

**436th meeting of the Accounts Commission for Scotland
Thursday 11 May 2017, 10.15am
In the offices of Audit Scotland, 102 West Port, Edinburgh**

Agenda

1. **Apologies for absence.**
 2. **Acting Deputy Chair of the Commission:** The Commission will consider a report by the Secretary to the Commission.
 3. **Declarations of interest.**
 4. **Decisions on taking business in private:** The Commission will consider whether to take items 16 and 17 in private (* see note).
 5. **Minutes of meeting of 13 April 2017.**
 6. **Minutes of meeting of Financial Audit and Assurance Committee of 27 April 2017**
 7. **Minutes of meeting of Performance Audit Committee of 27 April 2017.**
 8. **Minutes of Audit Scotland Board meeting of 22 February 2017**
 9. **Audit Scotland Board update:** The Commission will consider a verbal report by the Chair and Secretary to the Commission.
 10. **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.
 11. **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.
 12. **Draft Commission Annual Report:** The Commission will consider a report by the Secretary to the Commission.
 13. **Draft Commission Strategy Update:** The Commission will consider a report by the Secretary to the Commission.
 14. **Commission engagement strategy: report and update:** The Commission will consider a report by the Secretary to the Commission.
 15. **Audit of Best Value: Inverclyde Council:** The Commission will consider a report by the Director of Performance Audit and Best Value.
- The following items are proposed to be considered in private:**
16. **Audit of Best Value: Inverclyde Council:** The Commission will consider the actions that it wishes to take.
 17. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 16 and 17 be considered in private because:

- Item 16 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 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 2: Report by Secretary to the Commission | AC.2017.4.1 |
| Agenda Item 5: Minutes of meeting of 13 April 2017 | AC.2017.4.2 |
| Agenda Item 6: Minutes of meeting of Financial Audit and Assurance Committee of 27 April 2017 | AC.2017.4.3 |
| Agenda Item 7: Minutes of meeting of Performance Audit Committee of 27 April 2017 | AC.2017.4.4 |
| Agenda Item 8: Minutes of Audit Scotland Board meeting of 22 February 2017 | AC.2017.4.5 |
| Agenda Item 10: Report by Secretary to the Commission | AC.2017.4.6 |
| Agenda Item 12: Report by Secretary to the Commission | AC.2017.4.7 |
| Agenda Item 13: Report by Secretary to the Commission | AC.2017.4.8 |
| Agenda Item 14: Report by Secretary to the Commission | AC.2017.4.9 |
| Agenda Item 15: Report by Director of Performance Audit and Best Value | AC.2017.4.10 |

MEETING: 11 MAY 2017

REPORT BY: SECRETARY TO THE COMMISSION

TITLE: ACTING DEPUTY CHAIR OF THE COMMISSION

Purpose

1. This paper proposes an Acting Deputy Chair of the Commission.

Background

2. The Chair of the Commission, Douglas Sinclair, retired from his position on 8 March due to ill health. Subsequently, the Minister for Local Government and Housing, Kevin Stewart, wrote to Ronnie Hinds, advising him that he is content that he fulfils the role of Acting Chair until a new Chair is appointed. This role applies from 9 March, the day after Douglas' resignation.
3. I have agreed with the Scottish Government that it would be desirable to have a new Chair in place from 1 November 2017. I am working with the Scottish Government on a timetable to this end. I will keep you informed of how this develops.
4. Meantime, Ronnie has advised that he would like to have an Acting Deputy Chair in place for the period to 30 October (when his period of Acting Chair will come to an end). The Scottish Government has confirmed with me that it is content that this be a matter for the Commission, with a view to the Commission's decision being endorsed by the Minister.

Post of Deputy Chair

5. The Deputy Chair role is expected to have a time commitment of 4½ days per month, or 54 days per year. The post attracts remuneration at the same daily rate as a member of the Commission.

Process

6. There is no precedent and there is nothing in either statute, guidance (such as [On Board guidance](#)) or Commission procedures (such as [Standing Orders](#)) that the Commission can use to shape the process to agree an Acting Deputy Chair. In accordance with paragraph 4 of Schedule 8 to the 1973 Local Government (Scotland) Act the Commission may regulate its own procedure.
7. I have therefore agreed with members a process to fulfil this requirement. The process, which conforms with the Commission's standing orders, allows for the position of Acting Deputy Chair to be open to – and chosen by - all members, the decision of which is to be endorsed by the Commission at a formal meeting.

Outcome

8. This process has now been completed. At today's meeting, the Acting Chair will advise the Commission of the outcome of the process, which is to propose a member as Acting Deputy Chair. The Commission is asked to endorse this outcome. I will then seek the endorsement of the Minister.

Conclusion

9. The Commission is asked to endorse members' proposal for an Acting Deputy Chair, subject to endorsement by the Minister.

Paul Reilly
Secretary
3 May 2017

MEETING: 11 MAY 2017

MINUTES OF PREVIOUS MEETING

Minutes of the 435th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 13 April 2017, at 10.15am

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

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Tim Bridle, Technical Adviser, Audit Strategy [Item 8]
Antony Clark, Assistant Director, PABV [Item 11]
Russell Frith, Assistant Auditor General [Items 8 and 9]
Diane McGiffen, Chief Operating Officer [Item 10]
Jillian Matthew, Audit Manager, PABV [Item 12]
Fiona Mitchell-Knight, Assistant Director, Audit Services [Item 13]
Paul O'Brien, Senior Manager (Technical), Audit Strategy [Item 9]
Martin Walker, Assistant Director, Corporate Services [Item 10]
Gillian Woolman, Assistant Director, Audit Services [Item 12]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 9 March 2017
5. Audit Scotland Board Update
6. Update report by the Secretary to the Accounts Commission
7. Update report by the Controller of Audit
8. CIPFA Consultations on the Prudential Code and Treasury Management Code of Practice
9. Form and content of 2016/17 Independent Auditors' Reports
10. Audit Scotland Update
11. Strategic Scrutiny Group Update
12. Equality outcomes: reflecting back and looking forward
13. The new approach to auditing Best Value - reporting
14. Commission business matters

Acting Chair

Ronnie Hinds advised that the Minister for Local Government and Housing had notified him that he was content for him to serve as Acting Chair of the Commission until a permanent Chair is appointed, the process for which is now underway.

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Alan Campbell, in item 8, as an author of the current CIPFA (Chartered Institute of Public Finance Accountants) Prudential Code for Capital Finance in Local Authorities.
- Sheila Gunn, in item 6, as a non-executive Director of the Wheatley Group, concerning its relationship with Glasgow City Council, in relation to references to housing matters.
- Christine May, in items 8, 9 and 12, as 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 the following items be taken in private:

- Item 10, as it involves discussion on matters relating to the Commission's relationship with Audit Scotland, which may involve confidential issues which the Commission would wish to consider in private.
- Item 11, as it presents an update on discussions with strategic scrutiny partners which may include confidential policy matters that the Commission would wish to discuss in private before proceeding.
- Item 12, as it proposes draft reports that the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 13, as it presents proposals around operational matters relating to the new approach to auditing Best Value, which the Commission may wish to discuss with the Controller of Audit before informing stakeholders.

The Chair advised that there was no business for item 14 and thus would not require discussion.

4. Minutes of meeting of 9 March 2017

The minutes of the meeting of 9 March 2017 were approved as a correct record.

Arising therefrom, in relation to item 12, advice was noted from the Secretary that:

- The latest meeting of the Board of the Local Government Benchmarking Framework (LGBF), which he attends as an observer, took place on 31 March, at which the strategic plan for the project was discussed. He had raised as part of this discussion the areas of interest in the initiative expressed by the Commission. The development of the plan remains ongoing.
- The Chair would be meeting representatives of the LGBF Board in coming weeks as part of the Commission's regular communication with the Board, at which would also feature the areas of interest to the Commission.

5. Audit Scotland Board Update

The Chair provided a verbal update on recent Audit Scotland Board activity.

Arising therefrom, advice from the Chair was noted that the Commission would be considering at its June meeting a paper from Audit Scotland on draft proposals for a quality assurance framework.

6. 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.

During discussion, the Commission agreed:

- In relation to paragraph 34, to note advice from the Secretary that the Local Government and Communities Committee had launched an inquiry on city region deals, including a call for views.

It was agreed that due to the tight timescale set by the Committee for responses, the Chair would agree the terms of a response, to be reported to the Commission at its next meeting.

Action: Secretary

- In relation to paragraph 31, arising from a query by Geraldine Wooley, that further information be provided on the impact of the 2017 revaluation on rateable values and non-domestic rates bills.

Action: Director of PABV

Following discussion, the Commission agreed to note the report.

7. 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.

During discussion, the Commission noted an update from the Controller of Audit on the progress of the working group established by the Scottish Government and COSLA, meetings of which he attends as an observer, on a refresh of the statutory guidance in relation to Best Value.

Following discussion, the Commission noted the update.

8. Consultations: CIPFA Prudential Code and Treasury Management Code of Practice

The Commission considered a report by the Secretary to the Commission seeking the Commission's view about whether it would wish to respond to CIPFA's consultations on the Prudential Code and the Treasury Management Code of Practice and to agree the process for finalising the response.

During discussion, the Commission agreed:

- To respond to both consultations.
- The terms of a response to the consultations.

- To delegate responsibility for signing off the response to the Acting Chair and the sponsors of the performance audit *Borrowing and Treasury Management*, Graham Sharp and Pauline Weetman

Action: Secretary and Director of PABV

9. Form and content of 2016/17 independent auditors' reports:

The Commission considered a report by the Assistant Auditor General seeking the Commission's approval of a revised form of independent auditor's reports in respect of local authorities, local authority pension funds and section 106 charities for 2016/17.

Following discussion, the Commission:

- Noted advice from the Assistant Auditor General that he would provide further information on the implications for auditing responsibilities of the use of capital bonds by councils.
- Noted advice from the Assistant Auditor General that he would inform auditors of a slight revision to the Code of Audit Practice in order to reflect the new model independent auditor's reports.
- Approved the model independent auditor's reports for local authorities, local authority pension funds and section 106 charities.

Actions: Assistant Auditor General

10. Audit Scotland Update

Diane McGiffen and Martin Walker provided a presentation on the ongoing strategic business of Audit Scotland.

During discussion, it was noted that Audit Scotland would be taking forward the Commission's conclusions from its Strategy Seminar and in its revised Strategy to ensure reflection in its Corporate Plan.

Following discussion, the Commission noted the presentation.

11. Strategic Scrutiny Group Update

The Commission considered a report by the Director of PABV updating the Commission on the progress of the Strategic Scrutiny Group (SSG), particularly in relation to: the Commission's joint work programme with the Auditor General; and the SSG's short-life working group on the role of scrutiny in the 21st century.

During discussion, the Commission agreed:

- To note advice from the Director that there would be a focus in the immediate business of the SSG on the implications for scrutiny of the community empowerment agenda.
- To note that the potential areas of collaboration identified by the SSG corresponded well with the Commission's joint work programme with the Auditor General.
- To note in particular the mutual interest of the Commission and SSG in children's services and in mental health.
- That it should continue to lead and explore with partners in the SSG how it can progress joint working in relation to the closing the gap in outcomes between the least and most deprived communities in Scotland.

- To note advice from the Director on the reflections of the SSG on a pilot of citizen scrutiny in Blairgowrie, led by Education Scotland, in particular noting that any further activity around such an initiative would be subject of further discussion by the SSG.
- To note advice from the Director on ongoing collaboration between SSG members on data management.
- Noted that the Commission's Acting Chair would take forward these various matters in his role as Acting Chair of the SSG.
- Noted that the Director would provide a further update to the Commission following the next meeting of the SSG, which is scheduled for May.

Actions: Director of PABV

12. Equality outcomes: reflecting back and looking forward

The Commission considered a report by the Chair of Audit Scotland's Diversity and Equality Steering Group (DESG) proposing two draft reports for publication setting out how the Accounts Commission and Audit Scotland are demonstrating their duties under the Equality Act 2010.

Following discussion, the Commission:

- Agreed a number of revisions to the draft, to be taken forward by the Chair of the DESG.
- Approved the reports for publication by the end of April 2017.

Action: Chair of DESG

13. The new approach to auditing Best Value - reporting

The Commission considered a joint report by the Secretary and the Controller of Audit seeking the Commission's views on a number of matters around the reporting of outputs from the new approach to auditing Best Value, in the run-up to considering the first Best Value Assurance Report at its May meeting.

During discussion, the Commission agreed:

- That the BVARs include recommendations from the Controller of Audit for the Commission to formally endorse, or otherwise, as it sees fit.
- To note how it can use its findings.
- To endorse the proposed approach to following up BVARs and Commission findings.
- To note the potential use of hearings in the new approach to auditing Best Value.
- To continue the use of engagement meetings with councils as part of the new approach.

Action: Controller of Audit

Actions: Secretary

- To review the first tranche of BVARs around February 2018, the scope of which includes the matters set out above.

Action: Secretary and Controller of Audit

14. Commission business matters

The Chair, having advised that there was no business for this item, closed the meeting.

MEETING: 11 MAY 2017

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
27 APRIL 2017**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 27 April 2017, at 10am.

PRESENT: Graham Sharp (Chair)
 Sheila Gunn
 Ronnie Hinds
 Tim McKay
 Pauline Weetman
 Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
 Fraser McKinlay, Controller of Audit [Item 7]
 Russell Frith, Assistant Auditor General [Item 6]
 Fiona Kordiak, Director of Audit Services [Item 4]
 Anne MacDonald, Senior Audit Manager, Audit Services [Item 4]
 Paul O'Brien, Senior Manager, Audit Strategy [Item 6]
 Rebecca Seidel, Audit Manager, Performance Audit and Best Value
 (PABV) [Item 7]
 Nick Bennett, Partner, Scott Moncrieff [Items 4 and 5]

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 23 February 2017
4. Current Issues from the local authority audits
5. The auditor perspective: Scott Moncrieff
6. Accounting and Auditing Update
7. Scottish Parliament Budget Process Review Group - consultation
8. Any other business

1. Apologies

It was noted that there were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 4, as a former chief executive of Fife Council, in relation to references to Dunfermline Flood Prevention Scheme.
- Pauline Weetman, in item 4, as a resident of the city of Edinburgh, in relation to references to City of Edinburgh Council.

3. Minutes of meeting of 23 February 2017

The minutes of the meeting of 23 February 2017 were noted and approved as a correct record.

4. Current issues from the local authority audits

The Committee considered a report by the Controller of Audit advising of emerging issues and recurring themes, as well as individual issues of interest, arising from audit work in Scottish councils.

In the absence of the Controller of Audit, the report was presented by the Director of Audit Services.

During discussion, the Committee agreed:

- To note advice from the Controller of Audit that he would monitor matters in relation to Musselburgh racecourse and Wellington Brae cycle path in Aberdeen.
- To note advice from the Controller of Audit that he had been in correspondence with the chief executive of Fife Council in relation to the Dunfermline Flood Prevention Scheme.
- Further in this regard that the Controller of Audit continue to monitor the situation with a view to updating the Committee as appropriate.
- In relation to city and growth deals, that cohesion and coordination of current initiatives be considered in scoping for the forthcoming performance audit in this regard.

Action: Director of PABV

- That the Controller of Audit provide further information on the progress of various councils' approaches to restoration and remedial work in relation to former opencast works.
- That the Controller of Audit provide further information on the progress of council collaboration with CGI on ICT services.

Actions: Controller of Audit

- To recommend to the Performance Audit Committee that the scoping of the proposed performance audit on arm's length external organisations (ALEOs) include analysis of the net benefit to the public purse of the use of ALEOs (ie beyond tax and non-domestic rate savings).

Action: Secretary

- To note advice from the Secretary that there would be a briefing to the Commission later in the year on the progress of health and social care integration.
- In relation to Edinburgh schools, to note information on the matter provided by the local auditor to the Controller of Audit and, accordingly:
 - To await further advice from the Controller of Audit following the publication of the annual audit report in September.
 - To defer consideration of any further action in this regard.

Thereafter, the Committee noted the report.

5. The auditor perspective: Scott Moncrieff

The Committee considered a paper by the Secretary on the latest in a series of presentations from auditors on the auditor perspective of audit work in the context of the new Code of Audit Practice and audit planning guidance.

The Chair welcomed Nick Bennett, Partner of Scott Moncrieff, who led a presentation in this regard.

During discussion, the Committee agreed:

- To recommend to the Commission that it consider, as it reviews its Strategy, the views expressed by Nick Bennett in relation to scope for better articulation and alignment of strategic audit priorities, audit dimensions and Best Value requirements.
- To continue to encourage a more consistent approach across audits to developing and maintaining fruitful dialogue between auditors and elected members.
- To note the potential of making more use of ‘soft’ and ‘hard’ intelligence on the performance of council services, provided by auditors, in the Commission’s overview reporting.

Thereafter, the Chair thanked Nick Bennett for his presentation.

6. Accounting and Auditing Update

The Committee considered a report by the Assistant Auditor General advising of recent accounting and auditing developments affecting the public sector, particularly local government in Scotland.

Following discussion, the Committee agreed to note the report.

7. Scottish Parliament Budget Process Review Group - consultation

The Committee considered a report by the Secretary proposing a response to a consultation by the Scottish Parliament’s Budget Process Review Group on its interim report.

Following discussion, the Committee agreed:

- To recommend to the Commission that the response be made jointly with the Auditor General and delegated to the Chair for sign-off.

- The terms of the response, subject to revisions to be incorporated by the Assistant Director of Audit Services in his drafting of the final response.

Action: Assistant Director of Audit Services

8. Any other business

The Chair, having advised that there was no further business, closed the meeting.

MEETING: 11 MAY 2017

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 27 APRIL 2017

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of Audit Scotland, Audit Scotland, 102 West Port, Edinburgh on Thursday, 27 April 2017, at 2pm.

PRESENT: Ronnie Hinds (Chair)
Alan Campbell
Sandy Cumming
Sophie Flemig
Christine May
Stephen Moore

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Director Performance Audit and Best Value (PABV)
Derek Hoy, Audit Officer, PABV [Item 5]
Tricia Meldrum, Senior Manager, PABV [Items 7 and 8]
Mark MacPherson, Senior Manager, PABV [Item 7]
Mark Roberts, Senior Manager, PABV [Item 7]
Rebecca Seidel, Audit Manager, PABV [Item 6]
Peter Worsdale, Audit Manager, PABV [Item 5]
Rikki Young, Business Manager, PABV [Item 4]

| <u>Item no.</u> | <u>Subject</u> |
|-----------------|---|
| 1. | Apologies for absence |
| 2. | Declarations of interest |
| 3. | Minutes of meeting of 23 February 2017 |
| 4. | Work Programme Update |
| 5. | Performance audit: scope – <i>Are ALEOs improving council services?</i> |
| 6. | Scottish Parliament Budget Process Review Group – consultation |
| 7. | Policy briefing: Justice, education and learning |
| 8. | Policy briefing: Pathways to positive destinations for looked after children and children with additional support needs |
| 9. | Any other business |

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Sandy Cumming, in item 7, as Chair of Scotland's Rural College (SRUC), in relation to references to rural issues.
- Sophie Flemig, in item 5, as a Board member of the Office of the Scottish Charity Regulator (OSCR), in relation to references to that organisation.
- Christine May, in items 8, 9 and 12, as Chair of Fife Cultural Trust, in relation to references to arm's length external organisations. She took no part in the discussion thereof.

3. Minutes of meeting of 23 February 2017

The minutes of the meeting of 23 February 2017 were noted and approved as a correct record, subject to the inclusion of Alan Campbell amongst those present.

Arising therefrom, in relation to item 5, the Committee noted advice from the Director of PABV that a draft report of the performance audit on self-directed support would be considered by the Commission at its June meeting.

4. Work Programme Update

The Committee considered a report by the Director of PABV providing an update of progress of the work programme published on behalf of the Accounts Commission and Auditor General.

During discussion, the Committee agreed:

- To note advice from the Secretary that:
 - The work programme had been 'launched' on the Commission website, supported by various promotional material, on 25 April.
 - Further in this regard, he had written to all council chief executives on the outcome of the Commission's consultation on the work programme, including responding directly to the points raised by respondents.
 - To note that the Commission maintains an interest in the performance of all council services through its interest in the Scottish Local Government Benchmarking Framework and in the audit of Best Value.
- To maintain an interest in the changes to revenue streams of councils throughout the year, with a view to this featuring as appropriate in overview reporting.
- To note, following a query by Alan Campbell, advice from the Director on involvement of Audit Scotland staff in its strategic planning and management.
- To endorse the proposal that in lieu of an impact report for the performance audit *Major capital investment in councils*, published in January 2016, audit aspects of capital investment relating to this audit work be included within the proposed performance audits on City Deals and on Non-Profit Distributing models of capital financing.

- That, following a query by Ronnie Hinds, commercial activities of councils feature as part of the scope of the local government overview report.

Actions: Director of PABV

Thereafter, the Commission noted the report.

5. Performance audit: scope – Are ALEOs improving council services?

The Committee considered a report by the Director of PABV seeking approval of the approach to the performance audit *Are ALEOs improving council services?*

Following discussion, the Committee agreed:

- To endorse the recommendation of the Financial Audit and Assurance Committee that the scope of the audit include analysis of the net benefit to the public purse of the use of ALEOs (ie beyond tax and non-domestic rate savings).
- Approved the approach proposed in the report, including the proposed audit scope leaflet for publishing, subject to the audit team addressing the issues raised in discussion in conjunction with the audit sponsors, Tim McKay and Stephen Moore.

Actions: Director of PABV

6. Scottish Parliament Budget Process Review Group - consultation

The Committee considered a report by the Secretary proposing a response to a consultation by the Scottish Parliament's Budget Process Review Group on its interim report.

Following discussion, the Committee agreed:

- To recommend to the Commission that the response be made jointly with the Auditor General and delegated to the Chair for sign-off.
- The terms of the response, subject to revisions to be incorporated by the Assistant Director of Audit Services in his drafting of the final response.

Action: Assistant Director of Audit Services

7. Policy briefing: Justice, education and learning

The Committee considered a briefing from the Director of PABV on the Justice, education and learning policy cluster. The presentation was delivered by Mark MacPherson, Tricia Meldrum and Mark Roberts (Senior Managers, PABV).

During discussion, the Committee:

- Endorsed a continuing interest in matters around young people with additional support needs.
- Agreed that the Commission be represented at the proposed round table on educational attainment.
- Noted that the contents of the briefing would be used to inform the proposed refresh of the work programme to be considered by the Commission in December.
- Noted the briefing.

Action: Director of PABV

8. Policy briefing: Pathways to positive destinations for looked after children and children with additional support needs

The Committee considered a briefing on programme development work on looked after children and children with additional support needs.

Following discussion, the Committee:

- Agreed that the Director consider a round table event in this regard.
- Agreed that future work in this regard should recognise young people with additional support needs and looked after young people as separate groups.
- Endorsed its interest in how such matters feature in the ongoing performance audit on early learning and childcare.
- Endorsed its interest in further such briefings on appropriate policy areas.

Action: Director of PABV

9. Any other business

The Chair, having advised that there was no further business, closed the meeting.

Minutes

Wednesday 22 February 2017, 10.00am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

I Leitch (Chair)
C Gardner
H Logan
R Griggs

Apologies:

D Sinclair

In attendance:

D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
J Webber, Senior Executive Assistant

1. Private meeting

A private meeting was held by the Chair and Board members, prior to the start of the Board meeting. There were no issues raised in addition to those items on the agenda, which had been previously circulated.

2. Welcome and apologies

The Chair advised apologies had been received from Douglas Sinclair because of illness and the members expressed their best wishes to Douglas.

The Chair confirmed that, as set out in the note circulated on 13 January 2017, the meeting was competent to discuss and decide business despite the unavoidable absence of the Chairman of the Accounts Commission.

3. Declarations of interest

Heather Logan advised she had attended her last meeting as a member of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO) yesterday, Tuesday 21 February 2017.

Russel Griggs advised of his recent appointment by the First Minister to chair a group to review the farm subsidy system and that he was meeting with the audit team to discuss any potential conflicts of interest.

