally.
 - Speed of processing performance issues were identified. It was noted that the current level of benefit processing resources may not be sufficient to sustain or improve on current claims processing performance in two councils.
29. Between March 2009 and March 2015, the number of HB claims in Scotland increased by 29,945 (7%). However the increase has not been constant as detailed in Exhibit 1 below which shows that claim numbers peaked at almost 485,000 during 2012/13 before falling by 1.8%, at March 2014. Exhibit 2 shows that claim numbers continued to fall during 2015/16 by

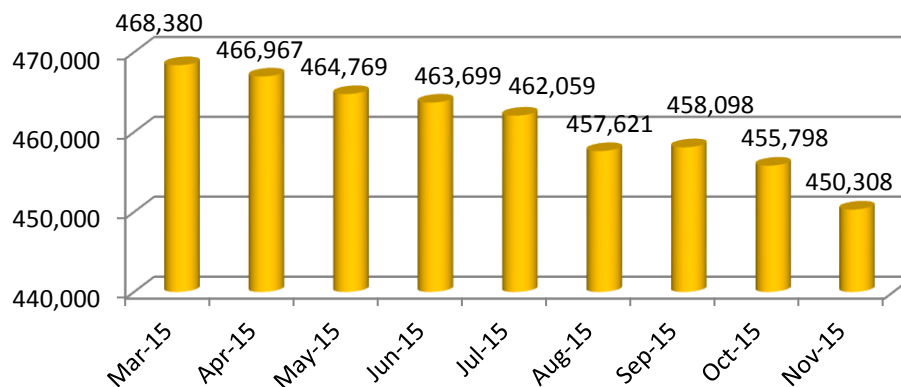
a further 1.6% between March 2015 and November 2015.

Exhibit 1: change in HB caseload in Scotland March 2009-March 2015



During 2015/16 the downward trend in claim numbers has continued as shown in exhibit 2 below.

Exhibit 2: HB caseload in Scotland during 2015/16



Exhibits 1 & 2: Source DWP caseload statistics

30. The fall in claim numbers in recent years may be due to several reasons including:
- people working longer before retiring
 - falling unemployment levels in some areas
 - claimants moving into work, possibly due to the claimant commitment changes in Jobseeker's Allowance, and the reducing numbers of people qualifying for Employment Support Allowance, Incapacity Benefit and Personal Independence Payments

- a small number of claimants moving to UC and therefore becoming ineligible for HB.

Stakeholder feedback

31. Feedback questionnaires are issued to benefit managers after each risk assessment in order to gain assurances over whether the audit methodology is effective and to look for areas which could be improved. During 2015/16, we received responses from 13 councils.
32. Overall the responses were positive and provided Audit Scotland with assurance that the audit methodology is fit for purpose and proportionate. The following comments help illustrate these responses:
 - "The audit report will inform our service review".
 - "It is helpful for elected members to have an accurate independent assessment of the service particularly during a time of major reform and limited resource availability".
 - "As well as suggestions for improvement, the report included positive feedback and recognition of improvements; this was a real morale boost when shared with staff".
 - "The audit provides a strong set of basic principles that in general can be adapted to other council services, thus helping to strengthen processes and outcomes in other non-benefit related areas".
 - "We have found the experience to be extremely beneficial and we found that our auditor had an excellent understanding of the challenges we face".
33. Whilst the majority of the responses were good, not every council found the process to be so positive. Particular concerns were raised by one council:
 - "In terms of the report it would be helpful to not have issues repeated across various areas as it was difficult to group items in a meaningful way for the action plan. I think that it was unclear what documentary evidence was required".
34. Audit Scotland has taken these comments on board in the planning and delivery of risk assessments. Councils are given as much notice as possible of risk assessments and discussions are held with benefit managers prior to submission regarding the self-assessment requirements. We also try to concentrate on the challenges facing each council and how they respond to those challenges.
35. HB risk assessment reports continue to be shared with the DWP. We also continue to monitor our approach in conjunction with the DWP through quarterly meetings between the Manager,

Benefits-Technical and senior officers in the DWP's Housing Delivery Division.

Welfare reform

36. Councils continue to work with partners to help deliver the UK government's welfare reform agenda.

Universal credit (UC)

37. UC roll-out has continued in the Inverness Jobcentre area where single claimants have claimed UC since November 2013. This was expanded to claims from couples in June 2014 and claims from families in January 2015. Highland Council has been providing personal budgeting support, digital access, housing cost knowledge, and advice and support to claimants.
38. The rollout of UC across the rest of Scotland began in February 2015 for single people who would otherwise have been eligible for income based Jobseeker's Allowance, including those with existing HB. By April 2016, all Scottish councils had some local residents claiming UC.

Universal Credit Full Digital Service

39. The Universal Credit Digital Service will allow users to make a claim, notify changes of circumstance and search for a job through a single account, making digital the primary channel for most working-age people to interact with the DWP.
40. On 23 March 2016, Musselburgh Job Centre in East Lothian was the first Job Centre in Scotland to provide the full Universal Credit Digital Service. Further roll-out of the full digital service will take place from May 2016 with phases 1 and 2 taking place between May and December 2016. Highland Council is the only Scottish council included in either of these phases. The UK government expects the national roll-out to the digital service to be completed in June 2018. The migration of the remaining working age existing HB claimants to the full UC service will start thereafter and expected to be completed by 2021.

DWP's Single Fraud Investigation Service (SFIS)

41. The DWP has completed the roll-out of its Single Fraud Investigation Service (SFIS). All Scottish councils have now transferred their responsibility for investigating benefit fraud, and in many cases, their fraud investigators to SFIS. Councils should ensure sufficient resources are in place to investigate other fraud unrelated to HB, such as council tax reduction fraud, tenancy fraud and other corporate fraud.

Devolved financial powers

42. The Smith Commission recommended that the Scottish Parliament be given complete autonomy to determine the structure and value of a range of powers over disability, and devolution of the components of the Regulated Social Fund. In addition, it was recommended that the Scottish Parliament should be given the power to make administrative changes to UC and to vary the housing cost element.
43. The Smith Commission's proposals will devolve around £2.7 billion (15.3%) of Scottish benefit expenditure to the Scottish Parliament.
44. Although the Scotland Act 2016 only received Royal assent in March 2016, the Scottish Government have been planning and preparing for the delivery of the devolved aspects of social security included within the Act. The Government's plans include:
 - the introduction of a Scottish social security bill in the first year of the new Parliament
 - the setting up of a new agency to deliver the social security powers
 - the initial delivery of the devolved benefits by the DWP in order to help ensure a smooth transition and to avoid delays for claimants
 - a fully costed business case detailing how the new powers will be delivered will be published later this year.
45. It is possible that some of the devolved benefits will be delivered by a number of organisations including local authorities, DWP, and the third sector.

Appendix A – The 2015/16 risk assessment programme

Date on site	Council	Date reported
March 2015	Clackmannanshire	May 2015
April 2015	East Dunbartonshire	May 2015
May 2015	Renfrewshire	June 2015
May 2015	North Ayrshire	June 2015
June 2015	Aberdeen City	July 2015
July 2015	Orkney	August 2015
August 2015	Moray	September 2015
September 2015	North Lanarkshire	November 2015
October 2015	East Lothian	November 2015
October 2015	Perth & Kinross	December 2015
December 2015	Falkirk	January 2016

Appendix B – Progress reports requested during 2015/16

Council	Date progress report received/expected	Conclusion on action taken to address risks
East Ayrshire Council	April 2015	Updates received and satisfactory progress made. A full risk assessment is planned for 2016.
East Renfrewshire Council	July 2015	Update received and satisfactory progress made.
West Lothian Council	August 2015	Update received and satisfactory progress made.
Clackmannanshire Council	November 2015, February 2016 & July 2016	Update received and satisfactory progress made to date. A further update has been requested by July 2016.
East Dunbartonshire Council	May 2016	Update received and a further update has been requested by July 2016.
North Ayrshire Council	May 2016	Update received and satisfactory progress made.

MEETING: 9 JUNE 2016

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

THE NEW APPROACH TO AUDITING BEST VALUE

Purpose

1. The purpose of this report is to provide an update on the development of the new approach to auditing Best Value since the Commission meeting in April. It seeks the Commission's approval of the overall framework for the new approach, as a basis for formal engagement and communications and for future continued development of the audit.

Background

2. At the meeting of the Commission in April 2016, members considered my update report on the progress being made to develop the new approach to auditing Best Value. The report also covered the issues of refreshing the statutory guidance for Best Value, engagement by the Commission on the new approach, the overall framework (including a draft paper for use in external engagement) and arrangements for scheduling Best Value Assurance Reports during the first year.
3. The Commission noted the progress being made on developing the new approach, and agreed that it would meet with the Scottish Government and Cosla in relation to the statutory guidance.
4. The Commission also agreed to give further consideration to the content of the report at a workshop event for members, so that more detailed discussion could take place around specific issues.

Review of the Statutory Guidance

5. A meeting has now been arranged for the Commission to discuss the statutory guidance with the Scottish Government and Cosla. The Chair and Deputy Chair will attend. The Commission Secretary and the Controller of Audit will also attend. This will be an opportunity for the Commission to encourage early progress in reviewing the guidance.
6. The meeting is taking place on June 3rd, (after this report has been circulated), and members will be provided with a verbal update at the Commission meeting on 9th June.

Commission workshop

7. A workshop for members to give further consideration to the new approach was held on 11th May in Edinburgh. Papers for the event were issued to all members and those circulated on the day have also been added to the members' extranet site. The objectives of the workshop were:
 - For Commission members to get further information about the arrangements for the new approach;
 - For Commission members to have an opportunity to discuss the developing arrangements with the team and gain assurance that the approach responds to the Commission's principles;

- For the team to capture the views of the Commission in relation to the new approach and ensure these are encompassed in the ongoing development of the arrangements;
 - For the team to note any issues for further discussion with the Commission at a future meeting, or in another forum such as the Working Group.
8. The discussions at the workshop centred on the key issues that had been raised at the Commission meeting in April:
- Refreshing the statutory guidance;
 - Audit planning – at a strategic and local level;
 - Reporting – the framework for this, Annual Audit Reports, Best Value Assurance reports, and the Controller of Audit's Annual Assurance and Risks report;
 - The views expressed so far by councils and the audit firms;
 - The issues that will need further discussion and development.
9. During the workshop, the development team was able to provide additional information to members on how the various processes would work and further details on current thinking, about planning and reporting issues in particular. At the conclusion of the workshop, members agreed that the Commission could have confidence in the process established and the direction of the further development work planned. A summary of the overall framework (taken from the fuller paper submitted to the Commission meeting in April) is attached as Appendix 1 to this report.

Next steps: Commission working group

10. At the workshop, members felt that a helpful way forward would be for the Commission's Working Group on the new approach, comprising the Chair and the Chairs of the two Commission Committees, to consider a number of issues that would benefit from more detailed discussion. Regular updates will be provided to the full Commission. These issues include:
- Commission engagement and communication arrangements - on the framework for the new approach and on the year one programme - with councils, other stakeholders and the public;
 - Improvement, in particular the issue of pace and what sufficient pace looks like. This will support discussions on improvement in relation to statutory guidance and the development of relevant sections of the guidance material for auditors;
 - The timeline for planning and reporting and how this integrates with the Commission's strategic planning cycle - including strategy seminars, setting strategic audit priorities, work programming and links to other Commission products and the work of its committees;
 - The new reports arising from the new approach, including issues of consistency, auditors working together, content and impact;
 - The Commission's expectations in relation to assurance on Statutory Performance Indicators and public performance reporting in the new arrangements, including implications of/for the 3 year Direction;

- Providing some further information on resourcing for the new approach to assure the Commission in relation to issues such as capacity and skills.

11. Arrangements are being made for a series of meetings of the Working Group between now and October to consider these matters, although there is potential for meetings to continue after this point and for additional issues to be included where the Commission feels this would be appropriate.

Recommendations

12. The Accounts Commission is invited to:

- (a) Note the progress made on the new approach to auditing Best Value since the Commission meeting in April;
- (b) Note that a meeting was held with Scottish Government and Cosla on June 3rd and the verbal report provided at the Commission meeting on 9th June;
- (c) Agree the overall framework for the new approach, summarised in Appendix 1, as a basis for formal engagement and communications and for future continued development of the audit; and
- (d) Agree that the Commission's Working Group on the new approach should meet over the next few months and consider the issues identified at the workshop held on 11th May (including agreement on engagement activities with stakeholders over the Autumn), with reports being provided to the full Commission as appropriate.

Fraser McKinlay
Director of Performance Audit and Best Value
1 June 2016

Auditing Best Value:

A summary of the overall framework for our new approach

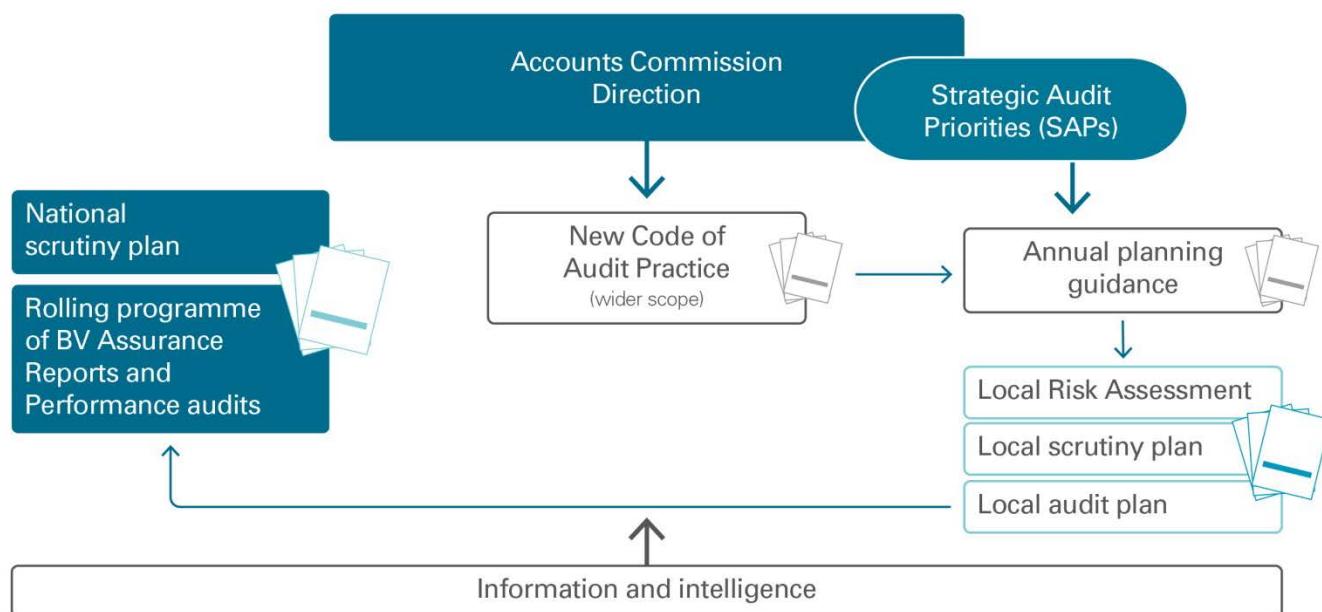
Introduction

1. This paper provides a summary of the overall framework for our new approach to auditing Best Value. At this time, councils are responding to the challenges associated with ensuring both financial and service sustainability in the future. They are thinking about how they can radically change how they work and deliver services. In similar vein, our new approach represents significant change and includes considerable redesign of how we carry out our work. Not just how we audit Best Value, but how we audit a council altogether.
2. We agreed a set of principles for the new approach in December 2014, and development work has been taking place since then to establish the overall audit framework with the changes commencing at the start of the new five-year local government audit appointments in October 2016. We recognise that the new approach involves significant new ways of working for auditors, and that some of these changes cannot be fully achieved in the short term. So, we have agreed that the new approach will be evolutionary in nature. While the core elements will be in place for October 2016, some of the detailed processes and changes will continue to be developed over time. We believe councils will welcome the new approach. We have engaged with council representatives and other stakeholders during the recent development phase and the response has been very positive. The evolutionary nature of the new approach allows us to continue talking to councils in the early stages, making adjustments in light of the early experiences of auditors and of council staff.
3. An important development principle has been to avoid additional layers of process, so wherever possible, existing aspects of audit planning and reporting arrangements are being incorporated in the new approach and improved to meet its specific requirements. The following paragraphs provide further details on the main aspects of the overall framework.