4. Chair's report

Ian Leitch advised that since the previous Board meeting he had held regular meetings with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer to discuss various business matters of interest, and advised that a report on the Board's Standing Orders would be scheduled for discussion at an early Board meeting, subject to further discussion with the Chair of the Accounts Commission.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner provided a verbal update on her activity since the previous meeting. She advised of ongoing activity in relation to the Public Audit and Post Legislative Scrutiny Committee, meetings of the Scottish Parliament's Budget review and of meetings with MSPs and the Cabinet Secretary for Health. She also advised of positive responses to the recent briefing on the NHS workforce and of the forthcoming publications of a report on I6, the Scottish Police Authority's IT system and on potential section 22 reports.

Caroline also advised the Board that Audit Scotland's West Port office was being considered to receive an award from British Council for Offices. She also invited the Board to note the achievement of Sobhan Afzal in achieving the highest results for the ICAS Advanced Finance TPS exam in December 2015.

The Board welcomed the update and asked that their congratulations to Sobhan Afzal on his achievement be noted in the meeting and an invitation extended to him to join them at a forthcoming board meeting.

6. Accounts Commission Chair's report

In the absence of the Chair, there was no update.

7. Review of minutes

Board meeting, 20 January 2017

The Board considered the note of the meeting on 20 January 2017, which had been previously circulated, and confirmed that, subject to a small correction, these were an accurate record of the meeting.

Action: Joy Webber, Senior Executive Assistant, to make the correction to the minutes of the Board meeting 20 January 2017 and publish the approved minute. February 2017

Remco meeting, 9 December 2016

The Board noted the minutes of the meeting of Remco of 9 December 2016, a copy of which had been previously circulated and which would be considered by Remco at its meeting on 15 March 2017.

Audit Committee meeting, 9 December 2016

The Board noted the minutes of the meeting of the Audit Committee on 9 December 2016, a copy of which had been agreed by Committee members as an accurate record of the meeting at their meeting on 1 February 2017.

8. Review of actions tracker

Diane McGiffen, Chief Operating Officer, provided an update on action ASB25 with a summary of discussions at the meeting of the UK SAI Audit Agencies on 4 November 2016 which largely focused on sharing information on the impact of devolved powers and Brexit on the UK and Irish audit offices. Diane also advised of a meeting with the UK SAI Chief Operating Officers

and Assistant Auditor Generals on 24 February 2017 which would provide a further update on these issues and other operational matters.

At item ASB27 members noted the invitation to join the Knowledge Café with Young Scot which would consider how the engagement with young people on the forward work programme had developed with a presentation scheduled to come to the Board on 31 March 2017.

The Board noted the updates.

9. Public Audit and Post Legislative Scrutiny Committee Review of NFI

Russell Frith, Assistant Auditor General, advised the Board that the Public Audit and Post Legislative Scrutiny Committee had decided to conduct its first piece of post legislative scrutiny on Section 97 of the Criminal Justice and Licensing (Scotland) Act 2010, which put the National Fraud Initiative (NFI) on a statutory footing. The Committee intends to consider whether any improvements could be made to the NFI and whether

- the policy intentions of putting the National Fraud Initiative in Scotland on a statutory basis have been realised;
- any further policy or legislative changes are required to improve the effectiveness of the National Fraud Initiative.

Russell outlined early discussion that had taken place within Audit Scotland on the proposed responses to the Committee's request for comment. The Board discussed the current remit of Audit Scotland, building on the discussion at the February 2017 meeting on Audit Scotland's role in the prevention and detection of fraud, the impact of the new devolved powers on social security and the value of National Fraud Initiative.

Following discussion, the Board agreed with the proposal that the response should set out the wider context around the auditor's role, the benefits from data matching as well as taking the opportunity to comment on areas which could be strengthened to prevent fraud and support greater recovery of funds, together with the strengths of Audit Scotland continuing to play a lead role in NFI.

The Board noted the deadline for the call for evidence was 31 March 2017.

Action: Russell Frith to circulate to Board members by correspondence a draft response to the Public Audit and Post Legislative Scrutiny Committee on NFI. March 2017

10. Reviewing the External Operating Environment and Priorities 2017

Martin Walker, Assistant Director, Corporate Performance and Risk introduced the report on Reviewing the External Operating Environment and Priorities 2017, which had been previously circulated.

Diane McGiffen invited Board members to consider the high level themes set out in the report as a basis to inform discussion around the external environment within which Audit Scotland operates, to inform the development of the next corporate plan.

During discussion, members discussed the need to ensure Audit Scotland's preparedness to deliver audit work during a time of significant change, and to explore how to examine public bodies preparedness to manage change. Caroline advised the Board of the continuing focus on creating an agile workforce through the Building a Better Organisation programme, to provide flexibility and fleetness of foot.

The members also considered Audit Scotland's role in supporting the work of the Scottish Parliament, particularly in the context of new financial powers.

The Board recognised the benefit of undertaking thematic reviews for the Auditor General and the Accounts Commission, for example the recent joint work on Health and Social Care and agreed Audit Scotland's ability to audit across sectors and deliver integrated reporting was beneficial.

The Chair welcomed the discussion and Caroline advised that Management Team would consider the points raised to draw out the potential impacts of constitutional change, inter-governmental working on devolved powers and exit from the European Union and that there would be further discussion with the Board in March 2017 to inform the Corporate Plan 2017/18 which will also include key themes and strategic priorities from the Accounts Commission's strategy seminar in March 2017.

The Board welcomed the report and discussion.

11. Publication of reports

The Board approved all reports for publication with the following exception:

- Item 10 Reviewing the External Operating Environment and Priorities 2017 (effective conduct of business - free and frank provision of advice/ exchange of views for the purposes of deliberation/ conduct of public affairs and intention of future publication).

12. Any other business

There was no further business.

13. Review of meeting

The members took the opportunity to reflect on the meeting, valuing the opportunity to input to discussions on the external operating environment.

14. Date of next meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 31 March 2017 in the offices of Audit Scotland, 102 West Port, Edinburgh.

MEETING: 11 MAY 2017

REPORT BY: SECRETARY TO THE COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Accounts 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 Accounts Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee (FAAC) 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 Commission members' extranet portal, which provides more detailed news coverage of a range of local government related issues.
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. The download statistics (with the increase from last month) for the reports published by the Commission over the last 12 months (as at 26 April 2017) are shown below:

| Report | Date | Report downloads | Report podcasts |
|--|-------------|------------------|-----------------|
| Local government in Scotland: Performance and challenges 2017 | 7 Mar 2017 | 1576 (+284) | 45 (+0) |
| East Dunbartonshire Council: Best Value audit report | 15 Dec 2016 | 634 (+68) | 86 (+0) |
| Falkirk Council: Best Value audit report | 1 Dec 2016 | 796 (+61) | 170 (+0) |
| Local government in Scotland: Financial Overview 2015/16. | 29 Nov 2016 | 2965 (+277) | 181 (+0) |
| How Councils Work – Roles and working relationships in councils: are you still getting it right? | 8 Nov 2016 | 2460 (+97) | |
| School education impact report | 18 Oct 2016 | 95 (+0) | |
| School education Scrutiny supplement | 18 Oct 2016 | 75 (+0) | |
| Angus Council: Audit of Best Value | 4 Oct 2016 | 661 (+50) | |
| Social Work in Scotland | 22 Sep 2016 | 7421 (+1609) | 271 (+0) |
| Maintaining Scotland's roads: a follow-up | 4 Aug 2016 | 2629 (+232) | 208 (+0) |

| Report | Date | Report downloads | Report podcasts |
|---|-------------|------------------|-----------------|
| report | | | |
| South Ayrshire Council: Audit of Best Value and Community Planning | 29 Jun 2016 | 936 (+35) | |
| Accounts Commission annual report 2015/16 | 26 May 2016 | 973 (+72) | |
| Accounts Commission Engagement strategy and engagement plan 2016/17 | 26 May 2016 | 506 (+44) | |
| Accounts Commission Strategy and annual action plan 2016-21 | 26 May 2016 | 572 (+49) | |
| Accounts Commission engagement plan 2015/16: Progress report | 26 May 2016 | 153 (+19) | |
| Accounts Commission Action plan 2015/16: Progress report | 26 May 2016 | 179 (+21) | |
| Code of audit practice 2016 | 26 May 2016 | 1444 (+79) | |
| Reshaping Care for Older People – Impact Report | 10 May 2016 | 1040 (+44) | |

Other business

5. The Scottish Government has confirmed that Commission members will receive a one per cent uplift in daily fees for 2017/18, which is in line with Ministers' [Public Sector Pay Policy](#). Audit Scotland has confirmed that an appropriate provision has been made in the 2017/18 budget and is thus affordable.
6. On 25 April, the Commission, in conjunction with the Auditor General of Scotland, launched a new joint [work programme](#). This follows the Commission's approval of the programme at its March meeting, following a consultation on its draft proposals involving councils and local government trade unions. The programme sets out the work that Audit Scotland will carry out from 2017/18 to 2021/22, on behalf of the Commission and the Auditor General of Scotland, covering a range of public sector bodies and services.
7. There is greater public profile for the work programme this year. A [new flyer](#) and a [new web page](#) have been created to give the public more information on the programme and how it is reported. I have written to chief executives of all councils and to trade unions informing them of the outcome of the consultation and responding to the individual points that they raised in their responses. Copies of the correspondence are available on the members' extranet portal.
8. On 26 April, in response to the Local Government and Communities Committee's call for evidence on City Region Deals, Audit Scotland, on behalf of the Commission and Auditor General, submitted its comments (**Appendix 1**). The response provides information on the planned performance audit of this issue (due to be published in summer 2018) as well as answering the specific questions the Committee posed. The Acting Chair of the Commission has signed off the terms of the response.
9. On 27 April, the Commission and Audit Scotland published two reports on equality: [Equality outcomes and mainstreaming report](#) and [Equality Outcomes report](#). The former reviews the progress made in mainstreaming equality and achieving equality outcomes over the last two years. The latter sets out two revised equality outcomes: 1. Audit work will reflect how public services meet the diverse needs of all citizens and communities; and 2. Audit Scotland will promote, understand and support

a diverse and inclusive workforce, explaining what these outcomes are intended to improve and what has been done to deliver on them.

10. On 28 April, the Commission submitted its view in response to CIPFA's consultation on the Prudential Code for Capital Finance in Local Authorities and Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (**Appendix 2**). At its March meeting, the Commission had agreed the draft terms of a response, and to delegate responsibility for signing off the response to the Acting Chair and the sponsors of the previous performance audit *Borrowing and Treasury Management*, Graham Sharp and Pauline Weetman.
11. On 28 April, Ronnie Hinds met the Improvement Service, a regular meeting as part of the Commission's engagement with its stakeholders. Various matters were discussed including support for elected members following the 2017 local government elections; the Commission's local government overview; and the Commission's work programme. A note of the meeting will be made available to Commission members.
12. In my last report, I advised that a response to the Scottish Parliament's Budget Process Review Group's consultation on its [interim report](#) was being formulated on behalf of the Commission, the Auditor General and Audit Scotland. The Commission's committees considered the draft response at their meeting on 27 April, and agreed to recommend to the Commission that the response be made jointly with the Auditor General and delegated to the Chair for sign-off. The Chair agreed the terms of the response which was submitted on 2 May (**Appendix 3**).
13. On 31 May, Ronnie Hinds will brief the Local Government and Communities Committee on the Overview of Local Government in Scotland in 2017.

Auditor General for Scotland

14. On 21 April, the Auditor General for Scotland [published](#) three Section 22 reports on financial challenges facing [Edinburgh](#), [Moray](#) and [Lews Castle](#) colleges. The reports highlighted that each college faces different issues but all need to take steps now to get on a firmer financial footing and strengthen their governance arrangements. There was some media interest in the reports in national newspapers, and local newspapers interested in their local colleges.

Issues affecting local government

Scottish Government

15. On 11 April, the Scottish Government launched [a consultation on Safe and Effective Staffing in Health and Social Care](#), closing 23 June. The consultation proposes to introduce legislation that will require organisations providing health and social care services to apply evidence based approaches to nursing and midwifery workload and workforce planning. Audit Scotland has advised that whilst there is some resonance with the ongoing Auditor General audit on NHS workforce planning, and there are implications for integration joint boards and councils, it is proposed not to respond to this consultation.
16. On 25 April, the Scottish Government published [an independent analysis of consultation responses on raising planning fees](#). The consultation followed an independent review of planning fees which recommended a substantial increase in fees for major applications to support a move towards full cost recovery. The consultation document sets out proposals for fee maxima across most categories and asked a single question: "As the first stage, do you agree with the proposed maximum fee level?". 54 respondents (44 per cent of all respondents, including the majority of planning authorities and other public bodies) supported the proposed maximum fee

level. A range of concerns or points for consideration for the proposals were raised by both those in favour of and against the proposals. The Scottish Government has stated that the responses received will help shape its plans for planning fees.

17. On 26 April, the Scottish Government published [Infrastructure Investment Plan 2015: Progress Report for 2016](#). During last year, projects almost £800 million in total were completed, including eighteen school projects (worth almost £310 million). In 2017, a further £2.8 billion worth of infrastructure projects are being completed and becoming operational including the Queensferry Crossing.
18. On 27 April, the National Records of Scotland published [mid-year population estimates](#). The statistics show that the estimated population of Scotland was 5,404,700 at 30 June 2016, which was an increase of 0.6 per cent since the same period last year and the highest level recorded. The main reason for this increase was net migration. The figures also show that the ageing population continued to grow with the age group of 75 and overs growing the most. The council areas with growing population include Edinburgh, Glasgow, Midlothian and East Lothian while those with declining population include Western Isles, Inverclyde, Angus and Aberdeen City.
19. On 27 April, Social Security Minister, Jeanne Freeman announced the model and approach taken by [a Scottish new social security agency](#). According to her statement, the agency will deliver 10 out of 11 devolved benefits and also provide locally accessible face-to-face pre-claims advice and support while discretionary Housing Payments and Scottish Welfare Fund will continue to be delivered by local authorities. It will employ at least 1,500 staff, and estimated annual running costs will be around £150 million. There will be no contracting with the private sector in the Scottish assessment model for benefits claimants. The location of the agency and more details of the model will be announced in autumn.
20. On 2 May, the Scottish Government published "[Equality Outcomes and Mainstreaming Report 2017](#)". This report provides an update on progress the Scottish Government has made on incorporating equality across its activities and provides a final update on the equality outcomes which was set in 2013 to cover the period up to 2017.

Scottish Parliament

Parliamentary Committees

Local Government and Communities Committee

21. At its [meeting](#) on 19 April, the Committee took evidence on post-legislative scrutiny of the High Hedges (Scotland) Act 2013 from individuals and a third sector organisation. The Committee considered and noted the evidence heard.
22. At its [meeting](#) on 26 April, the Committee took evidence on non-domestic rates from stakeholder organisations, including COSLA, and the Chair of the Barclay Review of Business Rates.
23. On 3 May, the Committee launched [a call for evidence on homelessness](#) to find out the reasons why people can find themselves homeless or threatened with homelessness and what can be done to tackle this effectively. The closing date for submissions is 14 June. I will propose a draft response to the next Commission meeting in June.

Public Audit and Post Legislative Scrutiny Committee

24. At its [meeting](#) on 20 April, the Committee appointed Jackie Baillie as Acting Convener. It took evidence on the two Auditor General for Scotland's reports, "The 2015/16 audit of the Scottish Police Authority" and "i6: a review" from Scottish Police Authority,

Scottish Government and Audit Scotland (Caroline Gardner, Auditor General for Scotland and Mark Roberts, Senior Manager). As for the former, the Committee agreed to hold another evidence session, with the Scottish Police Authority board giving evidence at the future meeting. As for the latter, it agreed to request further information from the Scottish Government and the Scottish Police Authority and also agreed to close its consideration of this report.

25. At its [meeting](#) on 27 April, the Committee took evidence on the Auditor General for Scotland's Section 23 report, "Managing new financial powers: an update" from Caroline Gardner, Auditor General for Scotland and Mark Taylor, Assistant Director, and Gordon Smal, Associate Director, Audit Scotland. The Committee agreed to close its consideration of this report.

Finance and Constitution Committee

26. At its [meeting](#) on 19 April, the Committee took evidence on a Scottish approach to taxation inquiry from ICAS and research organisations.

Others

27. At the [meeting](#) on 25 April, the Health and Sport Committee considered its approach to [Public Petition, Consultation on service delivery for the elderly or vulnerable](#) which was referred from the Public Petitions Committee. It agreed to incorporate it into its inquiry on integration authorities' engagement and to close the petition. The Committee also considered the main themes arising from the oral evidence heard from various stakeholders regarding integration authorities' engagement earlier in the meeting and agreed to invite the Scottish Government to give evidence at a future meeting.
28. The Economy, Jobs and Fair Work Committee has been holding an inquiry into the gender pay gap, looking at the definition of gender pay gap, the gap in different sectors, the Scottish Government's proposed actions. Following the inquiry call for views (closed on 10 March), a number of evidence sessions are scheduled. In April, the Committee took evidence from the public sector and professional organisations including ICAS ([18 April](#)), from economists and business and employer organisations ([25 April](#)) and from enterprise agencies and Scottish Government Ministers ([2 May](#)).

Current activity and news in Scottish local government

29. On 4 May, the Scottish council elections were held. A summary of the results will be shared with members and saved on the members' portal.

COSLA

30. On 29 March, COSLA President, Councillor David O'Neill [expressed](#) the organisation's commitment, as a response to [Prime Minister's letter](#) to triggering Article 50, to engaging to find meaningful solutions to the difficulties that lie ahead. He also called for early progress on the rights of EU citizens in the UK and raised a concern about what will replace existing EU funding.

Improvement Service (IS)

31. In April, the Improvement Service (IS) commissioned [an 'associates framework'](#) as part of its support for councils and community planning partnerships (CPPs). The framework will provide access to a wide range of expert support and resources to help the IS, CPPs and councils progress work where they need extra capacity on a flexible basis. The IS sets up framework agreements for use by the IS and all councils to cap associates' day rates to ensure the support on offer is affordable and value for money.

The IS will write to all council chief executives throughout May to ensure application of this resource model.

Individual councils

32. On 20 April, Aberdeen City Council was awarded in two categories in [the 2017 CIPFA's Public Finance Innovation Awards](#): Finance team of the year and Innovation in Treasury and Asset Management. The list of winners comprises 15 organisations including this year's Grand Prix winner: the Strategic Management Team of Sevenoaks District Council.
33. There have been no by-elections since my last report.

Scrutiny, inspection, regulatory and related bodies

Care Inspectorate

34. On 23 March, the Care Inspectorate published [its first thematic report on inspections of services for adults with learning disabilities in Scotland](#). The report results are the findings of focused inspection work by the Care Inspectorate between 2014 and 2016 which examined the quality of care experienced by adults with learning disabilities and the impact of the Keys to Life policy in care homes and care at home services. The report shows that the overwhelming majority of care services is performing well, and in most cases continuing to improve.

Scottish Housing Regulator

35. On 28 April, the Scottish Housing Regulator published [a summary of its work programme 2017/18](#). The programme includes national charter analysis and individual landlord reports and a planned programme of engagement with 56 registered social landlords and 20 local authorities. It also mentions a review of its Regulatory Framework later this year, including a review of Charter indicators.

Scottish Public Sector Ombudsman (SPSO)

36. The SPSO's [newsletter - April](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the '[Our findings](#)' webpage. More detailed intelligence from the SPSO is considered on a six-monthly basis by the FAAC.

Commissioner for Ethical Standards in Public Life in Scotland

37. Since the previous meeting of the Commission, six decisions on complaints relating to councillors have been published by the Commissioner. The Commissioner decided that the following individuals had breached the Councillors' Code of Conduct. These cases have been referred to the Standards Commission.
 - [Councillor Marina Lyle, North Lanarkshire Council](#)
 - [Councillor Angela Moohan, West Lothian Council](#)
 - [Councillor Alexander Duncan, Aberdeenshire Council](#)
38. The Commissioner also decided that the following individuals did not contravene the Code of Conduct. The complaint was against:
 - [Lord Provost Donald Wilson, Councillor Lesley Hinds and Councillor Eric Milligan, City of Edinburgh Council](#)
 - [Councillors Fay Sinclair and Brian Goodall, Fife Council](#)

- [Councillor Ian Tait, Aberdeenshire Council](#)

Standards Commission for Scotland

39. There has been one hearing by the Standards Commission for Scotland since my last report. At a [hearing](#) on 6 April, the Commission censured Councillor Rosa Zambonini of North Lanarkshire Council for failing to take steps to register her remunerated employment as an office manager for an MSP until 8 August 2016, although her employment commenced on 23 May 2016.

UK Parliament

General

40. The next UK general election will be held on Thursday 8 June 2017. The UK Parliament was dissolved on 3 May 2017.

Communities and Local Government Committee

41. At its [meeting](#) on 19 April, the Committee took evidence on business rates from the Secretary of State for Communities and Local Government. Issues included the progress of the Government's proposals for local authorities to retain 100 per cent of business rates as well as the recent revaluation. The Committee also asked the Secretary of State about the Government's Housing White Paper (published in February 2017) and what it means for the Green Belt, small and medium size builders and workforce and skills.
42. On 1 May, the Committee published a report, "[Future of supported housing](#)", with the Work and Pensions Committee. They reviewed the Government's proposal for a new funding model for supported housing, which would operate from April 2019, concluding that the funding proposals, as they stand, are unlikely to achieve these objectives, in particular, the Local Housing Allowance rate was an inappropriate starting point for a new funding mechanism for supported housing. The committees' proposals include the Government introducing a Supported Housing Allowance, banded to reflect the diversity of provision in the sector and sufficient to ensure supported housing tenants will only require recourse to top-up funding in exceptional circumstances.

Scottish Affairs Committee

43. On 10 April, the Committee, together with the Scottish Social Security Committee, sent a letter to [the Secretary of State for Work and Pensions](#) and [the Scottish Cabinet Secretary for Communities, Social Security and Equalities](#). In the letter, the committees asked both governments to ensure that they had a clear plan for the successful transfer of welfare powers.
44. At its [meeting](#) on 19 April, the Committee continued its inquiry into Scotland's place in Europe. It held a session examining the constitutional implications of the Brexit process and devolution settlement and questioning how Scotland's devolution settlement would change post-Brexit and what intergovernmental mechanism would be needed.
45. On 26 April, the Committee published a report, "[Jobcentre Plus closures in Scotland](#)". The report highlighted that while the expiration of the 20-year PFI contract provided an opportunity for a comprehensive service review, UK Government plans to shut Jobcentre Plus offices in Glasgow, and throughout Scotland, showed a lack of clear planning and must be reviewed. It recommended a full and proper evaluation of Jobcentre Plus provision in Glasgow.

Public Accounts Committee

46. On 26 April, the Committee published a report, "[Capital Funding for Schools](#)". The report found that "the system (in England) for funding new schools and new places in existing schools is increasingly incoherent and too often poor value for money". Many school buildings are old and in poor condition. Moreover, a further 420,000 new school places will need to be created by 2021 to meet the growing school-age population. A concern was raised that there is a tension between setting up new free schools and supporting existing schools. The Committee remains to be convinced that the Department for Education's priority to meet the Government's target of creating 500 more free schools by 2020 represents the best use of the limited funds available.
47. On 26 April, the Committee published a report, "[Local support for people with a learning disability](#)". The report highlighted needs (in England) for addressing known barriers, including money not being moved with the patient to pay for support in the community. It also pointed out community support for people with a learning disability needs to be more joined up. The report concluded that there needs to be a greater focus on measuring outcomes and improvements to quality of life.
48. On 27 April, the Committee published a report, "[Access to general practice](#)". The report found that patients' experience of contacting and accessing their general practices continue to vary significantly between different groups of patients and between different practices since the Committee's report last year. Also it stated that despite the government's target to recruit 5,000 more GPs, the overall number of GPs has reduced in the last year, and problems with staff retention have continued. It highlighted lack of a credible plan for how to develop a cost-effective, sustainable workforce.

Other UK Audit Bodies

National Audit Office (NAO)

49. On 18 April, the NAO published an interactive document, "[Good practice from the Excellence in Reporting in the Public Sector Award – Building Public Trust in Corporate Reporting Awards](#)". The Awards, co-sponsored by PwC and NAO, recognise outstanding corporate reporting that builds trust and transparency, identifying a range of good practice examples from the 50 public sector annual reports and accounts reviewed. In 2016, Network Rail won the public sector award for excellence in public sector reporting.