The audit planning framework

4. The audit planning framework for the new approach is summarised in Exhibit 1.
5. The Accounts Commission is responsible for appointing auditors to each council for a five-year period, and for setting out the principles and standards to be followed by auditors and what is required of them in the course of their duties. We express this at a high level in the **Code of Audit Practice**. The Code issued for the appointments commencing in October 2016 includes important changes that underpin the new approach to auditing Best Value through a “wider scope” of audit and requirements for appointed auditors to work in partnership with other performance and Best Value auditors.

Exhibit 1 Audit planning framework



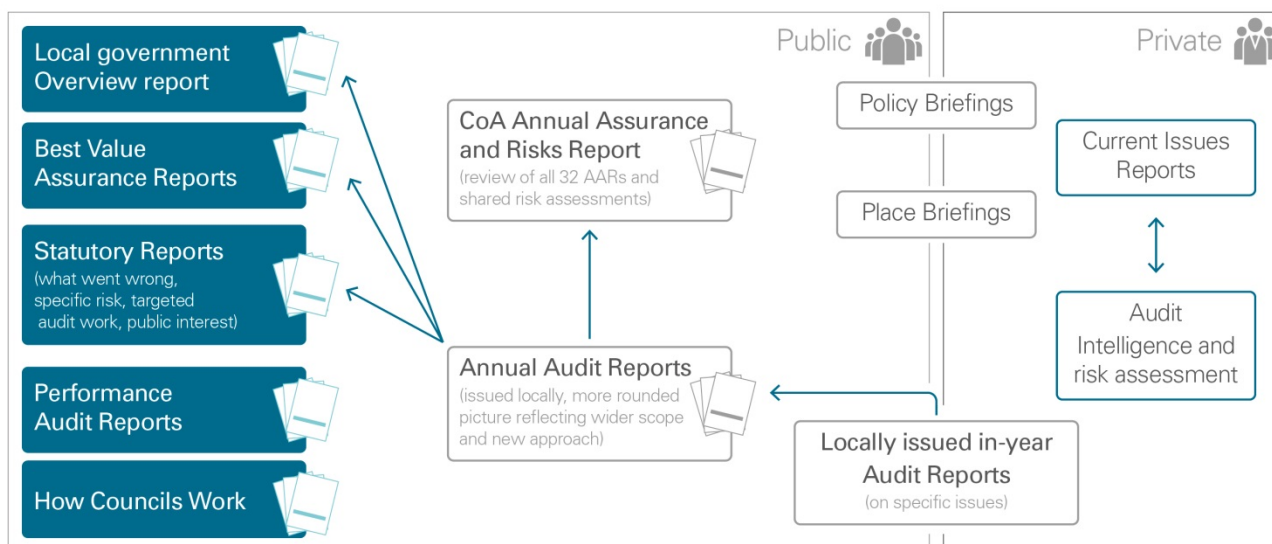
Source: Audit Scotland, 2016

7. While the Code covers the full period of the five-year appointment, additional **Annual Planning Guidance** is issued to auditors each year, and this is an opportunity for us to provide further strategic direction including **Strategic Audit Priorities (SAPs)**. These will reflect specific issues that the Commission wants considered in the range of audit work carried out across local government.
8. At a local level, auditors will then come together to plan their approach to the council audit for the five-year period and the year ahead. Five-year planning will consider arrangements for how the characteristics of Best Value will be covered over that period, reflecting the specific circumstances, risks and performance of the individual council. Annual planning will respond to the guidance issued nationally, including SAPs, and include details of both financial statements work and Best Value as expressed through the wider scope. It will incorporate current arrangements for the **shared risk assessment** and outputs will include a **local audit plan** and a **local scrutiny plan** that includes work by other scrutiny bodies.
9. At a national level, the results of local planning will inform a rolling programme of **Best Value Assurance Reports** and **Performance Audits**, and the **National Scrutiny Plan**.
10. As with current arrangements for audit planning, auditors will fully engage and discuss their plans with councils and take account of views expressed.

The assurance and reporting framework

11. The assurance and reporting framework for the new approach is summarised in Exhibit 2.

Exhibit 2 Assurance and reporting framework



Source: Audit Scotland, 2016

12. As with the planning framework, in developing the new approach we have built on current arrangements, adjusting these to meet the requirements of the new approach. A key objective is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. We will do this by requiring the Controller of Audit to submit a **Best Value Assurance Report (BVAR)** on each council at least once during the five-year audit appointment. These reports will differ from the current Best Value reports in that they are not audit reports produced directly at the end of an intensive period of specific BV audit work. Instead, they will provide a more longitudinal perspective, contain broader coverage across BV characteristics and a more rounded picture on the performance of the council concerned. They will in effect be an aggregation of the conclusions from a range of audit and other scrutiny work over time. Commission members will consider these reports in public, and decide what action we will take. Legislation covering our business includes options to direct the Controller of Audit to carry out further investigations, to hold a hearing, and to state Commission findings (which can include recommendations).
13. The new Best Value Assurance Reports will sit alongside existing published reports that councils will be familiar with. These include the annual **Local Government Overview Report**, **Performance Audit Reports** and the **How Councils Work** series. The Controller of Audit will continue to issue **Statutory Reports** where considered necessary, and submit these to the Commission. These cover issues in individual councils that raise significant concern and public interest. They will also, under the new approach, be the route for additional reports on Best Value where specific risks have been identified and targeted work is considered proportionate and appropriate.

14. At a local level, appointed auditors will continue to issue an **Annual Audit Report (AAR)** to each council and the Controller of Audit. However, in future, these reports will be more rounded (reflecting the wider scope from the Code of Audit Practice), will summarise the results of the Best Value assessment work that took place during the past year, and comment appropriately on both the Commission's Strategic Audit Priorities and local audit priorities identified through audit risk assessments and planning. In line with current practice, local auditors will continue to issue **reports to councils within the year** on specific issues. These will also be summarised in the AAR.
15. Greater use will be made of the AARs under the new approach. They will contribute significantly to BVARs, other Statutory Reports and the Local Government Overview. But, they will also contribute to more regular assurance being provided to the Commission. Currently, the Controller of Audit reports to the Commission each year following his review of the AARs across the 32 councils. He also provides an overview report on the Shared Risk Assessments. Under the new approach, these will be brought together in an **Annual Assurance and Risks Report**. This will provide Commission members with details of the key issues arising from audit work in councils in terms of common strengths and areas for improvement. It will also include commentary on those councils where auditors have expressed particular concerns that will require audit attention in the forthcoming year, and progress being made by councils on which we have previously reported. Consideration of this report will inform the rolling programme of Best Value Assurance Reports and identify councils where some targeted risk based audit and reporting may be required.
16. The content of the range of audit reports under the new approach will reflect our principles set out following its 2014 review. These include an emphasis on judgements, conclusions and recommendations for improvement; coverage of the wider scope for public audit as set out in the Code of Audit Practice; commentary on a council's self evaluation and the effectiveness of its performance management arrangements; and, commentary on the performance of a council in meeting the needs of its customers and communities.
17. Arrangements for providing assurance to the Commission and its committees on Best Value and the overall performance of councils will continue to include less formal elements, including **Current Issues** reports, **Policy and Place briefings** and other outputs based on audit intelligence and programme development work.

How auditors will assess Best Value

18. Auditors assess the extent to which a council is meeting its statutory duties under the Local Government in Scotland Act 2003. These duties are set out in the primary legislation and expressed in more detail in Statutory Ministerial Guidance - which describes the characteristics of a council that is demonstrating Best Value. It therefore represents what auditors are looking for when carrying out their work, and the benchmark on which their judgements are measured and their conclusions reached. It is the responsibility of a council to provide evidence that it is meeting its statutory duties. Our new approach does not alter this fundamental aspect of auditing Best Value.

19. While Best Value remains as relevant and critically important today as when it was introduced, the statutory guidance needs to be strengthened and refreshed in a number of areas and the Commission has made representations to both the Scottish Government and Councils in this regard.
20. Best Value audit reports in recent years have tended to focus on a small number of issues around only certain aspects of Best Value. While this was not unexpected in a risk-based approach, we are concerned that important issues such as equalities for example, have not featured as much as they should in public reports. The new approach offers an opportunity to provide public assurance across the range of Best Value characteristics in a more comprehensive manner. We will achieve this through assessing Best Value on an ongoing basis over the five years of the audit appointment. As stated above, this will be done through audit planning in individual councils so that the particular context and circumstances in each can be taken into account.

What will be different from a Council's perspective

21. We have taken the opportunity in recent months, to discuss the new approach to auditing Best Value with stakeholders, including council chief executives. The response we have received has been positive and supportive, with the general direction and key features being welcomed.
22. While the new approach represents significant change, such as the integration of the range of audit work for a council, much will remain the same, such as audit judgements and conclusions being rooted in the expectations that arise from the statutory guidance.
23. We want to improve the effectiveness and efficiency of the audit, while minimising any unnecessary burden on councils and their resources. Many of the changes we are making will be to internal audit procedures that will not really be evident to councils but there are a number of areas where they will notice a difference and we hope these will represent an improved experience.

MEETING: 9 JUNE 2016

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT OF BEST VALUE: SOUTH AYRSHIRE COUNCIL

Purpose

1. The purpose of this paper is to introduce the Controller of Audit's report on the Best Value follow-up audit at South Ayrshire Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its meeting in February 2014, the Commission considered a report by the Controller of Audit on Best Value in South Ayrshire Council, which covered the extent to which the council is meeting its statutory duty, with a focus on leadership and culture, performance management and scrutiny.
3. In its findings published on 27 February 2014 (attached in Appendix 1), the Commission expressed serious concern about the Council's inability, over a number of years, to fulfil its Best Value responsibilities and achieve continuous improvement. The Commission required a further report by the Controller of Audit on the progress made by the Council by December 2014 at the latest. The Commission stated that on receipt of this report, further action that it might take may include a requirement for further reports from the Controller over time until the Commission is satisfied that a culture of improvement at the council is embedded fully.
4. At its meeting in December 2014, the Commission considered a report by the Controller of Audit on the progress made by South Ayrshire Council against improvements required by the Commission in February 2014. In its findings published on 18 December 2014 (attached in Appendix 2), the Commission welcomed the council's positive response to our previous findings and noted that, in a relatively short time period, the Council had made a good start in developing an improved framework to help it demonstrate Best Value.
5. As part of its findings, the Commission asked the Controller of Audit to report on progress again in 18 months time. This report is appended.

The report

6. The attached report to the Commission is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
7. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - a) the accounts of local authorities audited under the Act;

- b) any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public.
 - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
8. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

9. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
- (a) direct the Controller of Audit to carry out further investigations;
 - (b) hold a hearing;
 - (c) state its findings.
10. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
11. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

12. The Commission is invited to:
- a) consider the report by the Controller of Audit on the audit of Best Value of South Ayrshire Council; and
 - b) decide how it wishes to proceed.

Paul Reilly
Secretary to the Commission
1 June 2016

Appendix 1 : Commission findings on Best Value audit report, South Ayrshire Council, February 2014

1. The Accounts Commission accepts the Controller of Audit's report on the targeted Best Value audit covering leadership and culture, performance management and scrutiny in South Ayrshire Council.
2. We are seriously concerned about the council's inability, over a number of years, to fulfil and sustain its statutory Best Value responsibilities, ie continuous improvement in the above areas. The depth and pace of improvement in these areas have been inadequate and, while there are signs of improvement, these should have been established much earlier. However, we acknowledge and recognise that the performance of council services raised no significant concerns.
3. The people of South Ayrshire and its communities are entitled to expect the leadership of the council to take the steps necessary to embed and sustain continuous improvement and to address the major challenges facing the council. It is the responsibility of all councillors to provide strong strategic leadership and to ensure that the council has the senior management capacity to support change and sustain improvement. Equally, the public and council staff expect senior management to provide clear leadership and consistent corporate working to address the lack of progress to date and help deliver the future success of the council. In particular, the chief executive has a key leadership role in embedding a positive organisational culture.
4. Councillors and senior officers must have a clear and shared understanding of their respective roles and responsibilities. Working together, they must build trust and confidence that each will deliver what is expected of them in leading and managing the council. However well intended, it is not the role of a council Leader to be involved in the operational management of a council; that is the responsibility of the chief executive.
5. We are also concerned that the council has not had a corporate plan since 2012 and that this is likely only to be resolved in March 2014. A corporate plan has a key role in ensuring that all departments and individual staff are focussed on common strategic objectives. Without a plan, there is no clear statement of the council's priorities for services and improvement. Nor is there clear information about how it will address significant national issues, such as health and social care integration, in the context of other priorities and challenges.
6. Scrutiny and performance management arrangements are ineffective. Councillors must ensure that the council's scrutiny arrangements are fit for purpose and transparent. They must also insist on receiving comprehensive information that is accurate, timely and consistent across services. Officers must ensure that performance reports support effective scrutiny and that the underpinning management processes support service improvements.
7. We require progress to be made as a matter of urgency. Otherwise, the weaknesses identified by the targeted audit of Best Value will increasingly have a negative impact on the services that the council provides for people and communities in South Ayrshire and on the public's confidence in the council.
8. It is essential that the corporate plan and supporting service and resource plans are in place and that these are implemented and monitored from the start of the 2014/15 financial year. These must include a clear commitment to Best Value and how that will be achieved and sustained. Within these plans, the Commission requires explicit references to the significant weaknesses highlighted in the Controller of Audit's report.

Those explicit references should set out specifically what will be done, by whom and when, and how progress will be measured and reported.

9. We are of the firm view that Best Value can only be achieved when councillors and officers have the necessary support and skills to carry out their roles. The challenges the council faces in establishing and sustaining effective leadership and improvement are both deep rooted and substantial. The council as a matter of urgency needs to seek external assistance through, for example, peer support and assistance from the Improvement Service.
10. We require a further report by the Controller of Audit on the progress made by the council by December 2014 at the latest, and earlier if the Controller identifies concerns that he considers should be brought to our attention before then. When we receive the Controller's report we will decide what further action we need to take. This may include a requirement for further reports from the Controller over time until the Commission is satisfied that a culture of improvement at the council is embedded fully.

Appendix 2 : Commission findings on Best Value audit report, South Ayrshire Council, December 2014

1. The Accounts Commission accepts the Controller of Audit's report on South Ayrshire Council. The Controller's report is in response to our findings on the Best Value report in February 2014 in which we noted that the challenges facing the council were deep-rooted and substantial.

2. We welcome the council's positive response to our previous findings. We note that, in a relatively short time period, the council has made a good start in developing an improved framework to help it demonstrate Best Value. It now needs to ensure that this framework is effective in practice and leads to sustained improvements in governance, services and outcomes for communities in South Ayrshire.