Wales Audit Office (WAO)

50. On 29 March, the WAO published its "[Annual Plan for 2017-18](#)". The report builds on the feedback from a wide range of stakeholders to the recent consultation on its draft three-year strategy for 2017-2020. It identified its strategy and key priorities for the next three years, including developing an approach to effectively deliver the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015 and focusing on work that examines regional and other partnership working arrangements, including the interface between health and social care provision.
51. On 3 April, the WAO published a report, "[Review of delayed transfers of care – Cardiff and Vale Health and Social Care Community](#)". The report looked at whether partners are making a sustainable improvement in delayed transfers of care. It concluded that partners are working well together to manage delayed transfers of care, while realising their plans for a whole systems model.

Northern Ireland Audit Office (NIAO)

52. On 11 April, NIAO published a report, "[Management of the Transforming your Care reform programme](#)". While progress has been made in developing locally based services and revising how core elements of health and social care services are delivered, the report concluded that the impact of the programme overall has been more limited and the pace of change not as swift as originally planned. It also identified areas for improvement to increase the pace of transformation and the implementation of more effective models of care, such as developing a clear plan for transformation.

Conclusion

53. The Commission is invited to:
- a) Agree the recommendation of the Commission's committees as set out in paragraph 12.
 - b) Agree not to respond to the consultation referred to in paragraph 15.
 - c) Consider and note this report.

Paul Reilly
Secretary to the Commission
3 May 2017

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Mr Bob Doris MSP
Convenor
Local Government and Communities Committee
Scottish Parliament
EDINBURGH
EH99 1SP

26 April 2017

Dear Mr Doris

CALL FOR EVIDENCE ON CITY REGIONS DEALS

Thank you for the opportunity to provide written evidence to support the Local Government and Communities Committee's proposed inquiry into City Region Deals. We are, as ever, very happy to support the committee in its work.

Audit Scotland is planning to commence later in 2017 a performance audit on behalf of the Auditor General and the Accounts Commission looking at the progress being made with City Deals in Scotland. While we have still to confirm the precise scope of the audit, I expect that it will address the key issues set out in our May 2016 briefing paper to the Accounts Commission, of which your Committee is already aware. These key issues include:

- Whether public bodies involved in the delivery of City Deals have robust governance arrangements in place to ensure their successful delivery
- Whether public bodies have the capacity and available skills to manage their City Deals
- How much are public bodies planning to spend on City Deals and is their method of funding financially sustainable
- How public bodies are planning to monitor the delivery of outcomes expected from City Deals
- Whether partnership working between public bodies, the private sector and others is effective in delivering City Deals.

As you will appreciate, City Deals in Scotland are still at a relatively early stage and our audit is very much focused on progress to date. We plan to report in summer 2018 and the Auditor General and the Accounts Commission may decide to undertake a subsequent performance audit in this area, once further progress has been made.

Turning to the specific questions you raise, I have confined my comments largely to what our performance audit might consider.

What is your understanding of the purpose of City Region Deals?

It is clear from the Scottish Government's 2015 Economic Strategy and supporting cities strategy that it sees Scotland's city regions as having a key role in delivering economic growth for the whole of Scotland. The UK Government launched City Deals in December 2011 to enable cities to drive local economic growth by setting their own priorities and deciding where to target investment. So far, three City Region Deals have been agreed in Scotland involving 11 councils. Another 11 councils are currently in the process of developing City Deals, while eight are developing alternative investment proposals. I would expect our audit to outline how City Deals have developed in Scotland and how each council is responding to the initiative.

Are City Region Deals on track to deliver local growth, innovation and infrastructure schemes which would not have otherwise been delivered?

City Region Deals have so far been agreed for Glasgow City, Aberdeen City and Inverness and Highland. Councils are also working together to develop City Region Deals for Edinburgh and South East Scotland, Tay Cities and for Stirling and Clackmannanshire. Our audit will consider the progress made with each of these Deals, and with alternative investment proposals such as the Ayrshire Growth Deal. A key question will be the extent to which UK and Scottish government funding made available through City Deals has allowed councils to think again at how best to maximise local economic development, or has simply allowed them to bring forward existing investment plans. Where possible, we will also consider the relationship between individual City Deals and the extent to which they are expected to contribute to national economic development.

What is your understanding of the governance arrangements for City Region Deals, and how well are these arrangements working in practice?

Each of the City Deals signed so far in Scotland is unique and this is reflected in their governance arrangements. For example, the Glasgow City Region Deal involves eight councils and a joint committee of all eight council leaders, known as the Glasgow and Clyde Valley Cabinet, acts as the City Deal's main decision-making body. Similarly, the Aberdeen City Region Deal has a joint committee comprising councillors from Aberdeen City and Aberdeenshire Councils and representatives from the private sector. Highland Council is the only council involved in the Inverness and Highland City Region Deal, although preparation of the Deal has involved partners such as the University of the Highlands and Islands. I expect our audit will consider how these different governance arrangements have worked in practice, including how well the individual councils involved have been kept informed with the progress of their respective City Deals. Given the significant levels of funding which the Scottish Government expects to provide for City Deals we are also interested in how it exercises oversight and accountability for the funds provided.

In addition to our performance audit, we do of course have an ongoing audit interest in public bodies' wider governance arrangements. To that end, I expect the governance of City Deals is likely to feature in auditors' annual audit reports and in the Accounts Commission's new approach to Best Value reporting in the future.

Have local residents and businesses been kept informed and involved in the development and activities of City Region Deals?

How public sector bodies have involved the private sector and others in developing City Region Deals is likely to be considered as part of our audit. For example, we will be interested to look at how Aberdeen City and Aberdeenshire Councils have involved a new private sector-led economic partnership board, Opportunity North East, in developing the Aberdeen Region City Deal.

Are regions not covered by City Region Deals able to access equivalent funding and support for growth, innovation and infrastructure schemes?

We are aware that several councils are in the process of developing Growth Deals as alternatives to City Region Deals. I would expect our audit to consider the progress being made with these alternative arrangements, and the level of funding being made available to them. We will also look at those few areas which are not covered by any kind of city or regional growth deal.

Are City Regions Deals supporting a shift towards local decision-making on major investment projects?

A potential benefit of City Deals is that they promote the idea of councils working more closely with other relevant bodies such as the Scottish Government, Transport Scotland, Highlands and Islands Enterprise Scottish Enterprise and the private sector to develop more joined-up and holistic proposals for the economic development of individual city regions. I expect that the nature of the decision making to proceed with a City Deal, and the extent to which it involves partnership working at a local level, is likely to feature as part of our audit.

Any other issues relating to City Region Deals which you wish to bring to the attention of the Committee?

Our performance audit of City Deals is likely to address many areas which will be of interest to the Local Government and Communities Committee. It might be helpful, as we finalise our approach, to meet with Committee clerks to discuss how we can complement each other's work. I will ensure that our project flyer, produced for all our performance audits and setting out each audit's aims and objectives, is made available to the committee. We would also be happy to brief the committee on our planned work, should you find that useful.

I trust this response is helpful to you.

Yours sincerely



Fraser McKinlay
Director, Performance Audit and Best Value

CIPFA consultation:

The Prudential Code for Capital Finance in Local Authorities

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

Response from the Accounts Commission, April 2017

1. The Accounts Commission welcomes the opportunity to respond to the consultation on both the Treasury Management and Prudential codes.
2. The financial environment now is very different to when the codes were first introduced. The emphasis then was on control over these significant powers and operations; now it has to be on ensuring that these resources are used to maximum effect (as well as being sustainable).
3. The Accounts Commission's interest is in the sustainability of local public services and of councils in particular. We feel that a longer term perspective is needed and one that better demonstrates the sustainability of debt with a clear link between debt and treasury management on the one hand and corporate or strategic plans on the other.
4. Real terms reductions in council funding in recent years have meant that debt servicing costs have risen as a proportion of council budgets, a trend that is likely to continue. Councils also have significant levels of debt for which interest rates are not fixed and this could lead to increased costs in the future. A Scottish council recently issued an index linked bond which necessitates much longer term projections matching costs and funding. The importance of robust and clear treasury management arrangements together with indicators that properly reflect the risks associated with different categories of debt is increasingly important.
5. We published *Borrowing and Treasury Management in councils* in March 2015, available [here](#), and *Borrowing and Treasury Management – Impact report* in November 2016, available [here](#). The focus of the audit was on how councils show best value in borrowing and treasury management decisions. The report includes a number of findings and recommendations that are relevant to CIPFA's current consultation, including the need to take a longer term approach to plans.
6. It may also be useful to note that the Commission's continuing interest in this area is reflected in our work programme, which we published in April 2017. In the programme we have committed to undertake a series of work over 2017/18 and 2018/19 looking at borrowing and debt in more detail, including Non-Profit Distributing projects.
7. We include a response to the two consultation papers below.

Consultation on: The Prudential Code for Capital Finance in Local Authorities

Extract from consultation:

Objectives of the Prudential Code

4. The following objectives of the Prudential Code have not changed since its introduction and are to provide a framework for local authority capital finance that will ensure for individual local authorities that:
 - i) capital expenditure plans are affordable
 - ii) all external borrowing and other long-term liabilities are within prudent and sustainable levels
 - iii) treasury management decisions are taken in accordance with good professional practiceand that in taking decisions in relation to (i) to (iii) above the local authority is:
 - iv) accountable, by providing a clear and transparent framework.

Question 1 Do you consider the four objectives of the Prudential Code are still relevant?

8. Yes.

Question 2 Do you consider that the Prudential Code achieves these four objectives?

9. Partially. In our 2015 report *Borrowing and Treasury Management in councils* we found that councils are not taking a longer term view of affordability and sustainability (see answer to question 9 below).
10. We also found that plans and reports in this area were of variable quality. There was variation in how councils linked the prudential indicators with treasury management strategies and how strategies fitted with the revenue budget setting process. We found that councils were setting and reporting on prudential indicators to the full council and appropriate committees but the level of commentary provided within reports was variable. References in reports to the indicators were often based on the technical definitions, with few giving the overall context or explanations of how indicators are actively used to measure and monitor the affordability of borrowing. There was little explanation of what the indicators actually meant for the council and its communities, in terms of increasing or decreasing pressure on budgets, or any risks highlighted by the forecast indicators.
11. Achievement of the code objectives may be better facilitated if the code was clearer in terms of minimum requirements and good practice requirements. We found aspects of the language of the code quite difficult to interpret in this regard.

Question 3 Do you consider that there are any areas which are not fully covered by these objectives?

12. The Local Authority (Capital Finance and Accounting) Regulations (Scotland) 2016 (the 2016 regulations) and associated statutory guidance requires local authorities to set out their policy on the prudent repayment of debt and the amounts set aside from revenue for that purpose. We note that the four objectives in the prudential code do not cover the prudence of debt repayment policies explicitly. In our Financial Overview of Local Government in Scotland 2015-16 (linked [here](#)) we highlight the extent to which debt servicing costs vary between councils. This is in part due to interest payments but also reflects policies and approaches to the repayment of loans fund advances. We think that council policy on set aside for the repayment of debt should be covered by the prudential code.
13. The 2016 regulations also give local authorities power to borrow for grants to third parties for capital purposes and for local authority expenditure on third party assets. Whilst borrowing for these purposes would increase local authority debt and impact the second objective the expenditure is not capital and there is a risk that it is not captured by the first objective around affordability of plans.
14. In statutory guidance that supports the 2016 capital finance and accounting regulations the Scottish Government recommends that authorities produce a single strategy covering investment, capital, treasury management and prudential information. We note that the prudential code seeks to deal with capital finance whilst treasury management is the subject of a separate code. We wonder if consideration ought to be given to the potential benefits from combining the capital finance and treasury management codes for local authorities.
15. There is a need to recognise the inherent risk that one council's view of an affordable capital investment strategy might be significantly different from another's; the level of CFR, which sets a cap on the level of borrowing, is determined by the ambition of an individual council's capital investment plan.

Question 4 Do you agree that the scope of the Prudential Code should be extended to cover mayoral combined authorities?

Question 5 Do you foresee any practical implementation issues with extending the scope of the Prudential Code to cover mayoral combined authorities?

16. We have nothing to contribute in respect of these questions.

Question 6 Do you agree that, in principle, the scope of the Prudential Code should be extended to cover group entities to ensure that any associated risks are transparent and managed?

Question 7 Which areas of the Prudential Code could best be applied to group entities and do you foresee any practical implementation issues with extending the scope of the Prudential Code to cover group entities?

17. Our 2011 report on Arm's Length External Organisations (ALEOs) considered the risks and benefits associated with the creation and use of ALEOs including the need for

consideration of potential liabilities arising from borrowing. We would support the extension of the code in this area, either through the application of all areas of the code to relevant ALEOs or the use of specific indicators.

18. In March 2015 the Commission wrote to all council leaders and chief executives to re-emphasise the need for good governance of ALEOs, including monitoring and reviewing their performance, costs and risks. We note potential complexities around the definition of group and would support the extension of the code to all entities holding debt guaranteed by the council or falling to be met from council funding regardless of their status within the group accounts.

Question 8 How do you suggest the Prudential Code can be strengthened to encompass the risks associated with local authorities' increasing commercial activities?

19. Statutory guidance contained in [Local Government Finance Circular 7/2016](#) identifies a number of options for the prudent repayment of debt. One option links loans fund repayments to the funding or income profile associated with the capital investment. The statutory guidance requires local authorities to keep under review any advances where repayment is linked to income streams to ensure that the provision for repayment remains prudent.
20. We would support the strengthening of the code in respect of this category of debt and would suggest that consideration be given to the need for a separate indicator.

Question 9 – How do you suggest the strategic planning elements of Prudential Code can be strengthened to demonstrate that capital investment is sustainable and that risks are appropriately identified?

21. In your consultation document you highlight the recommendations from our report in relation to considering the long-term implications of decision making. Our 2015 audit highlighted that councils are following the general principles of the relevant codes of practice in demonstrating short-term affordability, but none of the 11 councils we reviewed were adequately highlighting the strategic importance of borrowing and treasury management or clearly analysing and reporting on long-term affordability and sustainability of their borrowing and credit arrangements.
22. The Prudential Code requires councils to estimate the impact of capital investment on the budget for the next three years, as a minimum, and suggests that councils use their own additional indicators. No councils in our sample reported estimates for a longer timeframe, and no councils had developed their own indicators to assess affordability. In our view, three years is inadequate to demonstrate the affordability of borrowing and other credit arrangements.
23. Councils need to clearly set out how current and past decisions impact on the future revenue budget over the medium to long term (5-10 years as a minimum) and over the life of the borrowing term in some instances (eg for PFI/PPP arrangements). Further consideration should be given to the need for separate indicators that reflect the nature of the risks involved for different categories of debt instrument and to the use of sensitivity analysis and scenario planning to better link revenue and capital plans.

Scenario planning should encompass not just changes to the costs associated with debt but also changes to future funding levels.

24. The capital finance and accounting regulations 2016 require councils to set out in their management commentaries how capital investment plans are contributing to corporate objectives and priorities. We would also expect management commentaries to cover the affordability and sustainability of debt, and the council's policy on set aside for repayment of loans fund advances. Further consideration should be given to how best councils can link capital finance and treasury management with their strategic financial story and corporate objectives.

Question 10 Please detail any suggestions for how the prudential indicators could be improved in order that the assurance they provide is enhanced, including details of any indicators which you consider no longer fully serve their intended purpose. Please explain your reasoning

25. Our audit report on borrowing and treasury management highlighted that councils are not always making good use of the indicators. As an example, for the indicator 'impact of capital investment decisions on the council tax/housing rents' we found that three of the 11 councils that we reviewed did not report any impact of capital investment on council tax due to the freeze in council tax in Scotland at the time. Clarification of the calculation requirements for this indicator ought to be considered.
26. We have already noted the Scottish Government's recommendation for a single strategy covering investment, capital, treasury management and prudential information. In our view these strategies and reports ought to consider different categories of financial liabilities separately where balances and risks are significant. We think that further consideration should be given to the need for separate indicators for areas such as: service concession arrangements, leases, LOBOs, and financial guarantees for example. In addition the inclusion of a specific value for money measure for debt restructures would be welcomed.
27. The guidance could perhaps be strengthened to highlight to councils how to make best use of every indicator, and how to use narrative to explain the indicators. Communicating in plain language to non-accountants is an essential aspect of good governance and scrutiny. As a general point we would suggest that the disclosure requirements and risk language used for financial reporting be considered when updating the code.
28. It should be noted that local authorities in Scotland are required to determine the maximum amount of capital expenditure that is affordable by section 35 of the Local Government in Scotland Act 2003 and to set an authorised limit for debt under the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.

Question 11 If you use local indicators, please provide details including the calculation and how you use the indicator(s).

29. Not applicable.

Question 12 How do you suggest that the Prudential Code can be strengthened to incorporate the concept of the liability benchmark?

30. In principle we would support the introduction of a net loans requirement indicator to supplement the capital financing requirement and the extension of the loan maturity structure indicator by the use of bands for the duration of the debt portfolio.
31. However, it is not clear whether these indicators would be considered capital finance or treasury management indicators.

Question 13 Do you consider that the balance of indicators between the Prudential Code and the Treasury Management in the Public Services: Guidance Notes for Local Authorities is correct?

32. Capital finance and treasury management activities are inextricably linked and single strategies and reports are recommended good practice in Scotland. Separating capital finance and treasury management indicators into two codes is always going to be difficult. As noted above further consideration should be given to the benefits of a combined code for local authorities.

Supplementary response

33. In view of our introductory words on page 1 we would question whether it remains appropriate to call this code the Prudential Code. There is a presumption, from that title, that all borrowing/types of funding decisions are de facto prudent, when it may be the case that certain decisions are found to be imprudent. It is the objective of the code for prudence to be applied when making borrowing decisions that they do not destabilise the long term financial viability of a council. Consequently this consultation might provide the opportunity for further consideration of the title of the code, something which is more closely related to the long term sustainability of councils eg Decision making in relation to the sustainability of debt and treasury management.

Consultation on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

Question 1 Has your public service organisation adopted the Treasury Management Code?

Question 2 Do you consider that the three principles of the Treasury Management Code are relevant to your organisation?

Question 3 Do you consider that there are any areas which are not fully covered by these principles?

Extract from consultation:

Key principle 1

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key principle 2

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.

Key principle 3

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

1. As noted above there is a clear overlap between treasury management and capital finance and it is not always easy to separate the principles and objectives that underpin the two areas. Some of the points made in response to the consultation on the Prudential Code might equally well sit here and the bigger question is perhaps whether a single code would be preferable for councils. We suggest that a well written code should help secure best practice and not simply set the minimum requirements as satisfactory compliance.
2. We reiterate that the point made above that councils could improve the content and clarity of reports and note that much of language around risk is included in the treasury management code, although the prudential code does refer to risk analysis and management we feel that combining the two codes may better facilitate clear linkage of capital finance and risk analysis associated with different financing options over the longer term.

Consultation on the Budget Process Review Group's interim report

Submission from the Auditor General for Scotland, Accounts Commission and Audit Scotland

Introduction

1. The Auditor General for Scotland, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:
 - The Auditor General for Scotland is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit central government, health and further education bodies and report to Parliament on their financial health and performance.
 - The Accounts Commission for Scotland is an independent public body appointed by ministers to hold local government to account.
 - Audit Scotland provides services to the Auditor General and the Accounts Commission.
2. Public audit provides independent assurance that public money is spent properly and is providing value for money. We carry out this work through the annual audits of public bodies, performance audits on specific themes and subjects, and best value audits of councils and partnerships.
3. The Auditor General, Accounts Commission and Audit Scotland welcome the work of the Budget Process Review Group. We value the opportunity to respond to this consultation.

Overall comments

4. Management of the Scottish public finances is fundamentally changing as a result of new tax and spending powers set out in the Scotland Act 2016 and the accompanying fiscal framework. Scotland's budget is increasingly complex, and subject to greater uncertainty and volatility than when the block grant from the UK Government was relatively fixed. The new powers give more control over public finances and bring new opportunities and challenges. The Scottish Government and Parliament have more choice over tax and spending, and more decisions to make about how and when to use new borrowing and reserve powers. The performance of the Scottish economy relative to the rest of the UK will have a greater influence on public finances than ever before.
5. We agree that this requires a transformational change to the Scottish Parliament's existing budget process. This is needed to support both Parliament and Government to operate effectively in a public financial system that has more inherent uncertainty, greater links to the economy and more moving parts. There is also an opportunity for

Parliamentary financial scrutiny processes that are world class, reflecting international best practice in a manner appropriate to the Scottish context.

6. Our view is that it is important to move toward a whole cycle approach, extending the thrust of Parliamentary scrutiny from an annual set-piece event focussed around a draft budget toward sustained Parliamentary engagement throughout all stages of the budget cycle: from broad budget strategies, through detailed formulation and approval, to execution and evaluation. Such an approach, which builds on recent approaches of some Parliamentary committees, is essential if the future timing of the UK budget compresses the time available for scrutiny of the detailed budget figures for the financial year ahead.
7. A more strategic approach to public financial management is also needed. This requires a good understanding of the economic and fiscal context in both Scotland and the UK as a whole. It also means joined-up thinking across different components of the budget - revenues, spending, borrowing and reserves - understanding the manner in which they interact with each other and with economic performance. Finally there will be a need for longer-term thinking and planning, and the development of clear financial strategies and principles for decision making. A critical aspect of this will be balancing the need for short-term flexibility with longer-term direction, clarity and resilience. This will require the Scottish Government to set out its financial analysis and policies, including a medium-term financial strategy, and for the Parliament to scrutinise these effectively.
8. Government policies are delivered through public bodies and in partnership with local government and the third sector. A longer-term approach to finances, looking ahead five to ten years, is also important within each of these organisations. It provides a context for their decisions and creates an overall framework for their own financial decision-making and sustainability. Providing indicative funding levels for three to five years ahead through the budget process would help public sector bodies to update their medium-term planning and strategies.
9. There are some important distinctions between councils and other public bodies in relation to the budget process. Councils, and other local government bodies, have their own democratic mandate and are directly accountable to the public through locally elected members. They are held to account for their spending and performance by the Accounts Commission. Councils also have continuing tax raising, borrowing and reserve powers. The revised budget process needs to reflect these distinctions and fiscal powers, considering the contribution of local government to national priorities while recognising the local policy choices and accountability of individual bodies.
10. Overarching principles of financial sustainability, transparency and accountability should drive the revised budget process. There will be an overriding need to balance the books in the context of greater financial risk and a more complex financial environment. Through the Finance and Constitution Committee, Parliament should have a clear locus on scrutinising the financial sustainability of the devolved public finances. It will also be important that the financial position, prospects and pressures are clearly understood, and for the Parliament to be able to hold Government to account for its overall management of the public finances.

11. Finally, more effective performance planning, reporting and scrutiny would improve clarity over what public spending is aiming to achieve, how this contributes to the Government's overall purpose and outcomes set out in the National Performance Framework. This would be an important part of a whole-cycle approach, with ongoing scrutiny informing development and consideration of detailed budget proposals. Audit reporting is a key component of this cycle, providing objective information on the public finances, performance and value for money. We agree there is scope for this to be more widely used as part of the Parliament's financial scrutiny. Effective coordination and liaison between parliamentary committees will help to ensure a coherent approach to outcomes-based financial scrutiny.
12. We provide more detailed comments on each of these areas and on the specific consultation questions that we consider relevant to our role below. As the Group's interim report recognises, careful consideration will need to be given to capacity considerations within key organisations including the Scottish Government, Parliament and its committees. Ultimately it will be for the Scottish Parliament and Government to decide how best to balance aspirations for what the process might achieve and the practicalities of implementation. This will need both ambition and realism.

Theme 1: How effective is the existing budget process?

Principles Based Approach

Q1. What adjustments do you consider are required to the existing FIAG principles to support a world class financial scrutiny process for Scotland in 2017?

13. The FIAG principles of openness and accessibility continue to be relevant, but these and the existing budget process were designed for a spending budget, with limited tax varying powers. Scotland's budget is now very different as outlined above and the underlying principles need to be developed to reflect this.
14. Ensuring a world class scrutiny process for this new financial environment means looking towards international norms and principles, including those of the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD), as highlighted in Professor Wehner's report for the Group.¹ In doing this, it will be important to ensure that the principles underpinning the revised budget process will work in the Scottish context and align with the 'vision' of the Parliament and Scottish Government for the process, building on the FIAG principles. Where this means a departure from international best practice, the rationale for this should be clear and convincing.
15. The new budget process should give the Parliament time and space to scrutinise tax as well as spending proposals, and include clear and robust information on the most important issues. Financial sustainability, transparency and accountability should be an integral part of financial scrutiny in Scotland.