3. More work is required in the range of areas highlighted in the Controller's report. We would highlight in particular the following points which are crucial in maintaining the momentum that the council has built in recent months:

- The Best Value Working Group needs to continue to provide strong political leadership of the council's improvement agenda and ensure that the actions the council is taking to achieve Best Value are sustained.
- The council needs to satisfy itself that it has sufficient management capacity to deliver its improvement agenda and meet the challenges the council faces.
- The council needs to ensure that the new business planning framework is fully established and that, as intended, it provides focus on service performance and continuous improvement.
- The council needs to progress service reviews, including robust appraisal of options for service delivery, to identify new and better ways of delivering services and to act on the results of those reviews to improve services.
- The council needs to ensure that there is a shared understanding among officers and all elected members of their respective roles, and to ensure that the four new scrutiny panels provide effective and transparent scrutiny of performance.

4. We are encouraged by the council's achievements but it has a long way to go to embed fully all the characteristics of a Best Value council. We require the Controller of Audit to report again within 18 months.

South Ayrshire Council

Best Value audit report

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit

June 2016

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website:

www.audit-scotland.gov.uk/about/ac

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Commission's Findings

[These will be added following the deliberations of the Accounts Commission at its meeting on 9th June 2016]

Controller of Audit Report

Summary

1. South Ayrshire Council has sustained the pace of, and commitment to, improvement, which I reported to the Commission in December 2014. The council has gone on to make further progress over the last 18 months. There is clear leadership by both officers and elected members, which is making a positive difference to how services demonstrate Best Value.
2. The council's Best Value Working Group, established in response to the Commission's critical findings in February 2014, continues to be an important element in arrangements for political leadership on Best Value. Political relationships more generally have matured, with working arrangements focused on the council delivering on the priorities that matter most to the people of South Ayrshire. Members and officers have good relationships, with new scrutiny arrangements working well and starting to make a difference.
3. The council has completed recruitment to its senior manager team and appointed new staff to key positions. The council has effective corporate leadership and management who are driving improvement and change. This will be important as the council responds to some big challenges over the next few years, such as reductions in spending.
4. The council has continued to improve over the last two years. In response to earlier concerns by the Commission the council began to develop an improvement framework to help it demonstrate Best Value. This is now established across the council, and provides a platform from which the council is beginning to deliver service improvements that will lead to better outcomes for the citizens of South Ayrshire.
5. Council leadership and staff are showing commitment to improving services and this will help ensure the council maintains its focus on Best Value. Continued effective leadership will be important in making even more progress in future, and the developing culture of improvement across the council can deliver increasing benefits to the communities of South Ayrshire.

Background

6. This report updates the Commission on the council's progress following a previous Best Value audit report in December 2014. This is my third report on South Ayrshire Council in 28 months. In February 2014, I reported to the Commission that despite signs of progress over the previous 12 months, South Ayrshire Council could not demonstrate that it was achieving Best Value. This was due to significant weaknesses in its strategic direction, leadership, performance management, and scrutiny. The Commission expressed serious concern about the council's inability, over a number of years, to fulfil its Best Value responsibilities and achieve continuous improvement. It considered the challenges facing the council were deep-rooted and substantial and requested a further report in six months time.
7. In its findings on my report in December 2014, the Commission noted that the council had responded positively to its previous findings. There was clear evidence of it taking significant actions, over a relatively short period, aimed at addressing the weaknesses identified in February. These included developing an improvement framework and agreeing a corporate plan, although it was too early for the council to provide evidence of the full impact of the new arrangements.
8. The Commission said the council needed to ensure its improvement framework was effective in practice. The framework had to make lasting improvements in governance - in areas such as roles and responsibilities, and scrutiny - and in services to and outcomes for the communities of South Ayrshire. The Commission requested a follow-up report in 18 months to review progress, and my report is structured around its findings in December 2014, which were as follows:
 - The Best Value Working Group needs to continue to provide strong political leadership of the council's improvement agenda and ensure that the actions the council is taking to achieve Best Value are sustained (see paragraphs 10-12 below).
 - The council needs to satisfy itself that it has sufficient management capacity to deliver its improvement agenda and meet the challenges the council faces (see paragraphs 13-21).
 - The council needs to ensure that the new business planning framework is fully established and that, as intended, it provides focus on service performance and continuous improvement (see paragraphs 22 - 24).
 - The council needs to progress service reviews, including robust appraisal of options for service delivery, to identify new and better ways of delivering services and to act on the results of those reviews to improve services (see paragraphs 25 to 36).
 - The council needs to ensure that there is a shared understanding among officers and all elected members of their respective roles, and to ensure that the four new scrutiny panels provide effective and transparent scrutiny of performance (see paragraphs 37 to 43)

There is clear leadership of the council's improvement agenda

The council's Best Value Working Group provides effective leadership for the council's improvement agenda

9. The council set up its Best Value Working Group (BVWG) in response to the Commission's February 2014 findings. At that time, its purpose was to ensure an immediate and effective response to required improvements. Since then, the group has continued to play a central role in ensuring councillors are committed to, and taking a lead on achieving Best Value. It has also continued to hold senior management to account for delivering Best Value. The group is cross party and includes the leaders of all political parties. Its role is to ensure that the council is fulfilling its duty to provide Best Value, and that all improvement activity across the council can be, and is maintained. The BVWG's work programme and membership highlights the council's commitment to, and focus on improvement (exhibit 1).

Exhibit 1

Best Value Working Group

The BVWG remit, agreed in March 2015, is to:

- ensure that Council is consistently focused on fulfilling its statutory Best Value responsibilities
- consider various strands of work undertaken by members and officers and consider if Best Value is being delivered in a sustained fashion.

To fulfil this remit, the group meets every quarter, and considers a wide range of information including the council plan, results of departmental self-assessments, and updates on the service review programme.

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10. Political leadership and management in the council have matured. As we would expect in any council, there are still debates and disagreements between politicians. But elected members have put improved working relationships in place that focus on agreeing and delivering on the priorities that matter to the people of South Ayrshire. The BVWG is currently leading on refreshing the Council Plan to extend it to 31 March 2018. This is to give the new council, to be elected in May 2017, a stable position to start with. It is also to ensure Best Value initiatives continue while the council develops a new plan and revenue budget for 1 April 2018. This is a positive step forward for the council. It demonstrates maturity in the political relationships within the council and a proactive approach to effective strategic and business planning. Members have also established regular meetings between policy portfolio holders, who are senior councillors in the Administration that have responsibility for particular strategic policy areas of the council, and panel chairs. This allows joined-up consideration of issues, and also provides a mechanism for all views to be discussed.
 11. The Commission's December 2014 findings commented on the need for a shared understanding among officers and all elected members of their respective roles. Since 2014,

development work at the council has focused on these issues, including sessions facilitated by the Improvement Service and member training events. Evidence indicates that there are good relations between members and officers at South Ayrshire Council, they are clear about their distinctive roles and responsibilities, and respect these.

The Corporate Management Team is providing the council with effective managerial leadership

12. In December 2014, the council was still in the process of recruiting staff to a number of senior positions. This has now been completed and the new corporate management team and other senior managers are well embedded in the work of the council. The council has an effective corporate leadership team. Monthly corporate management team (CMT) meetings are well attended with a strategic agenda, a good level of discussion and resultant direction across the organisation.
13. The CMT has a robust corporate approach and greater focus on priorities, delivering improvements and meeting financial challenges. Managers across the council consider it is a more corporate organisation with leaders setting an example for this change in culture. Their experience is of a much more dynamic and vibrant council. New senior management appointments include the Director of Educational Services, Head of Children's Health Care and Criminal Justice, Head of Property and Risk and Head of Policy and Performance. Coming from outside the council, they have brought fresh ideas and approaches that the council is responding positively to. CMT is also looking beyond the council and beyond South Ayrshire, for opportunities to learn how best to improve services and to engage expert support where appropriate. For example, the council commissioned the Society of Information Technology Management (SOCITM), to help assess digital and IT services across the council. It has now appointed a Digital Transformation Manager to make the improvements identified.
14. The council's "South Ayrshire Way" initiative is an example of how it is promoting a corporate culture in which all employees are focused on improving services and meeting customers' expectations (exhibit 2).

Exhibit 2

Examples of clear leadership

The South Ayrshire Way

The *South Ayrshire Way* initiative, championed by the Chief Executive, is the council's approach to changing its corporate image and identity, as part of influencing wider organisational culture and change. It sets consistent corporate standards for customer service and communications. These include developing and implementing a customer charter, redesigning office and reception environments, and introducing a dress code and communication standards for staff. The council's aim is to fully embed these cultures and behaviours into its people management processes.

Integration of health and social care

The Public Bodies (Joint Working) (Scotland) Act 2014 provides the framework for the integration of health and social care services in Scotland. After it became law in February 2014, the council demonstrated clear leadership in bringing together health and social care services under unified management. The council successfully worked in partnership with the local health board to create a local scheme of integration. It did this through a Transitional Integration Board established in February 2014, then through a Shadow Integration Joint Board throughout 2014/15. It was among the first councils to have an integration scheme approved. This became fully operational on 1 April 2015 and the inaugural meeting of the South Ayrshire Integration Joint Board took place on 2 April 2015.

Continued effective leadership will be needed to manage future financial pressures

15. The financial pressures facing local government are significant. South Ayrshire Council prepares three year revenue and capital budgets, and in December 2014, it agreed budgets for 2015/16, 2016/17 and 2017/18. The 2015/16 revenue budget included £4.154 million of savings and a £1 million draw on uncommitted reserves and the 2016/17 budget included a further £4.553 million of savings. These were necessary to meet expected reductions in the council's revenue funding from the Scottish Government. However, the council's actual revenue allocation for 2016/17 was £196.237 million, a reduction of £6.833 million over the previous year, and lower than the council had previously estimated in December 2014. After making adjustments, mainly in respect of the transfer of the integration of health and social care and council tax income, the budget for the year was set at £187.135 million in March 2016. The lower than expected funding from central government meant the council had to make further expenditure reductions of £3.239 million.
16. The savings made by the council rely in large part on the restriction of service provision and staffing reductions as well as substituting some elements of revenue expenditure with specific reserve contributions, for example, a £0.750 million drawdown on the Repairs and Renewal Fund (exhibit 3). The council used some £2.155 million of non-earmarked reserves in its 2016/17 budget to replace reduced capital grant allocation from the Scottish Government.

Exhibit 3

Examples of reducing the budget

The council is proposing to reduce spend through a mix of efficiency measures, reductions in service, increases to fees, and service redesign savings. Some examples of proposed savings are given below:

- Improving processes to increase use of 'self-service' for on-line HR processes by employees, estimated saving £250,000 over two years.
- Reduction in primary school management, estimated saving £134,000.

- Reduced costs in transport, both in additional support needs and mainstream transport, estimated savings £200,000 over two years.
- Increase in bereavement charges for burial and cremation, estimated increase in income to the council of £25,000 for 2016/17, £57,000 for 2017/18.
- Increase in swimming lesson fees to reflect modernised and enhanced lesson programme, estimated increase in income to the council of £30,000.
- Modernise the waste management service by changes to shift working and collection patterns and frequency, estimated saving £375,000.
- Work with service providers of supported living services for people with learning disabilities to review then redesign arrangements for 24 hour care and improve outcomes, estimated saving £600,000 over three years.

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17. The council's current indicative budget for 2017/18 shows a budget deficit of £5.428 million - based on a 1.5 per cent reduction in allocation - and £7.374 million - based on a 2.5 per cent reduction. The financial strategy approved in December 2014 had future years estimates included beyond 2017/18 but they are now out of date because of the significant changes to the settlement in 2016/17 and continuing uncertainty for future years. A revised medium-term strategy is planned for later this year following the spending review announcements.
18. Financial sustainability is achieved when a council has the capacity to meet the current and future needs of its communities. South Ayrshire's financial position is sustainable currently and in the foreseeable future. However, rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the council's ability to deliver services at the current levels. The council has a strong reserves position with £42.140 million of usable reserves available, although a significant proportion of this has been earmarked including:
- £3.5 million for the workforce change fund
 - £1.5 million for the affordable homes strategy
 - £1.8 million for spending commitments in 2016/17.
19. The council plans to use some £3.811 million of reserves during 2016/17. While this figure is currently manageable in the overall context of available reserves, longer term it is not a sustainable strategy.
20. The council delivers a broad range of services to its communities. Members and senior managers will need to maintain the clear leadership demonstrated since 2014 to guide the council through this challenging period. They will need to direct improvement activity to help with decision-making on how the council should be providing services in future and to help minimise the impact of spending reductions in some services. They need to consider more radical changes in service design and delivery and when doing so, ensure that they carry out a thorough consideration of all the alternative options available. The BVWG will have a vital role in this process.

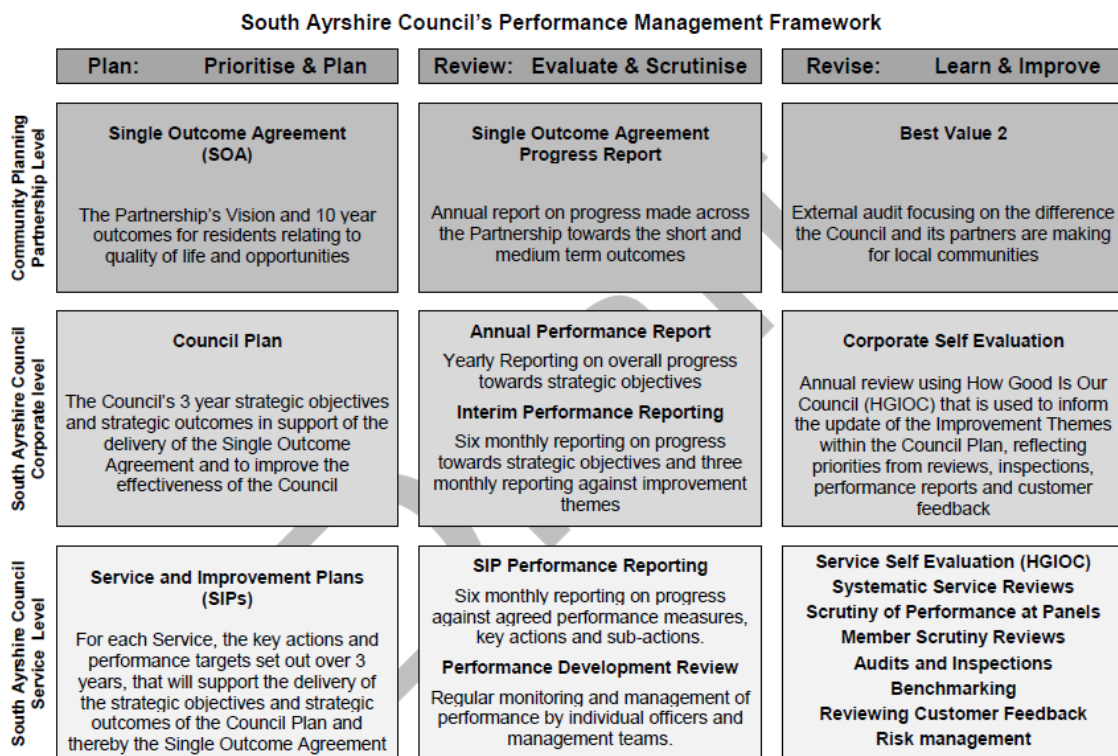
The performance management framework provides a sound base for improvement

The council has an established business planning and performance framework that managers and councillors clearly understand

- The council's performance management framework (PMF) was agreed in October 2014. It centres on a hierarchy of plans that set out what the council intends to achieve. This ranges from the overall vision that it shares with its partners for South Ayrshire, down to identifying how individual employees contribute towards the objectives and outcomes that the council is committed to delivering (exhibit 4).