¹ *Good practice in parliamentary budget scrutiny: international comparisons*, Professor Wehner, February 2017.

16. These changes to the budget are happening alongside continuing financial pressures on public bodies and an ambitious programme of public service reform in areas such as health and social care, education and communities. A clear picture of the public finances, and the prospects and pressures facing them, is more important than ever, to enable the Parliament to hold the Scottish Government to account.

Full Year Approach

Q2. Should the Parliament pursue a full-year approach to budget scrutiny, and what are the challenges and opportunities of this approach?

17. We are very supportive of a full-year or whole cycle approach to budget scrutiny. Audit Scotland provided the Budget Process Review Group with an illustrative example of such an approach ([Exhibit 1](#)). In designing a revised process for the Scottish Parliament there is the potential to combine some of the elements included in this illustration - for example elements of the budget strategy and formulation phases. Some elements do not necessarily need to be undertaken every year or linked to the budget of a particular financial year.
18. It is our strong view that parliamentary scrutiny of budgets and use of resources should happen as part of a continuous cycle, rather than an annual event. This is particularly important where the time available to scrutinise detailed draft budget documents is curtailed as a result of changes to the UK budget timing and a wish to await key information affecting the Scottish budget before detailed proposals are published.
19. A whole cycle approach would provide more space and time for scrutiny of the value for money of budget decisions, with this informing the development and consideration of specific budget proposals. We provide further comments on outcome based scrutiny under [theme five](#).
20. It will be important to integrate evidence-based assessment of equality impacts and considerations throughout all stages of a whole cycle budget approach. This would make an important contribution to mainstreaming equality considerations in Government decision making, given the importance of taxation and resource allocation to this. The issues associated with considering the equality dimension to public policy and resource allocation are illustrative of some of the wider challenges in the budget process— having clear multi-dimensional budgetary impact analysis and evaluation that feeds back into future policy and budget setting. The Draft Budget has been accompanied by an Equality Budget Statement (EBS) for the last eight years. There are opportunities to build on this approach, particularly to widen it consider the equality implications of tax measures alongside spending plans.
21. The Scottish Government has significant discretion over when and how it responds to financial developments throughout the year. For example, Barnett consequential that arise between the draft budget and the start of the financial year have often been applied in formal budget revisions rather than by adjusting the initial budget bill. We anticipate that the greater level of uncertainty and volatility in the budget will mean the

Scottish Government is likely to need to actively manage the overall budget position during a financial year to a greater extent than previously. An effect of this is that, to understand the overall budgetary position in any one financial year, scrutiny is required over each of the components: draft budget and budget bill, budget revision regulations and outturns.

Exhibit 1

Whole cycle approach to budget scrutiny

| Strategy | → | Formulation | → | Approval | → | Execution | → | Audit & evaluation |
|---|---|--|---|---|---|--|---|---|
| State explicitly the government's long-term economic and fiscal policy objectives/intentions. | | Support debate on the budget aggregates and how they interact with the economy. | | Provide a detailed commentary on each revenue and expenditure programme. | | Track aggregate spending and revenues. | | Confirm robustness of financial reporting and compliance with legislation/ regulation. |
| Set out expectations and broad financial plans for a number of years ahead (5-7), making link to economic performance and consequences for public finances. | | Create appropriate expectations for the budget. | | Provide non-financial performance plans, including performance targets. | | Determine whether initial budget is in need of review or fine-tuning as a result of economic or other changes. | | Provide objective commentary on financial position and performance. |
| Assess LT sustainability of public finances. | | Show how revenue and expenditure will develop during, at least, the two years beyond the next fiscal year. | | Make the budget accessible to the public. | | Outline performance of budget as executed relative to plan. | | Report on significant issues of concern. |
| | | | | Provide Parliamentary authority for expenditure and revenue raising measures. | | Cover finance, performance, outputs & outcomes. | | Consider whether those organisations raising and spending public money provide value for money. |
| ➤ Medium Term Financial Strategy | ➤ | Pre-budget statement | ➤ | Draft budget | ➤ | In-year reporting & review | ➤ | Audit certification |
| ➤ Fiscal policies & principles (devolved tax, borrowing, reserves) | ➤ | Multi-year spending review | ➤ | Citizen's budget | ➤ | Budget revisions | ➤ | Audit reporting on individual accounts |
| | | | | | | ➤ Outturn statements | | |
| ➤ Fiscal rules | | | ➤ | Equality budget statement | ➤ | Performance reporting | ➤ | Audit reporting on performance & VFM |
| ➤ Scenario planning | | | ➤ | Budget Bill/ Act | ➤ | Annual reports & accounts | | |
| | | | ➤ | Tax resolutions | | | | |

Source: Audit Scotland

Public Engagement

Q3. How effective is current public engagement in the budget process and how can this be improved?

Q4. What examples are there of good practice in delivering meaningful public engagement in budget scrutiny and/or the formulation of government spending proposals?

Q5. What should be the purpose of public engagement on the Scottish budget?

22. The work of the Accounts Commission and Auditor General regularly highlights the importance of consulting with the public on their priorities and involving communities in funding decisions. This can help to influence where public funds are spent and manage expectations by improving public understanding of the resources available and the need to balance competing priorities. Strengthening public engagement in the budget process could help build trust in the Parliament and involve the public in holding the Government to account for its spending. Engaging with taxpayers can help the government to make informed decisions about public finances and prioritisation of resources. It can also provide critical evidence on how well public services are performing, to support the Parliament in its scrutiny role.
23. Various innovative approaches to public participation in both budget setting and parliamentary scrutiny have been taken in countries such as Australia, Brazil, Canada, Denmark, Estonia, Finland and Ireland. These have included citizens juries and assemblies, deliberative polls and stakeholder partnerships. Clearly, any of these developments would need to be adapted to reflect the specific context of the Scottish Parliament and what it is trying to achieve. But they provide potential ways in which the Parliament's commitment to public engagement could be further developed.
24. The International Budget Partnership notes that citizens budgets can be one way of giving the public the information they need to participate as informed stakeholders and hold the government to account for how it manages public money.² The Scottish Government published a short guide to Scotland's public finances alongside the publication of its 2017/18 draft budget.³ Using helpful infographics, this explained how the budget is funded, what money is spent on and the timeline for new tax and spending powers. The Scottish Government could develop this further as part of a revised budget process to include:
- economic assumptions underlying the budget, such as forecasts of economic growth
 - key policy initiatives and the reasons for any significant increases or decreases in revenue or spending
 - performance data and medium-term projections of its planned objectives and outcomes, including the anticipated resources needed to deliver them.
25. Moving to a whole cycle approach to budget scrutiny may provide more opportunities, and time, to engage with the public in different ways on the Scottish budget. Such engagement is likely to be more meaningful, informative and influential where it reflects a multi-year perspective and takes place in advance of the formulation of specific spending proposals.

² International Budget Partnership: <http://www.internationalbudget.org/opening-budgets/citizens-budgets/>

³ *Scotland's finances: key facts and figures*, Scottish Government, December 2016.

Stage 2 (Draft Budget Scrutiny Phase)

- Q6.** What should be the core objectives of parliamentary scrutiny of the draft budget?
- Q7.** How effective is the existing parliamentary scrutiny of the draft budget and how can it be improved?
- Q8.** How does the new UK Autumn budget process affect the timing of the draft budget?
- Q9.** In what ways can the level of transparency of the draft budget and other budget documents be improved?

- 26.** Effective Parliamentary scrutiny is critical to ensure that decisions being taken by government are thoroughly tested and independently reviewed. This improves decision-making and contributes to public trust and confidence in our democratic system of government. As the Scottish Government implements new tax and spending powers, the Parliament's role in scrutinising its policies, budgets and performance has never been more important. To fulfil this role, the Parliament must get comprehensive, reliable and timely information about the Scottish Government's objectives, plans and progress. This includes comprehensive information about how it intends to use the money available to it, how it was spent and what was achieved as a result.
- 27.** Time is one of the most important dimensions of good Parliamentary scrutiny. The UK Government now plans to publish its budget in autumn each year. We recognise the implications of this for the timing of the Scottish draft budget, as the UK budget determines the size of the block grant to Scotland. As the annual Scottish budget needs to be agreed by Parliament by the start of each financial year, there will need to be a trade-off between clarity over the size of the block grant and time for detailed scrutiny.
- 28.** Given the increased uncertainty inherent in the Scottish budget, whenever detailed proposals are published these will rely on a degree of forecasting and estimation, and there will be a limit to which spending plans might be considered absolutely firm at any stage. Nevertheless we recognise that awaiting the outcome of each year's UK budget has practical benefits. In particular, in providing better information about the immediate effects of Block Grant Adjustments and enabling Scottish Fiscal Commission forecasts to be prepared on a basis consistent with these. Given that this would necessarily curtail the time available for scrutiny of the detailed draft budget, in our view it is essential that any such decision is accompanied by both a year-round whole cycle approach and the introduction of a medium-term financial strategy. We would also note that this may mean a greater availability of formal amendment powers over the budget bill and tax resolutions are appropriate.
- 29.** Clear, transparent and consistent reporting on all parts of the budget cycle is important; from the budget itself to reporting on outturn and performance. This will enable the Parliament and wider public to scrutinise the Scottish Government's decisions in a more complex financial environment. This includes seeing and understanding the basis on which decisions are made and the assumptions underlying changes in revenues and spending from one year to another.

30. We agree with the view of the Group (paragraph 87) that it is important to more clearly separate the objective, factual content of budget proposals from that which is policy driven or political in nature. The introduction of objective standards for financial information included in budget documents would support this. We would suggest that such standards should be prepared by the Finance and Constitution Committee and agreed with the Scottish Government. This might usefully include standard templates for key budget tables.
31. Key features of such standards would include:
- clarity over key budget aggregates, showing how anticipated spending is funded from anticipated revenues and any use of borrowing and reserve powers
 - consistent presentation of revenue and expenditure classifications (for example between RDEL, CDEL, AME and Financial Transactions)
 - comprehensive time series information, looking at least two years backward and three to five years forward, linked to the period covered by any spending reviews and medium-term financial strategies
 - public data availability based on relevant open government standards.
32. The Auditor General recently reported that the Scottish Government is taking steps to enhance financial reporting to provide a more comprehensive picture of Scotland's public finances, but more work is required.⁴ Her report highlighted the importance of providing a clear overall picture of Scotland's public finances. This includes reporting clearly on:
- how anticipated spending is funded from anticipated revenues
 - movements in the Scottish block grant arising from the application of the Barnett formula, baseline adjustments and indexation for each element of the block grant
 - revenue and spending forecasts, and reconciling these to actual amounts when they are known
 - actual spending against budget and the reasons for variations
 - the impact of any capital and revenue borrowing, and movements and balances in the Scotland Reserve
 - what has been achieved from public spending
 - other commitments, guarantees or potential liabilities that may impact on future budgets.
33. The Scottish Government reports this information in a variety of documents including budget documents, audited annual accounts, and economic and performance reports. It is important this information is presented in such a way that is easy to understand and navigate. This provides a basis for ongoing engagement with taxpayers and helps the Parliament to build a comprehensive picture of Scotland's public finances. This allows

⁴ [Managing new financial powers: an update](#), Audit Scotland, March 2017.

the potential consequences of policy choices and decisions on long-term financial sustainability to be better understood.

34. The interim report (paragraph 86) raises the question of whether the increasingly dynamic nature of the Scottish Budget, with greater volatility and uncertainty, means that there is a need for some form of in-year reporting. We anticipate that the Scottish Government is likely to need to actively manage the overall budget position, making decisions during the year about use of the available flexibilities including reserves and potentially resource borrowing, and changes to public spending. It is important, therefore, that there is prompt and transparent reporting of any significant in-year financial management activity, and that the Finance and Constitution Committee has the opportunity to scrutinise this.
35. Such reporting is necessary where there is a significant amendment to or departure from previously published plans, policies or strategies. This would include, for example, where the Scottish Government makes use of resource borrowing powers where this was not previously anticipated in budget documents.
36. There may be value in introducing a mid-year report, whereby any significant changes to plans might be reported. This would include any significant in-year variances in devolved tax revenues or demand-led spending, for example on social security. This might usefully sit alongside existing formal budget revision procedures (particularly the Spring Budget Revision), providing a rounded view of expectations alongside the specific changes to formal budget limits that are proposed. In our view, given the likely costs and benefits, it is not necessary to introduce more frequent (monthly or quarterly) reporting during the year alongside existing updates on devolved tax collection.
37. A thorough understanding of how much money has been committed across government to long-term investment such as borrowing, public private partnerships and public sector pensions is important when taking decisions about future tax and spending. It is also important to have a good awareness of the financial implications of wider policy commitments (such as those in health and social care) and the full range of other potential financial commitments which depend on events in the future, such as contingent clinical negligence claims. This needs to be set within the context of what the Scottish public sector owns, that is assets acquired from taxes. Taken together, such information would help provide a more complete understanding of the Scottish public finances.
38. In evidence to the Finance and Constitution Committee in November 2016, the Auditor General highlighted areas for continued development, including:⁵
 - the draft budget and materials to support in-year budget revisions, so that these show how the key components of the budget have been established and how planned expenditure is expected to be funded overall

⁵ [Written submission from the Auditor General for Scotland on Scotland's fiscal framework](#), Finance and Constitution Committee, November 2016.

- the suite of annual accounts that contain detailed outturn information on the different components of the budget, so that the information provided is set in the context of the budget as a whole, and the overall position is clear
- accompanying performance reporting, so that it is clearer what spending is aiming to achieve and how this contributes to the Government's overall purpose and specific outputs and outcomes
- consolidated accounts for the whole of the Scottish public sector.

Stage 3 (Budget Bill Phase)

Q10. How effective is the existing Budget Bill process and what, if any, changes are required?

Q11. Should the Parliament have the opportunity to lodge amendments to the Budget Bill or should non-Government amendments still only be proposed at the pre-legislative stage?

Q12. If the former what, if any, should be the limits on the power of the Parliament to lodge amendments?

- 39.** In revising the budget setting and scrutiny process it will be important to agree the 'vision' for the process. This needs to be a decision reached between the Parliament and the Scottish Government and it needs to be one that works in the Scottish context. This will then inform the mechanics of how it will work in practice, such as the legislation required and details of parliamentary procedure. The nature and extent of amendment powers will be a key feature of this. Any changes to these should be considered alongside the virement powers available to the Government, which determine the flexibility it has to depart from the established budget without formal amendment.
- 40.** As highlighted above, budget documents should include as much information to provide a full understanding of the overall financial position. Whatever the legislative process for approving the draft budget, it is important that it allows for consideration of revenues and spending together, within the context of longer-term financial commitments.
- 41.** The existing Budget Bill process is based on there being a significant degree of up-front scrutiny. We would note that where the opportunity for scrutiny of a detailed draft budget or other budget review is curtailed this may mean a greater availability of formal amendment powers over the budget bill and tax resolutions is appropriate.

Theme 2: What is the impact of the Fiscal Framework?

Q13. What information should be provided, and when, to ensure full transparency of how the following elements of the Fiscal Framework operate:

- the adjustments to the block grant
- the reconciliation process, including interim outturn information
- borrowing powers
- the Scotland Reserve.

Q14. How should parliamentary scrutiny of these new aspects to the budget process operate? For example, should these new aspects be carried out as part of the budget process, or as a separate scrutiny process focusing on the operation of the Fiscal Framework?

42. The fiscal framework sets out agreed rules and limits within which the Scottish Government will manage its finances and the related economic and funding risks. They include rules for block grant adjustments, reconciliations, annual and overall limits for borrowing and the Scotland Reserve. Working within this framework, the Scottish Government will need to make choices on how it uses its new tax and spending powers and its fiscal policies more generally. Decisions will need to be made based on a good understanding of the consequences for future years and how these sit alongside existing commitments, ensuring the financial sustainability of Scotland's public finances over time. It will be important that these decisions, and the policies and assumptions underpinning them, are clearly articulated in a way that enables effective Parliamentary scrutiny.
43. Decisions about the use of the provisions in the fiscal framework will affect the extent to which they are available in subsequent years and impact on other aspects of the budget, such as the need to accommodate borrowing repayments. It will be critical for the Scottish Government to provide clear information on how all parts of the fiscal framework operate in practice, and for this to be scrutinised as part of the budget process.
44. The operation of the fiscal framework is now an essential component of the Scottish budget and, as such, will need to be integrated into the revised budget and scrutiny process throughout the budget cycle. In doing so, the following issues should be considered:
- The fiscal framework is complex and includes a number of separate but interrelated elements, such as block grant adjustments and reconciliations. For a full understanding of their impact on the Scottish budget, all the components should be considered together.
 - The volatility of tax revenues and social security spending means there is likely to be variance between actuals and forecasts. This increases the importance of in-year monitoring and reporting, more detailed explanations of differences between budgets and outturns, and clear explanations of reconciliations.

- Access to data to support in-year monitoring, reporting and scrutiny relies on a number of organisations across the UK working together and sharing information. This includes the Scottish and UK Governments, Scottish Fiscal Commission, Revenue Scotland and HM Revenue and Customs. The availability and timing of the data needed to support effective scrutiny of the fiscal framework will need to be factored into any new process.
45. Effective scrutiny of the operation of the fiscal framework will require an understanding of how the provisions in the fiscal framework are being managed. This will involve looking across the different components - revenues, spending, borrowing and reserves - and understanding how they interact with each other and with economic performance. It will also require clarity over the policies, principles and parameters that the Scottish Government is working to. For example:⁶
- under what conditions the Scottish Government will use capital and revenue borrowing
 - how the Scottish Government will demonstrate decisions are affordable and sustainable
 - what processes the Scottish Government will put in place to assess and respond to forecasting errors or a Scotland-specific 'economic shock'
 - how the Scottish Government will report borrowing and use of its reserve against the limits set in the fiscal framework
 - any additional limits or targets, other than those in the fiscal framework, the Scottish Government puts in place to ensure there is scope to deal with unexpected economic events.
46. The Scottish Government may set out its plans for some of these areas in advance, for example the anticipated level of capital borrowing. In others, most notably in relation to resource borrowing, the provisions may be utilised largely in response to conditions that arise during the year.

Theme 3: How effective is the current approach to Multi-Year Budgeting?

Q15. What should be the core objectives of Scottish Government Spending Reviews, how often should they be carried out and when?

Q16. What level of information should the Scottish Government publish?

Q17. What should be the role of the parliament's committees in scrutinising Spending Reviews?

47. Spending reviews are a way for the Scottish Government to consider and set out publicly its public spending priorities and plans for a number of years ahead. This is an important component of a whole cycle and longer-term budgeting approach. Spending reviews should include details of what the Scottish Government aims to achieve with the money it expects to have available, and how it will achieve best value for money of

⁶ [Managing new financial powers: an update](#), Audit Scotland, March 2017.

public expenditure. This includes any planned savings or reductions in funding. Although setting out these issues is always important, it is particularly helpful to clarify them when working within financial pressures.

48. In future, spending reviews will need to be conducted in the context of forecast tax revenues and demand-led social security payments, given the impact on spending plans. These new features of Scottish public financial management introduce an underlying uncertainty to multi-year budgeting. To support effective scrutiny of spending reviews, by parliamentary subject committees and the public, the Scottish Government should outline the extent of this uncertainty and what that might mean for the overall financial position and its spending plans. This includes setting out forecasts, projections and models and the assumptions underpinning them.
49. Government policies are delivered through public bodies and in partnership with local government and the third sector. Multi-year budgeting helps these organisations to plan better over the longer-term (five to ten years). A longer-term approach to finances is also important within each of them. It provides a context for their decisions and creates an overall framework for their own financial decision-making and sustainability. While the absence of indicative funding should not prevent organisations projecting future income, and planning accordingly, providing this for three to five years ahead through the budget process would help them to update their medium-term planning and strategies. This would also support a better understanding of public financial management and sustainability across the public sector.
50. There is scope to develop spending reviews to focus more on the outcomes the Scottish Government is aiming to achieve through its spend. This is explored more under [theme five](#).

Theme 4: How effective is the current approach to Medium-Term Financial Planning?

Q18. Should the Scottish Government publish a medium term financial strategy?

Q19. If so, what should it include, what should be the role of the SFC in its preparation and how frequently should it be updated?

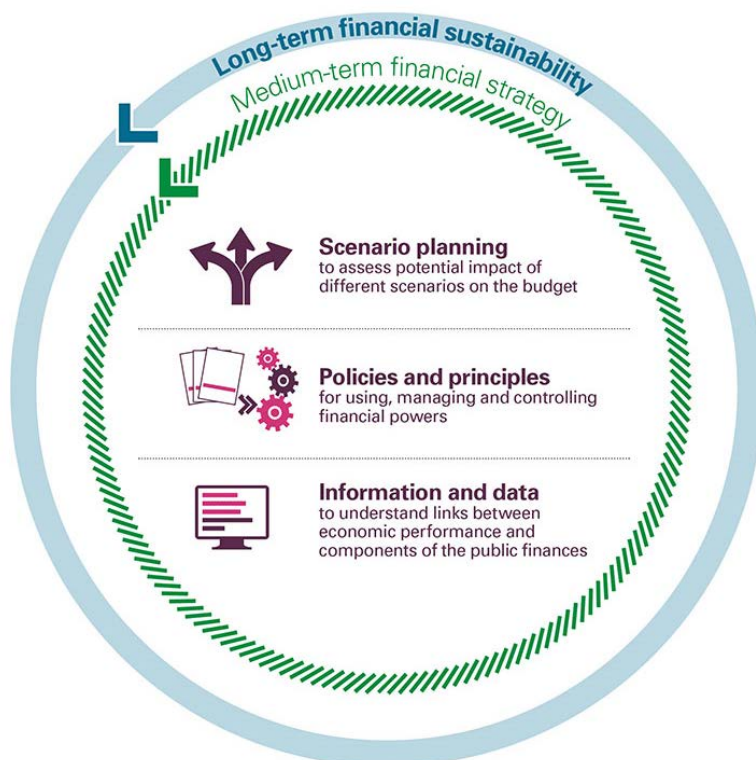
51. The new financial powers require a more strategic approach to public financial management and reporting. This should include an overarching, medium-term financial strategy underpinned by clear policies and principles for managing the public finances. A longer term approach would support decision-making and financial sustainability.
52. [Exhibit 2](#) sets out the main components of strategic financial management. The Scottish Government should publish a medium-term financial strategy for Parliamentary and wider public scrutiny. This should set out the expectations and broad financial plans/projections for the next five years. It should make the link to anticipated economic performance and the consequences for the block grant, and devolved and assigned revenue and spending. It should also be underpinned by clear policies and principles for using, managing and controlling the available powers. Scenario planning based on

economic forecasts and financial information will be increasingly important in assessing the range of potential impacts on the Scottish budget and in turn aid financial planning, management and decision making.

53. Potential components of a medium-term financial strategy are set out in the Budget Process Review Group's interim report (at paragraph 167). We would support the inclusion of this information, including projected levels of revenues and funding, indicative spending and investment levels, and anticipated borrowing and reserves.
54. Making the medium-term financial strategy and any related policies, principles and underpinning assumptions publicly available will enhance financial transparency. Publishing medium and longer-term models, projections and plans will provide the Parliament, public bodies, councils and the wider public with the information they need to have a fuller understanding of the overall financial position. More clarity about overall financial expectations and plans would in turn encourage improved financial planning by public bodies.
55. A medium-term financial strategy is by its nature based on forecasts, projections and estimates. These will need to be as soundly based and unbiased as possible, but will always be subject to inherent uncertainty. In setting out central financial forecasts and projections it will be important to outline the extent of this uncertainty and what that might mean for the overall financial position. This might usefully include:
 - scenario planning, assessing a range of potential impacts on the Scottish budget
 - relevant technical information about statistical forecasts that have been prepared and used, such as confidence levels and assessments of historical forecasting errors
 - sensitivity analysis covering the main variables used in forecasts, estimates and projections.

Exhibit 2

Key components of strategic financial management



Source: Audit Scotland

56. Publication and Parliamentary scrutiny of a medium-term financial strategy and associated material would be an important component of a whole cycle approach to the budget. Publishing this well before a more detailed draft budget would enable consideration of the overall picture and the fiscal context prior to scrutiny of detailed budget proposals, which would be set within the framework of the overall strategy.
57. In determining the period covered by a medium-term financial strategy and the timing of its preparation and scrutiny, it will be important to balance a range of considerations including the following:
 - The robustness of the forecasts, projections and estimates that underpin a financial strategy. Generally, the later a strategy is prepared the better such information is likely to be. But given the underlying volatility and complexity to which the Scottish budget is now exposed there will always be a significant degree of uncertainty inherent in annual budgets and any medium-term financial plans. Such information should be fit for purpose, but its underlying nature should be clearly understood.
 - The extent to which observed or anticipated changes in economic or fiscal conditions, including the fiscal policy and spending decisions of the UK Government, potentially require a significant revision to the financial strategy. In general, where significant changes to underlying economic and fiscal conditions are experienced, it is likely to be necessary to review and revise any financial strategy

more frequently. This will be less important where the underlying conditions are more stable.

- The extent to which the Scottish Government makes changes to its underlying fiscal policies. This is particularly pertinent immediately following a Parliamentary election as a new government is established and there is potentially a change of political administration. But it may also be the case that fiscal policies are reviewed and revised substantially during a Parliamentary session for other reasons. Generally any significant change can be expected to lead to a revised financial strategy being published.
58. In evidence to the Finance and Constitution Committee in November 2016, the Auditor General provided her view that a medium-term financial strategy would not be set in stone for the next five years. She noted that it could be refreshed and updated in response to circumstances during the life of the parliamentary session and used to inform annual budgets.⁷
59. The Scottish Fiscal Commission (SFC) will play a key role in the provision of economic and fiscal forecasts, covering Scottish onshore GDP, Scottish tax revenues and social security spending. It is also required to undertake and publish assessments of the reasonableness of the Scottish Ministers' projections as to their borrowing requirements. The SFC has discretionary powers to prepare further forecasts, assumptions or projections of other funding or revenues contributing to the Scottish budget and to report these publicly. It also has the power to assess such forecasts, assumptions or projections where these are prepared by the Scottish Government.
60. The SFC will therefore have a critical role in providing information to enable the preparation of a medium-term financial strategy, by providing forecasts and assessing the reasonableness of Scottish Government projections. Its work will help to support the assessment of revenues and funding available over the medium term, and social security spending as this comes on stream. The SFC is required to prepare a number of forecasts for a five-year ahead period but has discretionary powers to widen its contribution, both to other areas of funding and to cover longer periods.
61. A key issue to consider, if a medium-term financial strategy is prepared, is how the timing of this sits with the preparation of forecasts by the SFC. The SFC is required to prepare forecasts twice a year, and it was previously envisaged that this would be at draft annual budget stage and to support any revision necessary for the annual budget bill. If a financial strategy were to be prepared outwith these times, then either the most recent SFC forecasts would need to be used or the timing of their preparation realigned.
62. The SFC is required to base its forecasts, assumptions and projections on the current policies of the Scottish Government and may not consider what the effect of an alternative policy would be. This approach is similar to the way in which the OBR operates. This makes it important that fiscal and other relevant policies are clearly

⁷ [Official report](#), Finance and Constitution Committee, 23 November 2016.

understood and transparently stated. This is likely to be important for both the work of the SFC and to support Parliamentary scrutiny.

63. A key issue will be assessing and keeping under review the long-term sustainability of the Scottish public finances, considering the long-term implications of policy decisions, the extent of financial commitments and anticipated changes in the economy, revenues and spending. The independent economic and tax revenue forecasts that will be prepared by the SFC will contribute to such an approach. Audit Scotland's response to the Scottish Government's consultation on the draft Scottish Fiscal Commission (Modification of Functions) Regulations 2017 highlighted that extending the functions of the Scottish Fiscal Commission to include a duty or ability to examine and report on the sustainability of the Scottish public finances would help demonstrate the objectivity of any such assessment.⁸
64. In our view it is important that such an assessment is undertaken and published. It could be integral to or published alongside the Scottish Government's medium-term financial strategy or could be prepared on a standalone basis. We would suggest that there is a critical role for the Parliament's Finance and Constitution Committee in scrutinising the financial sustainability of the Scottish public finances, and this should be formalised. The Scottish Government and the SFC would each have a role in providing the information necessary to support such scrutiny.

Theme 5: How effective is the current approach to outcomes-based scrutiny?

Q20. How effective is the emphasis on prioritisation and value for money in delivering a more outcome-based approach and how could it be improved?

Q21. What should be the role of public bodies in supporting a more outcomes-based approach to financial scrutiny?

65. The Scottish Government's National Performance Framework (NPF) sets out the purpose, objectives and national outcomes that it aims to achieve, and indicators that track progress towards these outcomes. The Community Empowerment (Scotland) Act 2015 ensures that the current outcomes approach to government will continue in the longer term. The Scottish Government continues to refine the NPF, which provides a firm basis for its outcomes-based approach to policies. This approach has implications for the way in which the Parliament exercises its budget scrutiny role. The move to a more outcomes-based approach to budgeting and service delivery should be reflected in a greater focus on scrutinising what is being achieved from public spending. This includes how spending is contributing to the Scottish Government's overall purpose and specific output and outcome measures.

⁸ [Response](#) to consultation on the draft Scottish Fiscal Commission (Modification of Functions) Regulations 2017.

66. An outcomes-based approach to scrutiny will require a clearer focus across parliamentary committees on 'big picture' strategic issues that will outlast any single parliamentary session. This is essential if the Parliament is to effectively hold the Scottish Government to account for the delivery of its long-term ambitions. For example, addressing inequality of outcomes, delivering more sustainable public services, improving health and social care services and addressing climate change.
67. The committees of the Parliament are increasingly working together to promote a coordinated and joined-up approach to significant cross-cutting issues. But the volume of business that committees are dealing with can affect their ability to deal with more complex, longer-term issues. There is an opportunity to develop greater coordination of budget scrutiny while respecting the particular areas of focus pursued by each committee.
68. Public bodies and councils have a key role in delivering government policy and priorities, with their funding being a key aspect of the budget process. There are expectations that they contribute to the Government's outcomes and the measures set out in the NPF. Through their own plans and annual reports they have a responsibility to articulate the contribution that they are making. This should be a key aspect of the scrutiny undertaken by Parliamentary committees, as part of a whole cycle approach.
69. It is important to recognise the distinction in accountability arrangements between local government and other public bodies in considering this area. Councils and other local government bodies have their own democratic mandate, and are directly accountable to the public through locally elected members. Councils also have separate tax raising, borrowing and reserve powers. They are held to account for their spending and performance by the Accounts Commission.
70. Local government bodies establish their own local priorities but also make a critical contribution to the Scottish Government's outcomes. The requirement for this is being strengthened through partnership working arrangements, such as the introduction of integrated health and social care bodies. The revised budget process needs to reflect these distinctions, considering the contribution of local government to national priorities while recognising the legitimacy of local policy choices and statutory accountability of individual bodies.

Performance and Reporting

Q22. What information should the Scottish Government provide in its budget documents to show the links between its budget allocations and the NPF?

Q23. What level of performance information should Scotland's public bodies publish against the National Performance Framework?

Q24. What should be the role of parliament in scrutinising the performance of Scotland's public bodies in delivering outcomes?

71. More effective performance planning and reporting would improve clarity over what spending is aiming to achieve, how this contributes to the Government's overall purpose

and outcomes, and what is being achieved. This should sit alongside formal budget documentation.

72. The Scottish Government expects all public bodies and councils to align their own objectives and spending plans with the NPF. The boards of public bodies, local councillors, the Scottish Government and subject committees in the Scottish Parliament all play an important role in scrutinising the outcomes delivered by public bodies. It is important that public bodies are held to account for the value for money they are providing.
73. A common theme in our performance audit reports is the potential for greater alignment of resources and actions, including those of public organisations, to the NPF. The NPF measures overall progress towards economic targets and outcomes but it does not measure the specific contribution of policies and initiatives to delivering these outcomes. Our work has found that policy implementation plans often lack indicators or measures to monitor progress towards improving long-term outcomes. There is a role for government in setting out performance plans up front, including milestones and indicators of planned progress, and reporting annually against these.
74. The primary responsibility for reporting on the outcomes delivered by public bodies and councils rests with the bodies themselves. Many of which are either subject to statutory public performance reporting obligations (including those contained in the Community Empowerment Act) or are required to participate in national performance reporting frameworks such as Scotland Performs. The Accounts Commission and Auditor General have highlighted the need for public bodies to improve the quality of their performance reporting.
75. The Auditor General for Scotland has reported that a more rounded account of the Scottish Government's overall performance would enhance reporting to the Scottish Parliament and the public, and help strengthen accountability and scrutiny.⁹ A key challenge in managing performance is aligning financial and performance information in a meaningful way, so that the impact of spending decisions on performance and outcomes can be better understood. More strategic alignment between spend and outcomes is important at both a national level and for individual bodies.
76. The Accounts Commission and Auditor General have reported that the way in which public bodies report performance, and are held to account, does not always reflect the Scottish Government's policy of promoting outcomes.¹⁰ They recommended that the Scottish Government should streamline national performance management frameworks and create a better balance between short-term measures of individual service performance and the delivery of longer-term local outcomes through effective partnership working.

⁹ [The 2015/16 audit of the Scottish Government consolidated accounts](#), Audit Scotland, September 2016.

¹⁰ [Community planning: an update](#), Audit Scotland, March 2016.

77. The Scottish Government published an update setting out how it is performing against national outcomes and performance indicators, alongside its 2017/18 draft budget.¹¹ Outcomes are often, by their nature, longer term. There are opportunities for budget documents to make more systematic use of output measures that describe in more specific terms progress towards desired outcomes. These are more able to be aligned to specific budgets and help support scrutiny of budget proposals for the year ahead. This should not be restricted to the draft budget, but can be reported in various ways throughout the whole budget cycle. Public audit has an important role in objectively and transparently reporting on progress towards outcomes.
78. Much of the focus of budget transparency and scrutiny is on the Scottish Government's plans for public spending and revenue raising. Equally important is what has actually been spent and raised, and what it has achieved in practice. Increased volatility and uncertainty mean that a clear understanding of annual outturns and the overall financial position has never been more important. This helps Parliament to hold government to account for what has been achieved through taxation and spending, and helps inform future budgets and plans. This is a key aspect of a whole cycle approach to budget scrutiny.
79. There is a well-developed approach to outturn reporting through the published accounts of individual public bodies, councils and the Scottish Government's consolidated accounts. The receipts and payments flowing through the Scottish Consolidated Fund are also reported in published accounts. Revenue Scotland publishes devolved tax accounts and HM Revenue and Customs accounts will report on Scottish income tax revenues. This system of annual financial reporting reflects the individual accountabilities of all those organisations involved in spending and raising public money. A key issue is reporting clearly on the overall financial performance and position each year and how each of these individual accounts fit together. This is needed to support Parliamentary scrutiny of the Scottish public finances overall.
80. The Scottish Government is further developing its financial reporting in the context of the new powers, building on existing outturn reporting arrangements and addressing the commitments it has made in this area. Its plans for improvements to financial reporting include the following important components:
- information explaining how the Scottish public finances now work
 - outturn statements providing high-level information on actual spend across the Scottish Administration as a whole
 - tailored for Scotland consolidated accounts that show a more aggregated picture of the Scottish public finances – including what is owned and owed alongside spending and revenues.
81. The budget process that is developed should give sufficient prominence to outturn information as part of a whole cycle approach. This should include opportunities for scrutiny of the overall picture and of the individual elements of most significance or

¹¹ *Scotland performs update*, Scottish Government, December 2016.

Parliamentary interest. Reporting by the Auditor General and the work of the Public Audit and Post-legislative Scrutiny Committee will remain an important avenue for this. The Finance and Constitution committee is also well placed to lead scrutiny of the overall position.

82. The annual provisional outturn statement by the Cabinet Secretary for Finance is an important aspect of the current arrangements, providing an opportunity for scrutiny currently in June each year. It is important that this statement and supporting material is clearly presented in a manner that is consistent with other budget documentation, and meets any standards that are established (see [theme one](#)).

Public Audit

Q25. In what ways can the work of Audit Scotland be used more effectively in supporting a more outcomes based approach to financial scrutiny within the Parliament?

83. Public audit in Scotland is informed by the priorities of the Auditor General and the Accounts Commission and delivered by Audit Scotland on their behalf. *Public Audit in Scotland* sets out the shape, principles and themes of public audit.¹² We are committed to supporting the Parliament in developing world-class arrangements for holding government to account and improving the use of public money.
84. The independence of the Auditor General, Accounts Commission and Audit Scotland is essential. Audit should not have a role in budget setting or any involvement in policy decisions. There is an important role for audit in reporting independently and informing and supporting Parliament's responsibilities for the oversight of the public finances. This helps create a strong and effective system of accountability and transparency which supports the best use of public money in the public interest.
85. Audit reporting is a key component of the budget cycle, providing objective information and independent assessment on the public finances, performance and value for money. Auditor General reports are considered by the Public Audit and Post-legislative Scrutiny Committee in the first instance. There are opportunities for the subject committees to make more use of Auditor General and Accounts Commission reports. There is an ongoing programme of work that can be drawn from at different stages of the budget cycle to support scrutiny by subject committees. Effective coordination and liaison between the Public Audit and Post-legislative Scrutiny Committee and subject committees will help to ensure a coherent approach to outcomes-based financial scrutiny.
86. There is scope for the Parliament to strengthen its focus on the extent to which policy outcomes are being delivered in the most efficient manner possible. Parliamentary committees can take a more strategic approach to scrutinising spending within and across key policy areas, by examining how it is being used to deliver agreed policy outcomes. For example, by tracking how major policy commitments are being

¹² [Public audit in Scotland](#), Accounts Commission, Auditor General and Audit Scotland, May 2015.

implemented across government. We are keen to ensure that our audit work supports Parliamentary committees in this way.

87. We place a particular emphasis on the execution and evaluation of policy and the extent to which public resources are being used to best effect. Much of our audit work looks at the effectiveness of implementation of key government policies and the impact of significant programmes of public service reform. A key priority for our work is ensuring that public money is being used to best effect to support the delivery of improved outcomes. This includes reporting on the progress that is being made in improving the quality of public performance reporting across the public sector. In particular, how improved outcomes are linked to the use of increasingly scarce public resources.
88. We hope that you find our comments helpful. We would be happy to expand on any points contained within our submission if you would find that useful. In the meantime, should you require any further information please contact Mark Taylor, Assistant Director, at mtaylor@audit-scotland.gov.uk.

April 2017

MEETING: 11 MAY 2017

REPORT BY: SECRETARY TO THE COMMISSION

COMMISSION ANNUAL REPORT 2016/17

Purpose

1. This report proposes for publication the content of the Commission's annual report 2016/17 and accompanying annual action plan progress report.

Background

2. Each year, the Commission publishes its annual report and its complementary annual action plan progress report.

Annual report and annual action plan progress report

3. The content of the proposed annual report is attached in **Appendix 1**. It should be noted that this is simply the proposed text. A design is still under development.
4. The draft annual action plan progress report is in **Appendix 2**.
5. The Commission's views on both drafts are sought.

Publication arrangements

6. It is proposed that the annual report and accompanying annual action plan progress report be published on 25 May 2017. A series of Commission strategic documents is being published on that day, thus:
 - Annual report 2016/17
 - Annual action plan 2016/17 progress report
 - Engagement strategy 2016/17 progress report (approved at the previous meeting)
 - Strategy 2017-22 (on today's agenda)
 - Engagement strategy 2017/22 (on today's agenda)

Conclusion

7. The Commission is invited to consider and approve the attached annual report.

Paul Reilly
Secretary to the Commission
5 May 2017

APPENDIX 1: DRAFT ANNUAL REPORT

Who we are

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 to demonstrate 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 our role, powers, members and meetings on the Accounts Commission [web pages](#).

Our year

Graphic featuring:

AC reports

Local Government Financial Overview Nov

Local Government Overview March

Best Value

South Ayrshire Council follow up June

Angus Council Oct

Falkirk Council update Dec

East Dunbartonshire follow up Dec

Performance audits

Social work in Scotland Sep

Scotland's roads follow up (jointly with the Auditor General) Aug

Other reports

How Councils Work - Roles and responsibilities in councils – are you still getting it right?
Nov

School education – scrutiny supplement Oct

Borrowing and Treasury management impact report Dec

Chair's foreword

It has been another testing year for councils in Scotland. They face increasingly complex challenges and are doing difficult job with less resource.

Our work over the last year highlights greater pressures, for example on social work. Public satisfaction with some services has declined but there is also some evidence of progress where councils have grasped the nettle of change and new ways of working.

The Commission continues to fulfil its dual role of scrutiny providing assurance that public money is well spent as well as promoting improvement.

The year also ended on a poignant note for us with the retiral of our chair, Douglas Sinclair. Sadly, Douglas subsequently died.

Douglas served the Commission for ten years, first as a member, then as deputy chair and from December 2013 as chair. In that time he brought a wealth of knowledge and experience from his many senior roles in local government and decades of public service.

He was a passionate advocate for local democracy and a champion of high quality services for local people. Under his leadership the Commission greatly strengthened its role as independent public watchdog acting in the public interest”.

Douglas and his service to the Commission and to public service will be greatly missed.

Ronnie Hinds, acting chair, Accounts Commission.

Changing the way we do things

The Commission values its role in being able to provide assurance on local government and then report publicly on its performance. In this way, we seek to inform debate and scrutiny of important public services.

We encourage councils to be innovative and find new ways of working. And we seek to apply those same principles to the work we do.

Over the last year we have made simple changes offering more practical help, such as splitting our overview report into two parts. The first looked at financial issues and was published earlier – in November – to assist councils as they set their new budgets.

Our main overview report in March 2017 was aimed to help newly-elected councillors to get to grips with their roles. Their work is more complex than ever and they need the right skills and training to challenge and scrutinise decisions and performance, and fully assess options for new and different ways of providing services within reducing budgets.

This extends to others directly affected by our reports. We have used social media to carry out surveys to capture users' experience of early years, childcare services and self-directed support.

We also tried a different approach with the latest in our How Councils Work series on roles and relationships. We held round table discussion pooling insights from leading Scottish and UK experts. The results were [published online](#) with a particular emphasis on a check list for councillors to ensure they were fully informed.

The Commission is encouraged by the positive feedback it has received on these new outputs from its work.

Our work

Local Government Financial Overview

This [report](#) was timed to provide practical help for councils as they considered their budgets for the following year.

It said councils had remained within their overall budgets, increased their reserves slightly and reduced their debt in 2015/16.

Each council has its own particular challenges but all of them faced financial shortfalls requiring further savings or using reserves. The Commission believes they have to change the way they work if they are to make the savings needed while continuing to provide satisfactory services.

The report warns that further reductions are expected while demand on key services, particularly social care, continues to rise. Councils also face increased cost pressures in areas such as pension provision.

Local Government Overview

This [report](#) was aimed at new councillors coming in after the May 2017 elections. They face major challenges and need to focus on improving long-term planning.

It outlined a long-term decline in Scottish Government real terms funding which makes up around 60 per cent of council income.

At the same time, there continue to be increasing pressures on services, particularly in social care and education which together account for over 70 per cent of council spending.

The report says councils overall have maintained or improved their performance in the face of these challenges. However, public satisfaction is declining and complaints are increasing. Looking ahead, they need to better involve their communities in service design and delivery.

There are wide variations between councils. Some have found new ways to provide services more efficiently. Others have been slower off the mark. Councils have made savings by cutting jobs but half of them still don't have organisation-wide workforce plans.

Social work

[Social Work in Scotland](#) was probably our most prominent report in terms of impact on people's everyday lives. This was the first Commission review of provision nationally and its conclusion was stark – social work now stands at a watershed and the public and service users must be more involved in shaping future provision.

The report estimated that social work will need up to £667 million a year more, unless new ways of delivering services are implemented.

Fundamental decisions have to be taken on how services are provided in the future and councillors must have the knowledge and skills to deal with the complexities and risks involved. They should lead a wider debate with local people on the level, nature and

affordability of services. More work is also required to involve users in how services are designed, commissioned and run.

What surprised many was the sheer range and complexity of care provided for 300,000 Scots - from young children to increasing numbers of frail elderly people. The public, voluntary and private sectors employ just over 200,000 social work and care staff. But most care is provided by 759,000 unpaid carers, valued at £10.8 billion a year.

Since 2011/12 social work spending has increased by 3 per cent when overall councils' spending has fallen by 11 per cent. Councils have made savings by reducing services and cutting costs.

But they now have to implement a raft of new legislation and policies. Social work has largely been reorganised into new integrated joint boards bringing together representatives of local councils and NHS boards, resulting in a more complex set of roles and responsibilities.

The Commission, along with the Auditor General, is keeping a close eye on how the new joint boards are progressing.

Roads maintenance

Our [joint report](#) with the Auditor General in August 2016 said urgent action was required to improve the condition of Scotland's roads.

Roads authorities, locally and nationally, urgently need to be more innovative, develop robust ways to compare relative efficiency, and engage better with road users. Sharing roads maintenance services on a regional basis can offer significant benefits but progress in developing this has been slow and there is still no clear plan or timetable to deliver it in practice.

Councils maintain most of Scotland's roads network. The proportion of these roads classed as being in acceptable condition has remained constant at around 63 per cent over the four years 2011/12 to 2014/15 despite the fact that councils' spending on maintenance fell by 14 per cent over the same period.

The report said councils face increasing pressures and challenges but progress in developing a shared services approach for roads has been disappointingly slow. They can and should collaborate much more to secure better value for money.

Transport Scotland maintains motorways and key trunk routes where spending fell by four per cent between 2011/12 and 2014/15. The proportion in acceptable condition also fell from 90 per cent to 87 per cent over the same period.

Best Value – looking back (express this in graphic instead of text?)

Four audits were carried out during 2016/17 looking at how individual councils were carrying out their statutory duty since 2003 to demonstrate best value and continuous improvement:

- South Ayrshire (June 2016) had made significant progress since a critical audit in February 2014 establishing an improvement framework across the council. New staff had been recruited to key positions and there were better working relationships between councillors. Clear political and managerial leadership is making a positive difference.
- Angus (October 2016) had made progress in recent years setting out a clear vision, modernising its business processes and improving the leadership provided by senior managers. However, the council needed to be more ambitious and speed up the pace of change in order to meet its £26.5million savings target.
- The Commission said it was disappointed with developments at Falkirk (December 2016) since August 2015 during which time savings over three years required by the council had grown from £46 million to £61 million. Although there has been activity at the council there has been limited progress in addressing the underlying need for better coordinated and more radical change.
- A similar picture emerged at East Dunbartonshire (December 2016) where the Commission said it remained concerned that issues identified in two previous reports had not been adequately addressed. Some improvements had been made but the council needed to do a lot more to meet the financial challenges it faced.

Best Value – looking forward

(express this in graphic)

Best Value means getting the most out of every pound spent.

It has been a statutory duty on councils since 2003. We have asked and are supporting the Scottish Government and councils to refresh and update the meaning of Best Value to ensure it continues to be relevant to the challenges councils and other bodies face today.

A lot of work has been under way over the past year streamlining our approach to provide better assurance to the public.

We produce annual reports and accounts on all 32 local authorities. These mainly concentrate on financial matters but in the light of our new Code of Audit Practice (insert link), auditors will specifically look at elements of Best Value.

In addition, we are launching new Best Value Assurance Reports to provide more regular check ups of how individual councils are doing. This means that at least once every five years all councils will come under the spotlight of a report which looks beyond balance sheets to other issues such as leadership, governance and performance.

The first of these new reports is due in June 2017 and six are planned over the coming year.

Importantly, on top of this, we will see Best Value feature clearly in the annual audit report for every council. We want Best Value to become a constant and consistent part of audit reporting, as a cornerstone of our aim of helping every council improve.

An essential feature in developing our new approach has been collaboration: there was much discussion with councils, culminating in December 2016 with roadshows in Inverness, Glasgow and Edinburgh to discuss the new approach with council leaders and chief executives. Their feedback was encouraging and constructive.

Making our work more accessible

People need clearer information on how their council is doing. This is a key focus for the Commission in its own work.