Exhibit 4

South Ayrshire Council's performance management framework



Source: South Ayrshire Council

- The Service and Improvement Plans (SIPs) are an important part of the framework, and all services now use SIPs (exhibit 5). A recent positive development was introducing a challenge process for all of the SIPs in June 2015 that focused specifically on public performance reporting.

Exhibit 5

Service Improvement Plans (SIPs)

SIPs profile the range of services the council provides, and set out an assessment against the following questions:

- What key outcomes have we achieved?
- How well do we meet the needs of our stakeholders?
- How good is our delivery of key processes?
- How good is our management?
- How good is our leadership?

SIPs include a detailed plan stating the intended outcomes for the service. This sets out the key performance measures for each outcome, including the latest performance and trend information. A SIP includes an improvement action plan and a statement of progress against the action and proposed timescale.

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23. The council's PMF also uses 'How Good is Our Council' (HGIOC) as its self-evaluation and assessment process. In December 2014 this had only been recently introduced, with Education services at the forefront and other services beginning to look at the technique. HGIOC is now in established use across all services, including non-regulated or inspected services that have not historically used self-evaluation in South Ayrshire. The council provides corporate support, including facilitated events for all services, to maintain consistent standards in the process. There is good evidence that service managers recognise the significance of the process that has been put in place, with the increased focus on where services need to improve. Services use the improvement actions identified from this self-assessment exercise to feed into the annual refresh of their SIPs.

The council's service review programme provides a sound platform to improve services

24. The council has established a service review programme to help improve and transform services (exhibit 6). It revised its service review guidance in 2016, and has a plan to cover all services over five years. Service reviews follow a nine-stage process that includes topic selection, approval, consultation and options appraisal. The reviews reported to date suggest that the process is robust. Service reviews are inclusive; that is service review groups involve staff at all levels and other stakeholders. Consultation procedures during the reviews include staff, trade unions and people who use services. For example, the service review of out of school care involved pupils, and the property maintenance review had two tenants on the review team.

Exhibit 6

Examples of service reviews

Service reviews undertaken to date include:

- home care services
- day care services
- the communities service
- ICT
- additional support for learning
- out of school care
- waste management

Services reviews underway and planned include:

- employability services,
- planning services,
- facilities management
- fleet management
- enterprise and economic development
- general services housing
- procurement

Source: South Ayrshire Council

25. Every review includes an equality impact assessment. These consider the impact on what are known as protected characteristics, which include age, disability race and sexual orientation. They also involve extend the impact assessment to other characteristics and issues that are relevant to South Ayrshire, such as health, human rights, rurality and deprivation.
26. The arrangements for service reviews provide a sound platform for the council to transform and improve services. Reviews that the council has already completed are starting to deliver a positive impact for the people who use services as well as delivering financial savings for the council. An example is the property maintenance service review (exhibit 7).

Exhibit 7

Positive impact of the property maintenance service review

The council completed a service review of property maintenance in April 2015. The review included consultation and a full options appraisal exercise and recommended that the service remain in-house but with improvements. The council developed a property maintenance improvement plan that includes the following:

- A new repairs guide and description to help staff recognise and prioritise repairs correctly, with accompanying training.
- Developing a business case for a work scheduling system that would allow employees to pick up job details on a smartphone, and also prioritise jobs based on urgency and location. This would increase productivity and customer service as a result. This business case has been approved and is being taken forward.
- Providing tenants with more detailed information about the timing and scheduling for the repair, including how to contact the relevant council employee directly to arrange the timing.

- Changing the requirement for work vans to be parked centrally overnight, which had created a time lag for employees starting work and travelling to jobs. Employees now take the vans home overnight, and vans carry more stock, reducing travel time to jobs and multiple visits to the stores.

The council has reported a positive impact of these changes. This includes an overall average increase in productivity of staff of 15 per cent from the previous year. Better working practices, such as providing telephone numbers for tenants to arrange convenient repair times, have improved customer relations.

The council is also reporting an increase in the number of jobs that were completed on target. The improvement trend has gone from 68 per cent in 2013/14, to 82 per cent in 2014/15 and 87 per cent in 2015/16.

The Business Improvement Team offers additional capacity to support the pace and depth of improvement

27. In December 2014, the council was in the process of establishing a Business Improvement Team (BIT) to provide additional capacity to drive improvement activity in services. The BIT started work in April 2015 with a remit that includes redesigning services. Its focus during this time has been on council-wide projects rather than service-specific activities and in its first eight months, the team had realised savings of £234,000 over the following four projects:
 - Reduction in colour printing: avoiding £21,000 costs by doing work in-house instead of using consultants.
 - Saving £47,000 by negotiating with suppliers for a property maintenance work scheduling system.
 - Reducing costs by £162,000 over the five-year contract through improved procurement arrangements for the work scheduling system.
 - A £4,000 rebate from BT from a project targeting unnecessary phone-lines.
28. The BIT's work with the child welfare and protection team is forecast to release the equivalent of one full-time equivalent staff post.
29. The council is currently considering how best to continue the team's work, and ensure the maximum impact from this. The leadership's current thinking is that the team will be most effective if it can be used flexibly, depending on what is needed on individual projects. In some cases, the team will simply support improvement activity being led at service level, in other situations there may be a need for a greater role, for example, in larger scale service changes. Overall, while its achievements so far have been relatively small scale, the BIT has significant potential in acting as a catalyst for larger-scale change, and ensuring all areas of the council are meeting strategic objectives and standards consistently.
30. The BIT also has the potential to contribute to staff and leadership development. Staff are seconded to the team from various roles across the council. There can be distinct advantages

in bringing employees from services into the corporate centre for a period, to work on change and improvement projects. Effectively managed, these staff can then return to service areas with fresh thinking and ideas, and as champions of Best Value.

31. The council recognises that it can further improve and coordinate its approach to service reviews and improvement. It is introducing a tiered approach to service reviews so as to differentiate large-scale cross-cutting reviews from smaller-scale reviews of individual services. The same methodology will be used, but the use of resources will vary as well as the level of approval. To date, recognising financial pressures, the review programme has largely focused on finding savings. However, it will be important for the council to develop a more mature and integrated process where the service review programme reflects the priorities for the council more explicitly, and contributes more to the redesign and transformation of services. There will be a continued need for financial savings and sustainability, but it is important that the council is equally concerned with focusing service provision towards achieving outcomes for users, and the impact of reductions in spending on service users and the priorities for South Ayrshire.

The council is strengthening its approach to community engagement

32. Community engagement is about responsiveness to customers, citizens and communities. It is an important element of Best Value. South Ayrshire Council uses various methods for seeking and taking on board the views of the communities it serves. These include:
 - asking service users their views as part of the service review process
 - compiling systematic information about people's views through a citizen panel survey every two years
 - a consultation process to help the council in considering budget options
 - specific local community engagement initiatives such as a family fun and information day for council tenants.
33. The council has made good progress in setting up locality planning groups required for health and social care partnerships. The council has included neighbourhood and locality planning as a priority of the partnership. This will enable communities to speak up on local needs and influence how these should be prioritised. Initial meetings have been held in each locality that were well attended by local people. The council plans to build on this approach and broaden the scope of these planning groups to include wider strategic issues as well as health and social care. This aims to contribute to meeting the requirements of community empowerment legislation. This is a positive approach and should reduce duplication and lead to a more joined-up approach to working with local communities.
34. A further example of the council's community engagement activities is a recent event in the Maybole town centre to ask people for their views on design proposals for the town. This focused on what the town should be like after a bypass is completed, and involved almost 300 local people. The council used results of the exercise to successfully apply to the Town Centre Community Capital Fund. This will allow an upgrade of the town hall gardens and provide for a new heritage display. Similar events are being planned in other towns.