Few enjoy wading through endless spreadsheets and reams of financial information. Much more can be and is being done to make scrutiny easier both for the public and councils that serve them.

We've used new formats to help this, such as a short animation on health and social care in Scotland setting out what needs to happen to bring about real and positive change.

We've continued to develop graphics to highlight key points from our reports. We also provide check lists for councillors and interactive tools like tableau where people can understand the data beneath our reports and draw the precise information they want at the click of a mouse.

[Roads maintenance](#) proved a popular choice as did the [financial overview](#)

Much of this has been supported by the work of the Improvement Service and the SOLACE (the body representing council chief executives) in the Local Government Benchmarking Framework ([link](#)). The Commission is encouraged at the progress by the Framework in helping councils find ways to improve and to help them report their performance to the public.

This also fits in with the aim of the new Community Empowerment Act to strengthen the voice and increase the profile of communities in how their councils are run.

Working with others

The Commission's key watchdog role is to hold councils to account. We greatly value our independence and integrity.

At the same time, we are also part of the wider local government community sharing a common purpose to improve services for the people of Scotland.

It is important that the chair and Commission members follow up reports through meetings with councils. Direct feedback and exchange of views provide insight for us as well as councils.

The Commission provided briefings on its work to Parliamentary committees. We met with the new local government minister Kevin Stewart and welcomed guest speakers to our monthly meetings.

Our reports help inform debate on current and future policy. Commission and members and our auditors gave presentations at related conferences and seminars.

We appreciate the work of our principal partners, Audit Scotland and the Auditor General, accountancy firms managing some of our audits; and other scrutiny bodies in helping us make progress throughout the year.

New audit appointments

Every five years we appoint a new set of auditors to carry out our work. These remain a mixture of Audit Scotland staff and accountancy firms on our behalf.

The aim is to benefit from fresh perspectives but allowing sufficient time to build experience and knowledge of an audited body. Prior the Commission's arrival in 1975 many local councils had the same auditor for decades.

The new appointments took effect in 2016/17 together with a new Code of Audit Practice ([link](#)) which defines the shape and conduct of the audit and what it needs to cover.

Among the priorities the Commission set for auditors were to monitor how effectively councils are involving citizens in decisions about services and the quality of council public performance reporting to help citizens gauge improvement. We will see their assessments in our Best Value reports and through annual audit reports.

Measuring our impact

We provided updates on the impact of our reports – such as Borrowing and Treasury Management – which are done for every published performance audit around 18 months after the audit report. These cover how the audited bodies have responded to the report, and how the report was considered by others, such as the Parliament. One of these was an update on School Education aimed at highlighting best practice for education committees.

Previous reports still rank highly alongside the most recent on our web pages – the top two for last year were on health inequalities and health and social care integration which we jointly published with the Auditor General.

Reporting on Fraud

Around 100 public bodies, including councils, take part in the National Fraud Initiative coordinated by Audit Scotland. Its report in August 2016 identified nearly £17 million of fraud and error across services.

A review ([link](#)) also reported in January 2017 on the impact of new housing benefit counter-fraud work since this transferred from councils to the Department of Work and Pensions (DWP) in 2014. It found that the current process does not provide sufficient assurance that public funds administered by local authorities are being protected. Despite the significant issues identified, DWP and councils say they are committed to delivering process improvements and implementing a structured and regular approach to local liaison.

Scrutiny coordination

We continue to work with other scrutiny bodies to make sure that the scrutiny of local government is better targeted and more proportionate to identified risks.

The Commission is responsible for coordinating and facilitating scrutiny in local government. This is done through the Strategic Scrutiny Group which reviewed its role and agreed on more joint work and sharing more evidence,

We produce local scrutiny plans for all 32 councils ([link](#)). These form the basis of a national plan ([link](#)) showing scrutiny re to ensure each council keeps on track and makes necessary improvements.

Our members

The Accounts Commission currently has 11 members, all of whom are appointed by Scottish ministers. The Commission meets monthly and its meetings are open to the public.

| |
|--|
| List of member names, photographs and links to register of interests |
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Action plan 2016/17



Progress report



Key to progress:

Complete: This action has been completed

Complete and continuing: While an action has been completed, it continues as part of further ongoing activity

Continuing: This action has started but will require further input from the Commission.

| Action | Progress at end March 2017 |
|--|---|
| Develop the audit by: | |
| Ensuring that our annual overview report, to be published in early 2017, provides effective reporting of the performance of councils in relation to those challenges that we identified in our current overview report | <p>Complete</p> <p>For the first time this year we published two overview reports:</p> <ul style="list-style-type: none">• <i>Local government in Scotland: Financial Overview 2015/16</i> was approved at our meeting on 10 November 2016 and published on 29 November. There was a formal response from COSLA. There were also formal responses from Scottish Labour and the Greens. The report was presented by the Deputy Chair of the Commission to the Scottish Parliament's Local Government and Communities Committee on 14 December as part of its scrutiny of the Scottish budget. The report has been downloaded 2148 times and the podcast 20 times.• <i>Local government: performance and challenges 2017</i> was approved at our meeting on 9 February 2017 and published on 17 March. There was a formal response from COSLA. There were also formal responses from Scottish Labour, the Conservatives and the Greens. |

| Action | Progress at end March 2017 |
|--|--|
| <p>Implementing, and continuing to develop, our new approach to auditing Best Value which is better integrated with other audit work and will provide more regular assurance about the performance of all councils</p> | <p>Complete and continuing</p> <p>We reported on progress with Best Value in four councils: South Ayrshire (29 June 2016), Angus (4 October), Falkirk (10 November) and East Dunbartonshire (15 December).</p> <p>We made a new round of five-year appointments for all audited bodies, accompanied by a revised Code of Audit Practice, which includes our approach to Best Value.</p> <p>At our June 2016 meeting we agreed the overall framework of the new approach. It brings together audit work on Best Value, the annual financial audit and the multi-agency shared risk assessment process. The introduction of the framework coincides with the new five-year audit appointments by the Commission and the first reporting of the new approach will be seen in annual audit reports in October 2017. In addition, at its March 2017 meeting, the Commission agreed the sequence of reporting of six Best Value Assurance Reports, reporting on audit work in six councils during 2016/17. These will be reported through the rest of 2017.</p> |
| <p>As part of this, contributing to a review and update of the characteristics of Best Value being led by the Scottish Government and councils, including ensuring that it reflects our expectations</p> | <p>Continuing</p> <p>The Scottish Government has convened a group involving councils taking this objective forward, with a view to concluding later in 2017. Audit Scotland acts as an observer on this group on behalf of the Commission.</p> |
| <p>Encourage effective reporting of performance by:</p> | |
| <p>Working with councils to help further enhance the scope and use of the Local Government Benchmarking Framework</p> | <p>Complete and continuing</p> <p>We continue our relationship with the project board and with councils. Board representatives attended our meeting in February 2017 and briefed us on the data outputs from the framework. We considered the National Benchmarking Overview Report 2015/16 at our meeting in March 2017 and agreed a series of observations which we will take forward with the Board.</p> |
| <p>Developing effective assessment of public performance reporting by councils, through our auditing of Best Value.</p> | <p>Continuing</p> <p>Auditors are required to consider this matter in audit planning and risk assessments. We expect to see reporting in annual audit reports in October 2017.</p> <p>It will also be addressed in more depth in Best Value Assurance Reports, work on which in six councils will be reported from May 2017.</p> |
| <p>Reflect the interests of the citizen, service user and communities by:</p> | |
| <p>Reviewing how guidance in relation to the Community Empowerment Act affects our work</p> | <p>Continuing</p> <p>We continue to monitor this matter.</p> <p>As part of our rolling five-year work programme that we agreed in March 2017, we will undertake a performance audit on community empowerment during 2018/19.</p> |

| Action | Progress at end March 2017 |
|---|---|
| Working with stakeholders to ensure these interests are reflected effectively in supporting material in relation to Best Value | <p>Continuing</p> <p>We expect the Scottish Government and councils to be addressing the relationship between community empowerment and Best Value in their ongoing review and update of the characteristics of Best Value (discussed above), concluding later in 2017. We will consider this as we further develop our approach to auditing Best Value.</p> |
| Ensuring that all of our audit work reflects this perspective and helps councils improve in how they involve citizens, service users and communities. | <p>Continuing</p> <p>Auditors are required to consider this matter in audit planning and risk assessments. We expect to see reporting in annual audit reports in October 2017.</p> <p>It will also be addressed in more depth in Best Value Assurance Reports, work on which in six councils will be reported from May 2017.</p> <p>Ongoing performance audit reports on <i>Early learning and childcare</i> and <i>Self-directed support</i> have fulfilled this objective. These audits will report in the summer of 2017.</p> |
| Exploring with our scrutiny partners opportunities for joint working to this end. | <p>Complete and continuing</p> <p>Auditors are required to consider this matter as part of shared risk assessments done with scrutiny partners, which form the basis of a local scrutiny plan for each council.</p> <p>The 32 local scrutiny plans are to be published in the summer of 2017.</p> |
| Scrutinise the changing public service landscape by: | |
| Monitoring the implications for councils of any further devolution of powers, such as welfare provisions | <p>Continuing</p> <p>We continue to monitor these matters. We responded to the Scottish Government consultation on social security in Scotland in October 2016.</p> |
| Ensuring audit activity reflects and holds councils to account in how they use alternative service delivery vehicles in following the public pound | <p>Complete and continuing</p> <p>Auditing councils' compliance with the Accounts Commission/ COSLA Code of Guidance on Funding External Bodies and Following the Public Pound (FPP) is embedded into the new approach for auditing Best Value. Auditors are expected to consider councils' arrangements to comply with the FPP Code as part of the risk based and proportionate approach to auditing Best Value. This was reported in annual audit reports in October 2016.</p> <p>As part of our rolling five-year work programme that we agreed in March 2017, we will undertake during 2017/18 performance audits on Arm's length external organisations and City Deals.</p> |
| Further developing our approach to the audit of joint health and social care integration boards in relation to Best Value, governance and finance | <p>Complete and continuing</p> <p>Auditors have been appointed for the audit of the 30 joint integration boards.</p> <p>We continue to closely monitor these matters.</p> <p>As part of our rolling five-year work programme that we agreed in March 2017, we will undertake during 2017/18 the next in our series of performance audits, jointly with the Auditor General, on health and social care integration.</p> |

| Action | Progress at end March 2017 |
|--|--|
| Undertaking performance audits on: | |
| <ul style="list-style-type: none"> Roads maintenance | <p>Complete</p> <p><i>Maintaining Scotland's roads: a follow-up</i> was approved by the Commission on 12 May 2016 and published on 4 August.</p> <p>There were formal responses from COSLA and the Scottish Government.</p> <p>There were also formal responses from Conservative, Scottish Labour and Green parties.</p> <p>The Commission Chair attended the Roads Collaboration Programme Board on 17 November 2016, to discuss the findings and recommendations of our report.</p> |
| <ul style="list-style-type: none"> Social work | <p>Complete</p> <p><i>Social Work in Scotland</i> was approved by the Commission on 11 August 2016 and published on 22 September.</p> <p>There were formal responses from COSLA and the Scottish Government.</p> <p>There was also a formal response from Scottish Labour.</p> <p>The findings were also presented at the Scottish Government's Social Work Services Strategic Forum meeting on 27 September. The Forum recognised the report's key message that current approaches to delivering social work services will not be sustainable in the long term and said that this would be a key focus for their future discussions.</p> |
| <ul style="list-style-type: none"> Early learning and childcare | <p>Continuing</p> <p>This audit will report in the summer of 2017.</p> |
| <ul style="list-style-type: none"> Equal pay | <p>Continuing</p> <p>This audit will report in the summer of 2017.</p> |
| <ul style="list-style-type: none"> Self-directed support | <p>Continuing</p> <p>This audit will report in the summer of 2017.</p> |
| Reporting on the impact of our previous performance audit on borrowing and treasury management in councils | <p>Complete</p> <p><i>Borrowing and treasury management in councils: impact report</i> was published in November 2016.</p> <p>The Commission has discussed the report with the Directors of Finance Section of CIPFA (Chartered Institute of Public Finance Accountants).</p> <p>The Commission has included in its rolling work programme the following:</p> <ul style="list-style-type: none"> An output around indebtedness and borrowing, to be produced in 2017/18. A performance audit on value for money of the Non-Profit Distributing (NPD) model, to be undertaken in 2018/19. |

| Action | Progress at end March 2017 |
|--------|----------------------------|
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Continuing to work with our strategic scrutiny partners in coordinating and refining our approaches to scrutiny, audit and inspection.

Complete and continuing

The *National Scrutiny Plan for Local Government 2017/18* and 32 local scrutiny plans are to be published in the summer of 2017.

The Strategic Scrutiny Group, consisting of a range of scrutiny and inspection partners responsible for the scrutiny of local government and convened by the Accounts Commission, reviewed during 2016/17 its response to Scotland's public services reform agenda. It concluded that it needs to ensure that future external scrutiny itself demonstrates a culture of efficiency and effectiveness, involving:

- Greater operational collaboration between scrutiny bodies.
- Increased reliance on each other's evidence and intelligence wherever appropriate, where this avoids duplication of effort.
- Alignment of scrutiny frameworks.
- Explicit linkages to public sector improvement framework and demonstration of the use and understanding of appropriate improvement methodologies when deciding if improvement is happening.

An action plan is now in place to take this commitment forward.

| Promote good practice and innovation by: |
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Publishing a *How councils work* report on roles and responsibilities in councils

Complete

How Councils Work – Roles and responsibilities was approved by the Commission on 8 September 2016 and published on 8 November.

The report was timed to support councils in reviewing their arrangements in the run up to the May 2017 local Government elections. A letter was sent out to all council chief executives and council leaders to accompany the report and emphasise the importance of training for elected members given the changing environment of local government.

| Action | Progress at end March 2017 |
|--------|----------------------------|
|--------|----------------------------|

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|--|---|
| <p>Ensuring that every performance audit:</p> <ul style="list-style-type: none"> contains practical advice for elected members and officers makes background data available for use by councils and citizens | <p>Complete and continuing</p> <p>All of our published performance audits and overview reports have fulfilled this objective. Examples are:</p> <ul style="list-style-type: none"> Our report <i>Local government in Scotland: Financial overview 2015/16</i> has two supplements: a self-assessment checklist for councillors and detailed analysis of the Local Government Pension Scheme. Our website contains an interactive graphic comparing financial data of individual councils. There is also a spreadsheet setting out information from our database of unaudited accounts. Our report <i>Local Government in Scotland: performance and challenges 2017</i> has two supplements: a self-assessment checklist for councillors and a compendium of good practice. Our <i>Roads maintenance in Scotland</i> report is accompanied by interactive graphics on our website with background data Our <i>Social Work in Scotland</i> report has four supplements: <ul style="list-style-type: none"> Presenting the findings of our survey of service users and carers. Listing advisory group members, who gave advice and feedback at important stages of the audit. It also describes the detailed audit methodology, the roles and responsibilities of the key social work organisations and social work legislation. Describing the governance and scrutiny arrangements in each of our fieldwork councils, providing an illustration of the variety and complexity of arrangements across Scotland. A self-assessment checklist for elected members. A supplement to our 2014 <i>School education</i> report was published in October 2016, setting out practical advice on effective scrutiny of education performance. |
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| <p>Ensuring we better identify, promote and share good practice from across our audit work.</p> | <p>Complete and continuing</p> <p>All of our published performance audits and overview reports have fulfilled this objective. Examples are:</p> <ul style="list-style-type: none"> Our report <i>Local Government in Scotland: performance and challenges 2017</i> has two supplements: a self-assessment checklist for councillors and a compendium of good practice. We discussed our <i>Roads maintenance in Scotland</i> report with the Roads Collaborative Programme Board, led by local authorities. <p>Our website includes a hub of resources around transforming health and social care, including: exhibits that visualise complex data and processes in an accessible and informative way; a compendium of published reports and scopes for forthcoming work; background data; blogs; reports on work around sharing intelligence among scrutiny bodies; case studies of new models of health and social care; and annual audits of health and social care organisations.</p> |
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Commission publications 2016/17

| Publication | Date to Commission meeting | Publication date | Notes |
|--|----------------------------|------------------|--|
| Overview reports | | | |
| Local government in Scotland: financial overview 2015/16 | 10 Nov 2016 | 29 Nov 2016 | <p>Report downloads: 2688</p> <p>Podcast downloads: 181</p> <p>Lead articles in the <i>Herald</i> and <i>Scotsman</i>; covered in the <i>Courier</i>, <i>Daily Mail</i>, <i>Daily Record</i>, <i>Daily Telegraph</i>, <i>Evening News</i>, <i>Evening Times</i>, <i>i</i>, <i>Metro</i>, <i>National</i>, <i>Press and Journal</i>, the <i>Sun</i>, and <i>Times</i>. Also online coverage, including analyses in the <i>Guardian online</i> and <i>BBC online</i>, <i>Public Finance</i>, and <i>Holyrood</i>.</p> <p>Broadcast coverage by BBC Radio Scotland, BBC1 Scotland, Forth One, Forth 2, Heart Scotland West, and Kingdom FM.</p> |
| Local government: performance and challenges 2017 | 9 Feb 2017 | 17 Mar 2017 | <p>Report downloads: 1292</p> <p>Podcast downloads: 45</p> <p>Lead article in the <i>Herald</i>; covered in the <i>Courier</i>, <i>Daily Express</i>, <i>Daily Mail</i>, <i>Daily Record</i>, <i>Daily Telegraph</i>, <i>i</i>, <i>Metro</i>, <i>National</i>, <i>Press and Journal</i>, and <i>Scotsman</i>.</p> <p>Broadcast coverage by BBC Radio Scotland, BBC1 Scotland, Kingdom FM, and Wave 102.</p> |
| Best Value audits | | | |
| South Ayrshire Council | 9 Jun 2016 | 29 Jun 2016 | <p>Report downloads: 901</p> <p>Covered in the <i>National</i> and also substantial local press coverage.</p> |
| Angus Council | 8 Sep 2016 | 4 Oct 2016 | <p>Report downloads: 611</p> <p>Covered in the <i>Courier</i>, <i>National</i>, and <i>Scotsman</i>.</p> |
| Falkirk Council | 10 Nov 2016 | 1 Dec 2016 | <p>Report downloads: 735</p> <p>Podcast downloads: 170</p> <p>Lead article in the <i>Herald</i>; covered in the <i>National</i> and <i>Scotsman</i>.</p> |
| East Dunbartonshire Council | 8 Dec 2016 | 15 Dec 2016 | <p>Report downloads: 566</p> <p>Podcast downloads: 86</p> <p>Lead article in the <i>Herald</i>; covered in the <i>Record</i>, <i>Evening Times</i>, and <i>Scotsman</i>.</p> <p>Broadcast coverage by STV West, Forth One, Forth Two, and Central 103.1.</p> |

| Publication | Date to Commission meeting | Publication date | Notes |
|--|----------------------------|------------------|---|
| Performance audits | | | |
| Maintaining Scotland's roads: a follow-up report | 12 May 2016 | 4 Aug 2016 | Report downloads: 2397 Podcast downloads: 208 Leader articles in the <i>Herald</i> , <i>Paisley Daily Express</i> and <i>Scotsman</i> ; covered in the <i>Courier</i> , <i>Daily Express</i> , <i>Daily Mail</i> , <i>Daily Record</i> , <i>Daily Star</i> , <i>Daily Telegraph</i> , <i>Evening Times</i> , <i>Herald</i> (including a letter), <i>National</i> , and <i>Times</i> . Also online coverage. Broadcast coverage by BBC Radio Scotland, BBC1 Scotland, Clyde 1, Forth One, Forth Two, Kingdom FM, Moray Firth Radio, Northsound, Tay FM, and Wave 102. |
| Social work in Scotland | 11 Aug 2016 | 22 Sept 2016 | Report downloads: 5812 Podcast downloads: 271 Leader article in the <i>Sun</i> ; covered in the <i>Courier</i> , <i>Daily Express</i> , <i>Daily Mail</i> , <i>Daily Record</i> , <i>Daily Star</i> , <i>Daily Telegraph</i> , <i>Evening Times</i> , <i>Herald</i> , <i>National</i> , and <i>Times</i> . Columns in <i>Sunday Mail</i> and <i>Scotsman</i> (and letters). Also online coverage. Also significant specialist coverage and stakeholder interest expressed on social media. Broadcast coverage by BBC Radio Scotland and STV. |
| How councils work | | | |
| Roles and working relationships in councils: are you getting it right? | 8 Sep 2016 | 8 Nov 2016 | Report downloads: 2363 |
| Impact reports | | | |
| School education | 8 Oct 2015 | 18 Oct 2016 | Report downloads: 95 |
| Borrowing and treasury management | 8 Dec 2016 | 1 Nov 2016 | Report downloads: 113 |
| Other audit products | | | |
| School education: scrutiny supplement | 8 Oct 2015 | 18 Oct 2016 | Report downloads: 75 |
| Other publications | | | |
| Annual report 2015/16 | 12 May 2016 | 26 May 2016 | Downloads: 901 |
| Engagement plan 2015/16: Progress report | 12 May 2016 | 26 May 2016 | Downloads: 134 |

| Publication | Date to Commission meeting | Publication date | Notes |
|---|----------------------------|------------------|-----------------|
| Action plan 2015/16: Progress report | 12 May 2016 | 26 May 2016 | Downloads: 158 |
| Strategy and annual action plan 2016-21 | 12 May 2016 | 26 May 2016 | Downloads: 523 |
| Engagement strategy and engagement plan 2016/17 | 12 May 2016 | 26 May 2016 | Downloads: 462 |
| Code of audit practice 2016 | 10 Mar 2016 | 26 May 2016 | Downloads: 1365 |

MEETING: 11 MAY 2017

REPORT BY: SECRETARY TO COMMISSION

DRAFT COMMISSION STRATEGY UPDATE

Purpose

1. This report proposes a Commission Strategy 2017-22.

Background

2. The Commission has in place a five-year rolling Strategy, updated annually. Part of the Strategy is an annual action plan, setting out detailed commitments, against which the Commission reports annual progress. This year's Strategy and action plan, covering the year to 31 March 2017, was published on 26 May 2016.
3. The Commission's annual report and accompanying annual action plan progress report, reviewing progress against last year's Strategy and action plan. are elsewhere on today's agenda.

Strategy Seminar

4. The Commission uses its Strategy Seminar to consider how it may wish to update or revise its Strategy and action plan.
5. In a private session prior to the last Commission meeting on 13 April, members gave initial consideration to outputs from this year's Strategy Seminar, which took place in March. Commission members agreed a number of conclusions to be reflected a revised strategy, grouped around:
 - Our messages
 - What these might mean for our work
 - What these might mean for how we work ('our approach')
6. These are:
 - *Our messages*
 - We want to refine our message around 'increasing the pace of improvement' to better reflect:
 - an appropriate acknowledgement of the funding and service pressures faced by councils
 - not all councils are in the same place in their improvement journey
 - but some councils need to be doing more
 - councils need room to make policy choices about which services they prioritise for improvement
 - but councils need to be clear, through long-term planning and reporting of performance, what these priorities are.

- We want to be clearer about how our work contributes to improvement, and how this fits with:
 - councils' own responsibilities to demonstrate continuous improvement
 - the role of other players, including the Improvement Service and scrutiny partners.
- *Our work*
 - We want to get a better understanding of, and be able to report more fully upon:
 - councils' financial strategies
 - approaches to transformation (including innovation and risk).
 - We want to provide assurance on following the public pound, including:
 - City Deals
 - health and social care
 - the leadership role of councils in partnership working and outcomes
- *Our approach:*
 - We want to be more pro-active in articulating our role and our value in providing assurance, helping improvement and influencing public policy debate.
 - We want to improve the profile of our work, particularly with elected members, especially following 2017 elections.
 - We want to continue to explore innovative mediums in promoting:
 - our role
 - our work
 - We want to get a better perspective on the impact of our work, including:
 - being clearer on the desired impact of our reports
 - having a longer-term perspective of the impact of previous reports.
 - We want to make best use of available data, including benchmarking and customer and citizen perspectives about service performance.

7. Commission members also noted the views of Audit Scotland colleagues that there is scope for a simpler structure to the Strategy document, for example in articulating more clearly the Commission's priorities and how these relate to our proposed work.