35. The council can build on this momentum across all community engagement activity, and ensure that the outputs from engagement are integrated into improvement activity and procedures. The council has established a corporate working group to help coordinate community engagement activity, and it is developing training to ensure that staff have the skills and knowledge required to take this approach forward.

Scrutiny has been strengthened and is well focussed

36. The December audit report noted that the council had introduced four new scrutiny panels in July 2014 - Audit and Governance; Service and Performance; Partnerships; and Public Processes. Over the last 18 months these new arrangements have become well established and have led to stronger and more focussed scrutiny activity. The four panels are also working well across their responsibilities, sharing relevant information with each other more effectively. For example, the Audit and Governance Panel agreed improvement themes and actions should be incorporated into the SIPs and subsequently scrutinised by the Service and Performance Panel.
37. Panel members are asking relevant questions and requesting further information where required. Elected members, senior managers, and service staff, agree that scrutiny has increased and has become more effective since the new scrutiny panels were introduced. Improvements include:
- using action logs so that no actions are missed and there is effective follow-up
 - reporting by exception to increase efficiency
 - cross-party representation on all panels.
38. The Service and Performance Panel has an important role in the council's improvement framework, with all SIPs being subject to rigorous review and challenge by its members. As well as performance information, improvement actions from HGIOC feed into the SIPs and councillors say they now have an overarching view of how services are performing and where improvement is required. Although service performance is reported on an exception basis, councillors have access to the council's performance management system for more detailed information if they have a particular interest.
39. There are examples of where focused scrutiny of performance is leading to improved services (exhibit 8).

Exhibit 8

Impact of scrutiny on services

Bed and Breakfast accommodation

In 2014, the council's Leadership Panel agreed a temporary accommodation action plan for the homelessness service. The key aim was to reduce the use of temporary bed and breakfast (B&B) accommodation. This recognised the risks to, and negative impact on, service users and the significant financial costs to the council. During 2013 and 2014, some 40 people on average were in B&B accommodation every night of the year.

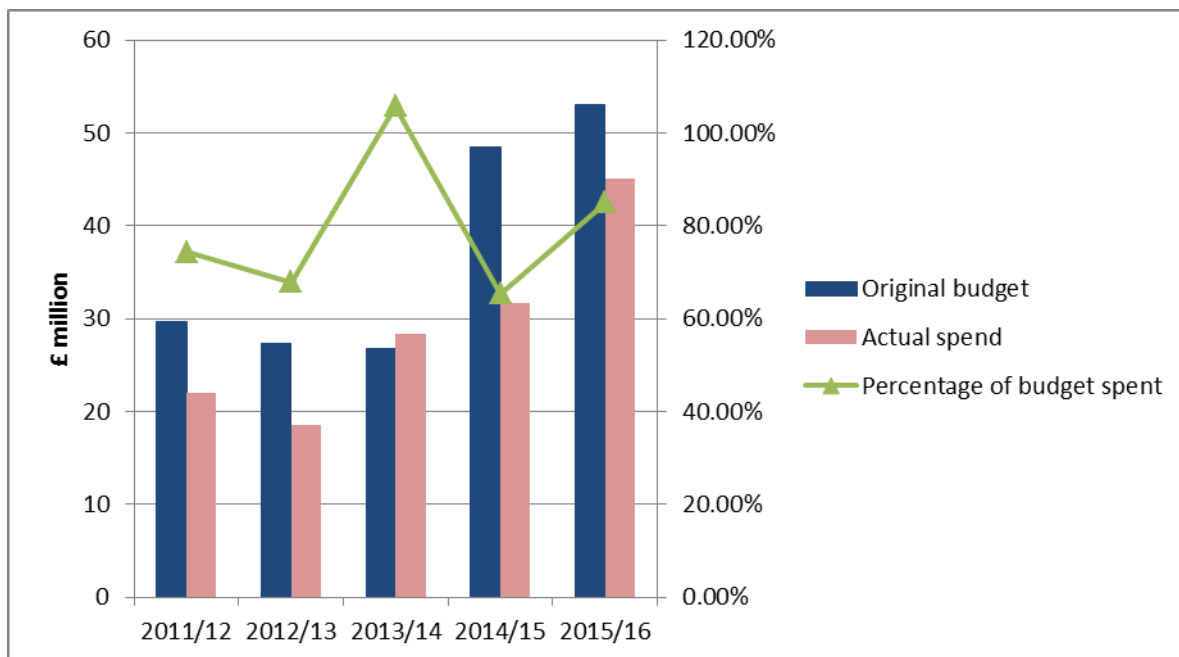
Since February 2015 the council has not used any B&B accommodation, using a range of alternative solutions through the private sector instead. These include using more supported accommodation, and increasing lets from the private sector and registered social landlords. The Service and Performance Panel has been monitoring this outcome and asking questions of relevant officers. In November 2015 it requested further information from officers that allowed it to confirm the success of the plan.

The council is also forecasting £100,000 savings due to reducing the amount of housing benefit lost as a result of using B&B accommodation.

Capital programme spending

How well the council delivers capital projects has a direct impact on the lives of its citizens and plays a significant role in the economic wellbeing of the area. Historically the council's performance in delivering modest capital programmes has been poor. Audit Scotland has reported to the Audit and Governance panel consistently about this issue over the last few years.

Responding to the need to improve performance, the council agreed to restructure the Property and Risk Service in August 2014. The new structure included an increased complement of professional staff. Capital programmes are now more ambitious while the percentage of the budget being spent has increased.



The Audit and Governance Panel has reviewed progress against Audit Scotland recommendations, and has required reporting to enable it to scrutinise performance against the whole capital programme.

Management recognises it still has work to do, and expects further improvement as the new structure becomes more firmly rooted.

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40. The Public Processes Panel has created the space for members to constructively challenge Leadership Panel decisions. Members have the opportunity to 'call-in' decisions by the Leadership Panel to submit them to further scrutiny by the Public Processes Panel. The panel has used this power three times since our last report, to consider decisions on:
- rationalising office accommodation in Ayr
 - the service review of out-of-hours school care
 - introducing permits for street cafes.
41. It has provided additional scrutiny of decisions, ensuring that the necessary information is in place for councillors to take decisions. The panel has agreed with two decisions and sent one decision back to the Leadership Panel for further consideration.
42. The council is continuing to monitor how effective its scrutiny panel arrangements are, and look for ways to improve them. One issue identified so far is that some panels have heavy workloads, including the Service and Performance Panel. The council has identified it will need to consider this to ensure it does not hamper effective scrutiny of performance and outcomes.

Conclusions

43. Since my last report 18 months ago, the council has sustained its improvement journey and has kept a positive momentum in addressing the weaknesses the Commission has previously highlighted. I am pleased to report that councillors, senior managers and staff we spoke to think that the council has changed greatly over the last few years, with clearer leadership and a more positive culture now in place. This view is also shared by our scrutiny partners in the Local Area Network.
44. The improvement framework is maturing and embedding across the council. There is evidence that this framework and more effective scrutiny is starting to make a difference. There is scope for the council to consider more radical approaches to future service design.
45. The council has continued to make good progress, but I am clear that this needs to continue to ensure that the council is fulfilling its Best Value duties. The financial context facing all councils means that tough decisions will be required about how to effectively deliver services and make financial savings. The council should consider the following areas in particular:
 - Maintaining strong political and senior officer leadership, including the commitment to cross-party working, through, for example, the Best Value Working Group;
 - Revising its medium and longer-term financial plans, and accompanying reserves strategy, to ensure they are sustainable;
 - Considering the scope for more radical approaches to service redesign;
 - Ensuring that all improvement activity is effectively integrated and prioritised. This applies particularly to the service review programme and the Business Improvement Team, which are important catalysts for improving outcomes for the citizens of South Ayrshire ;
 - Embedding approaches to community engagement and linking the outcomes to the business planning framework; and
 - Reviewing the work of the scrutiny panels to ensure that their workloads are manageable and enable members to scrutinise effectively.