Revised Strategy

8. A proposed revised strategy is set out in the Appendix.
9. The conclusions of the Strategy Seminar set out above do not prompt a need for radical change to the Commission's Strategy. Rather, the proposed revised Strategy incorporates the following features:

- A restatement of our understanding of the context in which we operate
 - A refinement of our 'over-riding aim' of holding councils to account for their pace, depth and continuity of improvement.
 - A clearer statement of our strategic audit priorities
 - A section showing how our work is shaped (i.e. our products)
 - An annual action plan based upon this shape of work.
10. The Commission is therefore asked to consider this revised Strategy and accompanying annual action plan as the basis for our work in the coming year and beyond.

Next steps

11. When approved, the Strategy will be designed to ensure a consistency with our other strategic documentation.
12. It is proposed that the revised Strategy be published on 25 May 2016, alongside a revised Engagement strategy 2017/22 (elsewhere on today's agenda) which complements the Strategy. A range of other documents reporting the Commission's progress over the past year are also to be published on 25 May, namely the annual report 2016/17 and accompanying annual action plan progress report, and the progress report for last year's Engagement plan.
13. It is proposed that publication will be accompanied by a letter from the Chair to all councillors in Scotland. This allows us to take advantage of the opportunity of reaching all newly elected councillors. The Chair will also write to council chief executives and other significant stakeholders, including ministers and MSPs.
14. Audit Scotland will consider the revised Strategy in planning its work. Further reports will be made to the Commission in coming months on how the Commission Strategy will shape important drivers such as the audit planning guidance and our joint work programme.
15. The revised Strategy will also form a basis of the Commission's Mid-Year Strategy Seminar in the Autumn.

Conclusion

16. The Commission is invited to.
- a) Consider for publication the draft revised Commission Strategy 2017-22.
 - b) Agree publication arrangements and next steps for the Strategy.

Paul Reilly
Secretary to the Commission
5 May 2017

Accounts Commission

Strategy and annual action plan

2017-22

Who we are

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, 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 our role, powers and meetings on the Accounts Commission web pages.

Context

It is our role to provide independent assurance to the public on the performance of each Scottish council. To do this, we ensure continuously that our work is responsive to the environment in which councils operate, which sees:

- reduced resources – public spending is likely to decline in real terms for the foreseeable future
- demographic change – Scotland's population is ageing which puts more pressure on services and resources
- increasing flexibility in how our local public services are delivered
- ever-increasing public expectations about the content, quality and delivery of public services, and how the public is involved in designing those services
- increasing empowerment of citizens and communities in their relationship with councils
- enhanced devolution and increased financial powers to the Scottish Parliament.

We acknowledge these factors place significant pressures on councils in their responsibilities to deliver high-quality services for service users and better outcomes and reduced inequalities for communities. We expect them to show how – through rigorous self-evaluation – they are making best use of their resources and continuously improving their performance in order to meet their statutory duty of Best Value.

Our strategic audit priorities

Our over-riding aim is holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. It is for councils to make choices in where they focus their improvement work but they need to be able to show how they have arrived at such choices.

We will evaluate in our audit work how councils are demonstrating such improvement. In particular, we will use our approach to auditing Best Value to assess how councils are progressing in the following priority areas:

- Having clear priorities and better long-term planning.
- Recognising that incremental savings are not enough, and thus evaluating options for more significant changes in how they deliver services.
- Ensuring their people – members and officers – have the right knowledge, skills and support to design, develop and deliver effective services in the future.
- Involving citizens more in making decisions about local services and empowering local communities to identify and help deliver services they need.
- Reporting their performance in a way that enhances accountability to citizens and communities

Our work

We will shape our work in a five-year programme of work, reflecting the following:

- Ensuring that our **overview reporting** provides an assessment of the performance of local government that informs discussion and debate about the issues that it faces.
- Take forward our new approach to the **financial audit and auditing Best Value** to clearly set out the Best Value expectations of councils and report on councils' delivery of key public services and their use of public money.
- Ensuring that our **national performance audit work** appropriately covers the key areas of public policy and is facilitating improvement in those areas.
- Ensuring that our work **follows the public pound** by reporting upon the range of approaches that are used by councils in delivering services and improving communities, including:
 - City and growth deals
 - Health and social care integration
 - The leadership role of councils in partnership working
- In conjunction with our scrutiny partners, continuing to **co-ordinate the audit, inspection and regulation of local government** in Scotland.
- **Better reflecting the interests of the citizen, service user and communities in our work**, including Best Value auditing, in performance audits and in our joint work with our scrutiny partners.
- **Promoting good practice and innovation** by making more effective use of data and analysis in our reports, working with other stakeholders as appropriate, such as the Improvement Service and the Local Government Benchmarking Framework.

In taking this work forward, we will engage effectively and regularly on issues of mutual interest with our stakeholders including the Scottish Government, councils, professional associations, trade unions and organisations representing the user, service and local government interests. Our Engagement plan 2017/18 [\[hyperlink\]](#) sets out how we will do this.

We will also ensure that we continuously improve our own work by reviewing our working practices and the quality of our reports. We will test and report on our performance and impact and consult regularly on this with our stakeholders.

Annual action plan

This action plan sets out how our work over the next 12 months will take forward our strategy. We will report progress at the end of that period. We will:

- Publish our **overview reports** and look at ways of enhancing their effectiveness and profile
- **Taking the audit forward** by:
 - Report on a schedule of Best Value Assurance Reports, with a view to every council being reported upon at least once every five years
 - On top of this, feature assessments in relation to Best Value in all annual audit reports
 - Continue to contribute to a review and update of the characteristics of Best Value being led by the Scottish Government and councils, including ensuring that it reflects our expectations
- Undertake **national performance audits** on:
 - Early learning and childcare
 - Equal pay
 - Self-directed support
 - Arm's length external organisations
 - Children's mental health
 - City and growth deals
 - Health and social care integration
- Report the **impact of our previous performance audits** on:
 - Roads maintenance
 - Social work
- **Follow the public pound** by:
 - Undertaking the performance audits on arm's length external organisations; City and growth deals; and health and social care integration
 - Considering the issues arising from the annual audits of integration joint boards.
- Continue to work with our strategic scrutiny partners in **coordinating and refining our approaches to scrutiny, audit and inspection** and publish a National Scrutiny Plan and local scrutiny plans for all councils.

- Reflect the interests of the **citizen, service user and communities** in:
 - the scoping all of our performance audit work
 - our Best Value Assurance Reports
 - our joint work with our scrutiny partners opportunities.
- Promote **good practice and innovation** by:
 - ensuring that every performance audit:
 - contains practical advice for elected members and officers
 - makes background data available for use by councils and citizens
 - ensuring we better identify, promote and share good practice from across our audit work.

Background

The Accounts Commission was established in 1975 'to secure the audit of all councils in Scotland and to undertake and promote comparative studies to improve the economy, efficiency and effectiveness in how councils provide services'.

We act independently of the Scottish Government and of local government. We consist of 12 members and use our powers to hold local government to account and assure the public about the performance of their council. We also ensure that councils provide the right information for the citizens to enable them to assess their council's performance both over time and in comparison with similar councils.

Since our establishment, our remit has been extended by the Scottish Government:

- In 2003, we were given the responsibility to audit councils' duty of Best Value and community planning.
- In 2008, we were asked to take on a coordinating role to support the delivery – in conjunction with our scrutiny partners – of better aligned and more proportionate and risk-based scrutiny of local government.
- In 2012, we were asked to develop an audit framework designed to strengthen the accountability of Community Planning Partnerships and support their improved performance.
- In 2013, we were given the responsibility to audit the new health and social care integration joint boards (including the duty of Best Value).

The Controller of Audit reports to the Commission on the audit of local government. The post is independent and is established by statute.

The Commission delivers public audit in Scotland along with the Auditor General who audits the remainder of the public sector in Scotland. Audit Scotland was created in 2000 to provide services to the Commission and to the Auditor General.

We have jointly published with the Auditor General and Audit Scotland *Public audit in Scotland*, which sets out the principles and themes of public audit and how it fits with and responds to the public policy environment in Scotland in which we operate.

MEETING: 11 MAY 2017

REPORT BY: SECRETARY TO COMMISSION

COMMISSION ENGAGEMENT STRATEGY: PROGRESS REPORT AND UPDATE

Purpose

1. This paper presents a progress report against the Commission's Engagement Strategy, and a proposes a revised Engagement Strategy for 2017/18.

Background

2. The Commission published its first Engagement Plan on 10 September 2015. Last year, the Commission revised this as an Engagement Strategy with accompanying annual plan, thus following the same model as the Commission's five-year rolling strategy and annual action plan. The Engagement Strategy was published on 26 May 2016.

Engagement Plan 2016/17 - progress

3. An update of progress against the Engagement Plan 2016/17 is in **Appendix 1**.
4. Highlights of the year include:
 - A successful series of stakeholder engagement events with stakeholders in late 2016, at which we discussed our Strategy and our new approach to auditing Best Value. Feedback from councils suggests that this initiative was well received.
 - An excellent response to our consultation exercise around our work programme, with 23 councils, two trade unions, COSLA and SOLACE all responding.
 - Encouraging levels of media interest and downloads across our published work.

Strategy Seminar

5. At this year's Strategy Seminar, the Commission reached a view that it wishes to continue to develop its varied engagement with stakeholders, but recognised that its message and approach to each group of stakeholders should be better refined, depending on the relationship that the Commission has with that group..
6. For example, with councils, the Commission will wish to engage in dialogue with councils to allow councils to, on the one hand, hear our expectations around our Strategy, and on the other hand, to feed back to us their views on our work.
7. With the public, we want to continue to explore how we can make use of innovative forms of media to ensure that our messages – and our role as the public's 'independent watchdog' for councils – are accessible, clearly articulated, and thus maximised in their impact.

Proposed revised Strategy and Plan

8. A revised Strategy and Plan is proposed in **Appendix 2**.
9. The Commission is asked to consider firstly if it is content to continue using the model of a rolling Strategy accompanied by a more detailed annual plan.

10. The proposed Engagement Strategy is intended to reflect the Commission's deliberations around its Strategy and at the Strategy Seminar. As such, therefore, there is no need for significant change from the previous Strategy. Indeed, the only significant proposed change is a refinement of 'our messages' (page 8).
11. The Annual Engagement Plan, however, incorporates more changes from its predecessor to reflect our proposed engagement activities over the next year. It provides more detail of what our commitments in the Engagement Strategy mean in practice. Specific proposals worth highlighting are:
 - A proposal to hold a series of engagement events similar to those highlighted in paragraph 4 above, to be formed around our overview report and perhaps incorporating our review of our first year of Best Value Assurance Reports (the Commission will consider this review at its February 2018 meeting). Such engagement events would therefore be proposed for Spring 2018.
 - Further development of innovative promotion of our publications through social media.
12. It should be noted that the attached proposal is based, for ease of reference, on the current design of the Strategy. Further work will be done on the design of the Strategy and Plan to ensure some distinctiveness from the current design.

Next steps

13. It is proposed that the updated Engagement Strategy and Plan be published on 25 May 2017, alongside a revised Commission Strategy 2017-22 (elsewhere on today's agenda) which complements the Engagement Strategy. The progress report for last year's Engagement Plan will also be published on that day.
14. It is proposed that publication will be accompanied by a letter from the Chair to significant stakeholders, including councils, ministers and MSPs.

Conclusion

15. The Commission is invited to:
 - a) Agree its approach to its engagement strategy (paragraph 9)
 - b) Consider for publication the draft Commission Engagement Strategy and Plan 2017-22.
 - c) Agree publication arrangements for the Engagement Strategy and Plan.

Paul Reilly
Secretary to the Commission
5 May 2017

Engagement Plan 2016/17

Progress report



ACCOUNTS COMMISSION 

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|---|--|---|---------------------|--|
| Our strategy and planning | | | | |
| We will meet regularly with principal stakeholders to discuss our strategy and issues of mutual interest. | COSLA, SLGP, SOLACE, Scottish Government | Collaborate We will meet regularly with COSLA, SLGP, SOLACE and the Scottish Government. | Throughout the year | <p>The Chair met the Local Government Minister on 30 June 2016.</p> <p>The Minister attended a meeting of the Commission on 10 November 2016.</p> <p>There were regular meetings between the Chair and the Chief Executive of COSLA.</p> <p>The SOLACE Chair attended the Commission's Strategy Seminar in March 2017.</p> <p>Representatives of the Board of the Local Government Benchmarking Framework attended a meeting of the Commission on 9 February 2017.</p> |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|---|-------------------------|--|---------------------|---|
| We will publish our annual report and promote it among stakeholders. | All stakeholders | Inform We will write to or email council leaders, chief executives and other stakeholders as appropriate. We will provide a web-based video presentation of our annual report. We will provide an interactive version of our report on our website. | May 2016 | We published our annual report 2015/16 on 26 May 2016. We sent it to all council members and chief executives. A web-based version is available on the Commission website . We are still progressing video-based presentations of our strategic documents. |
| We will publish our annually revised strategy and annual action plan and promote it among stakeholders. | All stakeholders | Inform We will write to council leaders, chief executives and other stakeholders as appropriate. We will consider a web-based video presentation of our strategy. | May 2016 | We published our strategy and action plan 2016/17 on 26 May 2016. It was sent to all council members and chief executives. We are still progressing video-based presentations of our strategic documents. |
| We will publish our engagement strategy and promote it among stakeholders. | All stakeholders | Inform We will write to or email council leaders, chief executives and other stakeholders as appropriate. | May 2016 | We published our engagement strategy 2016/17 on 26 May 2016 It was sent to all council members and chief executives.. A web-based version is available on the Commission website . We are still progressing video-based presentations of our strategic documents. |
| We will advise stakeholders on our proposals for auditing Best Value. | Local Government | Inform and consult We will meet with councils, COSLA, SLGP and SOLACE to discuss our proposals. | Summer 2016 | Audit Scotland had various meetings with SOLACE in formulating our proposals. We held meetings in November and December 2016 with council leaders and chief executives to launch the new approach. Three meetings were held in Glasgow, Edinburgh and Inverness, at which all councils were represented. |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|---|--------------------------------|--|---------------------|--|
| | Scottish Government | Inform and consult We will meet with the Scottish Government to discuss the impact of our proposals on existing Best Value statutory guidance. | Summer 2016 | We met with the Scottish Government at various points in late 2016. The Scottish Government subsequently convened a working group with local government to refresh the Best Value statutory guidance. This work is ongoing. |
| Our audit work | | | | |
| We will consult stakeholders on our draft work programme. | Local government | Inform and consult We will write to council leaders, chief executives and chairs of audit and scrutiny committees seeking their views on the draft programme. | January 2017 | We consulted with all local government stakeholders in January 2017. The Commission considered all comments in agreeing its work programme at its March 2017 meeting. We subsequently wrote to all stakeholders replying individually to the comments they made. |
| | | We will meet with COSLA, SLGP and SOLACE to seek their views on our proposals. | Late 2016 | We included all three bodies in our January 2017 consultation. |
| | Local government trades unions | Inform and consult We will write to local government trades unions seeking their views on the draft programme. | | We included all local government trade unions in our January 2017 consultation. |
| | All stakeholders | Inform We will share our performance audit programme by publishing it on our website. | From Spring 2017 | We launched our refreshed work programme on our website on 25 April 2017, accompanied by emails to all council leaders, chief executives, scrutiny partners, and Scottish Government and Parliament stakeholders. |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|---|----------------------------------|--|---------------------|---|
| We will explore with stakeholders how to develop our audit work to ensure that we are effectively reflecting the policy environment | All stakeholders | <p>Collaborate</p> <p>We will use innovative ways of discussing issues with stakeholders, such as policy 'round table' events.</p> <p>We will meet council officers and professional bodies to learn more about the issues facing them in fulfilling their responsibilities.</p> | Ongoing | <p>We are making increased use of the 'round table' approach, including events in relation to housing (April 2017) and community engagement (November 2017).</p> <p>We also participate in an Equality and Human Rights Advisory Group established by Audit Scotland, involving a range of equalities groups and various communities.</p> <p>Each of our performance audits has an advisory group consisting of appropriate stakeholders.</p> |
| We will review with those carrying out audit work how they are developing and improving the work | Audit Scotland and private firms | <p>Collaborate</p> <p>We will, through our Financial Audit and Assurance Committee, discuss with Audit Scotland and private firms issues arising from their audit work.</p> | Ongoing | Our Financial Audit and Assurance Committee has met with auditors from Audit Scotland and the private audit firms throughout the year. |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|--|---|--|---------------------|--|
| We will publish our overview reports, performance audit reports and action plans and promote their key messages and themes (publication dates to be confirmed): | Citizens | <p>Inform</p> <p>We will publish our reports and podcasts on our website.</p> <p>We will encourage the press and media to raise awareness of our reports through press releases and other social media.</p> | Ongoing | <p><i>Local government in Scotland: Financial Overview 2015/16</i> was published on 29 November.</p> <p><i>Local government: performance and challenges 2017</i> was approved at our meeting on 9 February 2017 and published on 17 March.</p> <p>Both received extensive press coverage and response from local government, government and political parties. Both are available on our website.</p> |
| <ul style="list-style-type: none"> Local government overview report (Autumn 2016 and early 2017) Roads maintenance (August 2016) Social work services (September 2016) Equal pay (late 2016) Early learning and childcare (early 2017) Self-directed support (early 2017). | Local government (including the new joint health and social care boards for appropriate audits) | <p>Inform and consult</p> <p>We will write to council leaders and chief executives (and chairs of audit and scrutiny committees as appropriate) promoting key messages and themes.</p> <p>We will hold learning events and promote learning materials as appropriate.</p> <p>We will offer for audit teams to visit councils to promote our reports at meetings as appropriate, particularly, for example, where a report includes checklists for members or officers.</p> | Ongoing | <p><i>Maintaining Scotland's roads: a follow-up</i> was approved by the Commission on 12 May 2016 and published on 4 August.</p> <p>The Commission Chair attended the Roads Collaboration Programme Board on 17 November 2016, to discuss the findings and recommendations of our report.</p> <p><i>Social Work in Scotland</i> was approved by the Commission on 11 August 2016 and published on 22 September.</p> <p>The findings were also presented at the Scottish Government's Social Work Services Strategic Forum meeting on 27 September.</p> <p>All overview reports and performance audits were shared directly with councils.</p> <p>The other performance audits are ongoing.</p> |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|---------------------------|------------------------------------|---|---------------------|--|
| | Scrutiny partners | <p>Inform, consult and collaborate</p> <p>We will write to or email our partners to promote key messages and themes and to discuss implications of our reports on strategic scrutiny.</p> <p>We will discuss with scrutiny partners developing learning materials as appropriate.</p> | | Published overview reports and performance audits were shared with scrutiny partners and discussed by the Strategic Scrutiny Group as part of its input into our joint work programme. |
| | Professional bodies as appropriate | <p>Inform and consult</p> <p>We will share our reports with appropriate professional bodies and discuss their implications.</p> | | Published overview reports and performance audits were shared with appropriate professional bodies. Such bodies are represented on an advisory group for each performance audit. |
| | Press and media | <p>Inform</p> <p>We will produce press releases and respond to press enquiries on our reports.</p> | | All of our published reports received extensive press coverage. Further details are available in our annual action plan progress report [hyperlink] . |
| | Scottish Government | <p>Inform</p> <p>We will write as appropriate to ministers with any recommendations in our reports.</p> | | Our published overview reports and performance audits were shared with Scottish Government. |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|--|---|---|---------------------|---|
| | Scottish Parliament | <p>Inform</p> <p>We will share our reports with Parliamentary committees and brief them, particularly the Local Government and Regeneration Committee and the Public Audit Committee.</p> <p>We will issue our reports to all MSPs.</p> | | <p>We briefed the Local Government and Communities Committee on 14 December 2016 and the Public Audit and Post-Legislative Scrutiny Committee on 12 January 2017 on our report <i>Local government in Scotland: Financial Overview 2015/16</i>.</p> <p>The Auditor General and Audit Scotland's Director of Performance Audit and Best Value respectively briefed the Public Audit and Post-Legislative Scrutiny Committee on our joint reports <i>Changing models of health and social care</i> (27 October 2016) and <i>Maintaining Scotland's roads</i> (24 November).</p> <p>Our published overview reports and performance audits were shared with all MSPs.</p> |
| <p>We will publish reports from our auditing of Best Value:</p> <p>South Ayrshire Council (follow-up report) (June 2016)</p> <p>Angus Council (September 2016)</p> <p>Falkirk Council (follow-up report) (December 2016)</p> | Citizens | <p>Inform</p> <p>We will discuss our reports in public, publish our reports and podcasts on our website and encourage the press and media to raise awareness of our reports.</p> | Ongoing | <p>Our Best Value reports were published as follows:</p> <ul style="list-style-type: none"> • South Ayrshire Council: 9 June 2016 • Angus Council: 8 September • Falkirk: 1 December • East Dunbartonshire: 8 December <p>All reports and accompanying podcasts are available on our website.</p> <p>All reports received good press coverage. Further details are available in our annual action plan progress report.</p> |
| <p>East Dunbartonshire Council (follow-up report) (December 2016)</p> | Local government including the new joint health and social care boards (for appropriate audits) | <p>Inform and consult</p> <p>We will write to the relevant council leader and chief executive setting out the Commission's findings in relation to the report.</p> <p>We will seek a meeting with the relevant council leaders to discuss the report.</p> | | <p>We sent our published Best Value reports to the relevant council leader and chief executive.</p> <p>For each of the reports, we met with the political leaders and senior officers of the council.</p> |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|---|------------------------------------|--|---------------------|---|
| | Scrutiny partners | Inform, consult and collaborate We will share our reports with scrutiny partners. | | We shared our published Best Value reports with each scrutiny partner. Each report was also considered by our local area network for each council area, consisting of scrutiny partners. |
| | Professional bodies as appropriate | Inform and consult We will share our reports with professional bodies. | | We shared our published Best Value reports with a range of professional bodies. |
| | Press and media | Inform We produce press releases and podcasts and take part in interviews. | | All reports received good press coverage. Further details are available in our annual action plan progress report . |
| We will publish a report in our <i>How councils work</i> series on roles and responsibilities in councils (June 2016). | Local government | Inform, consult and collaborate We will write to or email council leaders and chief executives promoting the key messages and themes. We will develop learning events and promote learning materials as appropriate. We will promote our reports at council and other meetings as appropriate. We will write to COSLA, SLGP and SOLACE promoting the key messages and themes. | From June 2016 | Our report <i>Roles and working relationships in councils: are you getting it right?</i> was published on 8 November 2016. The report was timed to support councils in reviewing their arrangements in the run up to the May 2017 local government elections. A letter was sent out to all council chief executives and council leaders to accompany the report and emphasise the importance of training for elected members given the changing environment of local government. |
| We will engage councils' audit chairs about improving scrutiny by elected members, supported by the <i>How councils work</i> report on roles and relationships. | Local government | Inform We will email and hold meeting(s) with audit committee chairs. | Late 2016 | Our report <i>Roles and working relationships in councils: are you getting it right?</i> was shared with all council chief executives, leaders and audit committee chairs. |

| What we will engage about | Who we will engage with | How we will engage | When we will engage | Progress at end March 2017 |
|---|-------------------------|--|---------------------|---|
| We will engage with stakeholders on our Shared Risk Assessment process. | Scrutiny partners | Inform, consult and collaborate We will review the process with our scrutiny partners through meetings of the Strategic Scrutiny Group. | Autumn 2016 | We reviewed with our scrutiny partners the shared risk assessment process in Autumn 2016 to reflect the new approach to auditing Best Value and to reflect changes in the policy environment, particularly around education and health and social care integration. A national scrutiny plan and 32 local scrutiny plans will be published in June 2017. |
| Other activities | | | | |
| We will increase the accessibility of our meetings. | All stakeholders | Inform We will investigate webcasting meetings from our new premises. We will use social media to make our meetings more accessible | By end of 2016 | We continue to progress this commitment, for example, using Twitter to publicise our meetings and business. |

Engagement strategy

and engagement plan 2017/18




Who we are

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, 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 our role, powers and meetings on the Accounts Commission [web pages](#) .

Contents

| | |
|----------------------------|----|
| Introduction | 4 |
| Our stakeholders | 5 |
| Our messages | 8 |
| Our engagement activities | 9 |
| Our annual engagement plan | 11 |
| When we will engage | 16 |

Introduction



The Accounts Commission and its partners

1. The Accounts Commission is the public spending watchdog for local government. We are an independent public body appointed by ministers to hold local government to account. Audit Scotland provides services to the Commission by delivering our programme of audits and reports. Some of the engagement activity around specific aspects of our work, for example financial audit or the shared risk assessment, is carried out by Audit Scotland on our behalf.
2. Along with our principal partners, the Auditor General for Scotland and Audit Scotland, we deliver public audit in Scotland. The paper [Public audit in Scotland](#) describes our relationship with our partners and our role in public audit. In developing our plans we work closely with these principal partners.

The purpose and scope of this engagement strategy

3. The Commission's [Strategy 2017-22](#) sets out that 'in taking forward (our) priorities, we will engage effectively and regularly on issues of mutual interest with our stakeholders'.
4. This engagement strategy and annual engagement plan complements the Commission's Strategy. It identifies our stakeholders, the reasons why we engage with them and the methods or channels we will use to engage with them. We will report annually on how we have done this.

Our stakeholders

Who are our stakeholders?

5. We engage with a wide range of stakeholders ([page 7](#))

6. We have a close relationship with our principal partners, the Auditor General and Audit Scotland. As well as Audit Scotland, we commission some private sector firms to undertake audit work, so we maintain a relationship with them.

7. Citizens, and the public in general, are our principal stakeholder. In our role as an independent source of assurance for the public, it is important to us that our messages are clear and relevant to people and we are as accessible as possible. In recognition of this we hold our meetings and report in public.

8. We hold councils in Scotland to account and help them improve. In this role we engage regularly with elected members and officers, as well as representatives of local government as a whole, including the Convention of Scottish Local Authorities (COSLA), the Scottish Local Government Partnership (SLGP), and the Society of Local Government Chief Executives Scotland (SOLACE).

9. Although we are appointed by ministers we are independent of them. We can, however, make recommendations to ministers. Equally, ministers can give the Commission directions of a general nature. It is important therefore that we engage fully with ministers and the Scottish Government. We therefore have regular meetings and discussions with Scottish ministers.

10. In the Scottish Parliament, we assist Parliamentary committees through our reports, briefings and providing evidence as appropriate. We also share our work with all MSPs.

11. We engage directly with scrutiny partners, who are a range of regulatory or inspection bodies with a role to scrutinise local government. We formally engage with such partners in the Local Government Strategic Scrutiny Group. This group, which is convened by the Chair of the Commission, was established in 2008 to coordinate the scrutiny of local government. It consists of:

- Audit Scotland
- Care Inspectorate
- Education Scotland
- Healthcare Improvement Scotland
- HM Fire Services Inspectorate

- HM Inspectorate of Constabulary for Scotland
- HM Inspectorate of Prisons
- Inspectorate of Prosecution in Scotland (IPS)
- Scottish Housing Regulator.

COSLA and the Scottish Government also attend meetings of the Group.

12. To help us communicate our messages and work to the public, we liaise with the press and broadcasting media.

13. We also engage with a wide range of other organisations and bodies representing professionals such as public finance accountants and directors of education, social work and administration. We also maintain a relationship with other UK audit bodies to ensure that we keep an updated perspective of audit approaches elsewhere in the UK. On our behalf, Audit Scotland works with the Equalities and Human Rights Commission and equalities groups, as appropriate, to ensure that consideration of equalities issues is embedded in the audit process.

14. With councils and their community planning partners collaborating in increasingly frequent and complex ways to deliver local services, it is important that our work reaches these partners. Notably, the third sector is becoming an increasingly important stakeholder for councils and their community planning partners in helping to deliver local services, and so we want to ensure we engage with this sector, which has varied and complex interests. The community empowerment agenda will also ensure that local communities play a more central role in the planning and delivery of services, so it is important that our work is visible, relevant and helpful to them.

15. Our list of stakeholders is continuously under review to react to changes in the public sector environment. For example, we are currently building our relationship with the new integrated joint health and social care boards. Also, we are considering the implications for us and for councils of further devolution of financial powers from the UK to the Scottish Parliament.

We engage with a wide range of stakeholders



Our messages

16. In engaging with our wide range of stakeholders, we want to be clear about why we are engaging with them and the messages that we need to convey to them. Most importantly, we want to ensure that our stakeholders are clear on our purpose and activities, and what this means for them. But we recognise that the requirements of each stakeholder in making use of our work to fulfil their own responsibilities will be different. This, therefore, will require us to use different ways of engaging with different stakeholders. Beyond our overall message of underling our independence and impartiality, we have messages that are relevant to each stakeholder.

Our messages

Auditor General



We work with our principal partners, the Auditor General and Audit Scotland, to deliver public audit in Scotland. Public audit provides independent assurance that public money is spent properly and provides value for money. To do this, we engage with the Auditor General to ensure a mutual understanding of each other's priorities, to agree work that we can do jointly, and to ensure that our respective priorities are delivered by Audit Scotland. In doing so, Audit Scotland helps fulfil an important role in complementing our engagement with our stakeholders.



Audit Scotland and private sector audit firms

We commission Audit Scotland and private firms to undertake audit work on our behalf. It is therefore important to them that we are clear what our priorities are and what we expect to get from audit work.



Citizens / Press and broadcast media

We want to present the messages in our work to service users, citizens and communities to help them form a view about the performance of their council, and how that council can improve. Such messages need also to be shared with councils' community planning partners to help them work with councils to improve their localities.

It is therefore important that we engage with the press and broadcasting media to ensure that they understand our role and thus help us deliver our messages in effective ways.



Local government

We are the public's independent watchdog for councils. So we want to engage with councils to make clear to them our role in assurance and improvement, to help promote messages from our individual pieces of audit work, and to ensure that we have an up-to-date perspective of the issues facing them.



Scottish Government

While we are independent, we are appointed by ministers. We therefore want to engage with the Scottish Government to assure it of our activities and to ensure a mutual understanding of the Scottish Government's agenda for public service reform and how this may affect councils and, thus, our work.



Scottish Parliament

The Scottish Parliament sets legislation that can affect councils and indeed councils' partners in the wider public sector, and also, through its committees, holds the Government to account. We want members of the Parliament to be aware of our work in helping them fulfil their responsibilities.



Scrutiny partners

Parliament and Government expect us, along with our scrutiny partners, to work together to provide an independent assurance that public money is being used properly and that services are well managed, safe and fit for purpose. Such external scrutiny also helps bodies improve. We work closely with our scrutiny partners to ensure that our activity is coordinated, risk-based and proportionate. To do this, we need to understand our different roles, how we can work together, and what we want to achieve together.

Our engagement activities

We will use appropriate methods to engage with stakeholders depending on the message and the audience



What do we engage about?

17. As well as our messages for each stakeholder, we engage with different stakeholder groups for varying reasons.

18. We may want to inform them about our values, strategies, plans and performance including our annual report.

19. Sometimes our key aim is to promote our work or to make recommendations, such as auditing Best Value or our *How councils work* series of reports. Our annual statutory performance information direction, which we publish on a three-yearly basis, sets out our requirements for councils in what performance information they need to publish. For our national performance audits, we approve a promotion and engagement strategy for each audit.

20. We tailor our engagement plans to maximise the impact of each of our reports. This may be through robustly promoting or encouraging local authorities to build on our recommendations or working with scrutiny partners or other appropriate bodies such as COSLA, SLGP or SOLACE. We also work with the press and media to boost awareness of our work among stakeholders including the public.

21. We consult on, or seek feedback about, particular aspects of our work. For example, we consult annually with a wide range of stakeholders upon our work programme, which sets out our work over the next five years.

22. Finally, sometimes bodies have a specific reason they wish to engage with us such as updating the Commission on a policy issue or service reform.

23. This year, the Commission Strategy commits us to engaging with stakeholders in relation to some significant strategic objectives, including five national performance audits, a report in our *How councils work series* on roles and responsibilities in councils, and our annual overview report.

How we will engage

24. We see our engagement as having three purposes:

- Informing, ie giving information.
- Consulting, ie giving information and seeking views.
- Collaborating, ie giving information, seeking views and actively working together.

25. There are many channels or tools which we can use in our engagement. Some lend themselves better to particular types of activity or certain stakeholder groups.

26. Our engagement may be a regular process, such as maintaining, through regular meetings, our relationship with local government stakeholders such as COSLA, SLGP or SOLACE. It may also, however, be a specific one-off activity, for example centred on the promotion of one of our published reports. Depending on the nature of such reports, we may engage closely with one council, or across local government as a whole.

27. We are always looking for scope to be innovative so we will actively consider new ways of engagement such as using web-based technology and social media.

Our annual engagement plan

28. Our annual engagement plan sets out in more detail what we are engaging upon in the next year (ie, to the end of March 2017), and also sets out when this engagement activity is taking place. We will report our progress against this plan at the end of the year.

| What we will engage about | Who we will engage with | How we will engage | When we will engage |
|---|--|--------------------|--|
| Our strategy and planning | | | |
| We will meet regularly with principal stakeholders to discuss our strategy and issues of mutual interest. | COSLA, SLGP, SOLACE, Scottish Government | Collaborate | We will meet regularly with COSLA, SLGP, SOLACE and the Scottish Government. |
| | | | Throughout the year |
| We will publish our annual report and promote it among stakeholders. | All stakeholders | Inform | We will write to or email council leaders, chief executives and other stakeholders as appropriate. We will provide a web-based video presentation of our annual report. We will provide an interactive version of our report on our website. |
| | | | May 2017 |
| We will publish our annually revised strategy and annual action plan and promote it among stakeholders. | All stakeholders | Inform | We will write to council leaders, chief executives and other stakeholders as appropriate. We will consider a web-based video presentation of our strategy. |
| | | | May 2017 |
| We will publish our engagement strategy and promote it among stakeholders. | All stakeholders | Inform | We will write to or email council leaders, chief executives and other stakeholders as appropriate. |
| | | | May 2017 |
| We will review with stakeholders the progress of our approach to auditing Best Value. | Local Government | Inform and consult | We will meet with councils, COSLA, SLGP and SOLACE to review progress. |
| | Scottish Government | Collaborate | We will work with the Scottish Government to promote refreshed Best Value statutory guidance. |
| | | | Summer 2017 |
| | | | Autumn 2017 |

Cont.

| What we will engage about | Who we will engage with | How we will engage | When we will engage | |
|---|----------------------------------|--------------------|--|------------------|
| Our audit work | | | | |
| We will consult stakeholders on our draft work programme. | Local government | Inform and consult | We will write to council leaders, chief executives and chairs of audit and scrutiny committees seeking their views on the draft programme. | January 2018 |
| | | | We will meet with COSLA, SLGP and SOLACE to seek their views on our proposals. | Late 2017 |
| | Local government trades unions | Inform and consult | We will write to local government trades unions seeking their views on the draft programme. | |
| | All stakeholders | Inform | We will share our performance audit programme by publishing it on our website and through social media. | From Spring 2018 |
| We will explore with stakeholders how to develop our audit work to ensure that we are effectively reflecting the policy environment | All stakeholders | Collaborate | We will use innovative ways of discussing issues with stakeholders, such as policy 'round table' events. We will meet council officers and professional bodies to learn more about the issues facing them in fulfilling their responsibilities. | Ongoing |
| We will review with those carrying out audit work how they are developing and improving the work | Audit Scotland and private firms | Collaborate | We will, through our Financial Audit and Assurance Committee, discuss with Audit Scotland and private firms issues arising from their audit work. | Ongoing |
| We will publish our overview reports, performance audit reports and action plans and promote their key messages and themes (publication dates to be confirmed): | Citizens | Inform | We will publish our reports and podcasts on our website. We will encourage the press and media to raise awareness of our reports through press releases and other social media. | Ongoing |
| | Councils | Collaborate | We will meet with councils to discuss the messages from our overview reports | Spring 2018 |

Cont.

| What we will engage about | Who we will engage with | How we will engage | When we will engage | |
|--|---|---------------------------------|--|---------|
| <ul style="list-style-type: none"> Local government overview report (Autumn 2017 and early 2018) Early learning and childcare (late 2017) Equal pay (September 2017) Self directed support progress (August 2017) Arm's length external organisations (early 2018) Children's mental health (early 2018). City deals (mid 2018) Health and social care integration part 2 (mid 2018) | Local government (including the new joint health and social care boards for appropriate audits) | Inform and consult | <p>We will write to council leaders and chief executives (and chairs of audit and scrutiny committees as appropriate) promoting key messages and themes.</p> <p>We will hold learning events and promote learning materials as appropriate.</p> <p>We will offer for audit teams to visit councils to promote our reports at meetings as appropriate, particularly, for example, where a report includes checklists for members or officers.</p> | Ongoing |
| | Scrutiny partners | Inform, consult and collaborate | <p>We will write to or email our partners to promote key messages and themes and to discuss implications of our reports on strategic scrutiny.</p> <p>We will discuss with scrutiny partners developing learning materials as appropriate.</p> | |
| | Professional bodies as appropriate | Inform and consult | We will share our reports with appropriate professional bodies and discuss their implications. | |
| | Press and media | Inform | We will produce press releases and respond to press enquiries on our reports. | |
| | Scottish Government | Inform | We will write as appropriate to ministers with any recommendations in our reports. | |
| | Scottish Parliament | Inform | <p>We will share our reports with Parliamentary committees and brief them, particularly the Local Government and Regeneration Committee and the Public Audit Committee.</p> <p>We will issue our reports to all MSPs.</p> | |
| | | | | |

Cont.

| What we will engage about | Who we will engage with | How we will engage | | When we will engage |
|--|---|---------------------------------|--|---------------------|
| We will publish Best Value Assurance Reports and follow-up Best Value reports: <ul style="list-style-type: none"> • Inverclyde Council (June 2017) • Renfrewshire Council (August 2017) • East Renfrewshire Council (October 2017) • West Lothian Council (November 2017) • Orkney Council (December 2017) • Clackmnnanshire Council (January 2018) • East Dunbartonshire Council (progress report) (November 2017) • Falkirk Council (progress report) (January 2018) | Citizens | Inform | We will discuss our reports in public, publish our reports and podcasts on our website and encourage the press and media to raise awareness of our reports. | Ongoing |
| | Local government including the new joint health and social care boards (for appropriate audits) | Inform and consult | We will write to the relevant council leader and chief executive setting out the Commission's findings in relation to the report. We will seek a meeting with the relevant council leaders to discuss the report. | |
| | Scrutiny partners | Inform, consult and collaborate | We will share our reports with scrutiny partners. | |
| | Professional bodies as appropriate | Inform and consult | We will share our reports with professional bodies. | |
| | Press and media | Inform | We produce press releases and podcasts and take part in interviews. | |

Cont.

| What we will engage about | Who we will engage with | How we will engage | | When we will engage |
|---|-------------------------|---------------------------------|---|---------------------|
| We will engage with stakeholders on our Shared Risk Assessment process. | Scrutiny partners | Inform, consult and collaborate | We will review the process with our scrutiny partners through meetings of the Strategic Scrutiny Group. | Autumn 2017 |
| Other activities | | | | |
| We will increase the accessibility of our meetings. | All stakeholders | Inform | We will investigate webcasting meetings from our new premises. We will use social media to make our meetings more accessible | By end of 2017 |

When we will engage

| | 2017 | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Beyond |
|---|-------|-----|-----------|-----|-----|-----------|-----|-----|-----|-----|-----|-----|-----|--------|
| Our strategy and planning | | | | | | | | | | | | | | |
| Regular meetings with stakeholders | ————— | | | | | | | | | | | | | |
| Annual report | | | - - - - - | | | | | | | | | | | |
| Strategy update and action plan | | | - - - - - | | | | | | | | | | | |
| Engagement strategy and action plan | | | - - - - - | | | | | | | | | | | |
| Proposals for Best Value auditing and reporting | | | | | | - - - - - | | | | | | | | |
| Best Value guidance revision | | | | | | - - - - - | | | | | | | | |
| Our audit work | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Other activities | | | | | | | | | | | | | | |
| Increase accessibility of meetings | ————— | | | | | | | | | | | | | |

 Regular engagement activity
  Variable or diminishing intensity of activity
 

Engagement strategy and engagement plan 2017/18

This report is available in PDF and RTF formats,
along with a podcast summary at:
www.audit-scotland.gov.uk

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MEETING: 11 MAY 2017

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT OF BEST VALUE: INVERCLYDE COUNCIL

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's report on the Best Value Assurance Report for Inverclyde Council.

Background

2. This is the first report presented to the Commission under the new approach for auditing Best Value. A key objective of the new approach 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. This will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment.

The report

3. 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).
4. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - 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;
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
5. 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.
6. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.

Procedure

7. 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:
 - direct the Controller of Audit to carry out further investigations;

- hold a hearing;
 - state its findings.
8. 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.
 9. 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. This is done in the public meeting of the Commission.
 10. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

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

Paul Reilly
Secretary to the Commission
3 May 2017

Inverclyde Council

Best Value Assurance Report



Prepared for the Accounts Commission by the Controller of Audit

May 2017

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.

The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local authorities.

The Commission expects 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.

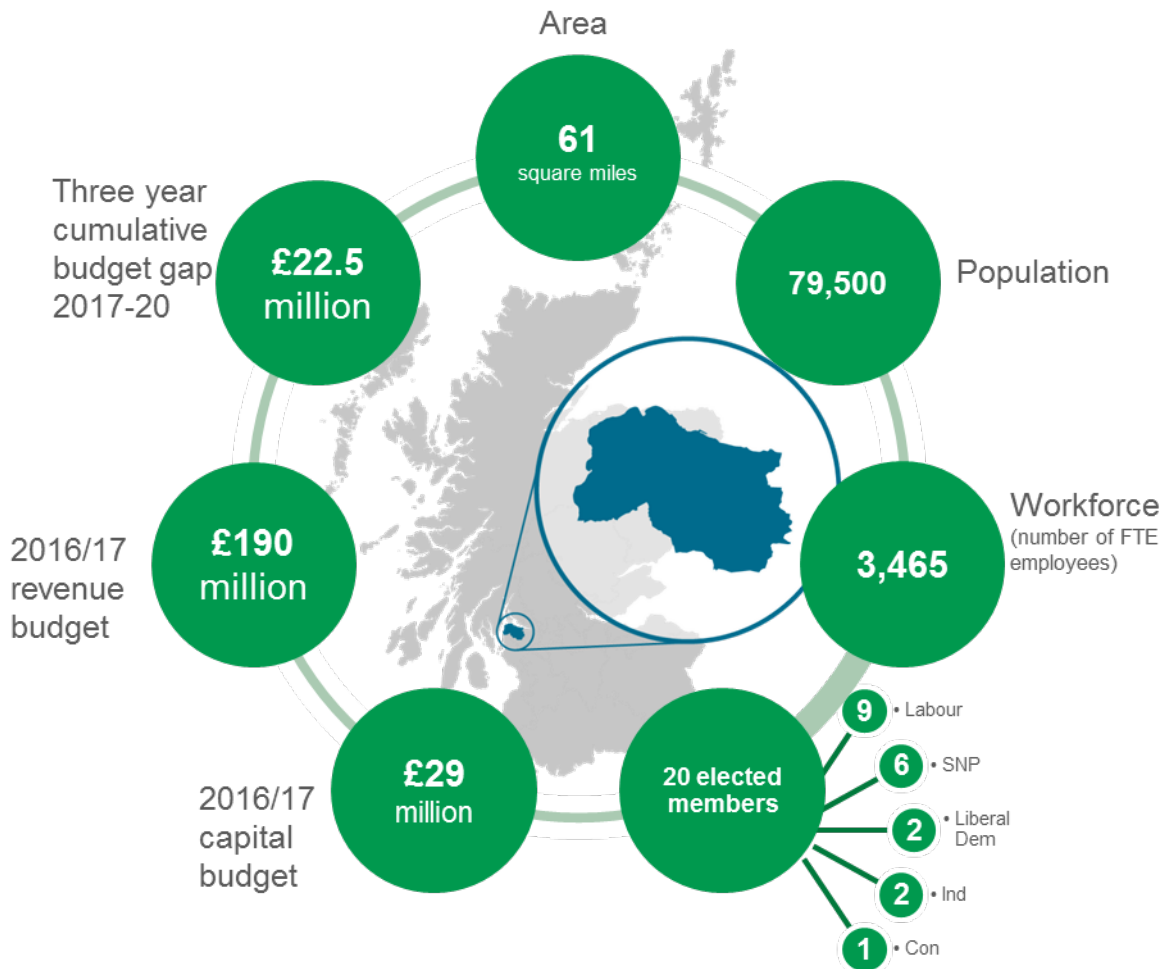
You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

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.

Contents

| | |
|---|----|
| Key facts | 4 |
| Audit approach | 5 |
| Key messages | 7 |
| Part 1 Does the council have clear strategic direction? | 8 |
| Part 2 How well is the council performing? | 13 |
| Part 3 Is the council using its resources effectively? | 21 |
| Part 4 Is the council working well with its partners? | 28 |
| Part 5. Is the council demonstrating continuous improvement? | 34 |
| Recommendations | 39 |
| Appendix 1 Best Value audit timeline | 40 |

Key facts



Note: This reflects the political make-up at the time of the audit work up to 4 May 2017.

Audit approach

1. The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Audit conclusions are reported each year through the Annual Audit Report, addressed to the Controller of Audit and the councillors. In addition, the Controller of Audit will present a Best Value Assurance Report (BVAR) to the Accounts Commission at least once during the five year audit appointment for each council. This is the first BVAR on Inverclyde Council under the revised arrangements. Appendix 1 summarises the findings from previous Best Value reports on the council.

2. This report seeks to provide the Accounts Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities covering:

- the clarity of council priorities and quality of long-term planning to achieve these
- how effectively councils are evaluating and implementing options for significant changes in delivering services
- how effectively councils are ensuring that members and officers have the right knowledge, skills and time to lead and manage delivery of council priorities
- how effectively councils are involving citizens in decisions about services
- the quality of council public performance reporting to help citizens gauge improvement.

3. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver their priorities. The pace, depth and continuity of improvement are key to how well councils meet those priorities in the future. Throughout the report we show how we have assessed the council's improvement over time and conclusions are reflected in the key messages in the report

4. Our audit approach is proportionate and risk-based and is reflective of the context, risks and performance of the individual council. It also draws on the intelligence from audit and scrutiny work carried out in previous years. In keeping with this approach we conducted some initial work to define the scope of our audit. This included reviewing previous audit and inspection reports, intelligence, council documents, initial meetings with senior officers and reflecting on our wider public sector knowledge and experience. [Exhibit 1 \(page 6\)](#) shows the key areas we focused on for our audit of Inverclyde Council.

Exhibit 1

Key areas of focus for our audit

- The council's vision
 - Performance and outcomes
 - Change and improvement plans including:
 - shared services
 - the City Deal
 - digitalisation of services
 - difficult decisions and protected services
 - Process and results of self-evaluation
 - Financial management and financial planning
 - Workforce planning
 - Community and citizen engagement
 - Arm's-length external organisations' (ALEOs') governance arrangements
-

5. The detailed audit work for this report took place in January and February 2017. Our audit work included:

- interviewing councillors, senior officers and partner organisations
- observing a range of council and committee meetings
- reviewing documents
- conducting focus groups with councillors and officers.

6. This report reflects the work done on the key areas of focus noted above. The work covers a number of Best Value characteristics, included in the statutory guidance (2004) but it does not cover them all. Audit work in future years, as part of the annual audit, will include follow-up on the findings from this report as well as more detailed audit work on other Best Value areas, as appropriate.

7. We gratefully acknowledge the cooperation and assistance provided to the audit team by all councillors and officers contacted during the audit.

Key messages

- 1.** Since the 2005 Best Value report Inverclyde Council has changed significantly, improving the way it manages services and developing a positive culture of improvement. Service performance has improved overall and improvement activity is happening across the council.
- 2.** Inverclyde Council has made significant progress over the last 10 years to address weaknesses highlighted in previous Best Value reports. In 2005, the Accounts Commission's findings highlighted extensive and fundamental weaknesses in leadership and direction, preventing the council from delivering Best Value. Since then, the council has built a positive working culture in the organisation that supports innovation. Key elements contributing to this include a clear vision and stable, effective leadership.
- 3.** A range of improvement activity takes place across the council but it needs to be clearer how this activity makes a difference to the outcomes the council and its partners want to achieve. All partners share the central vision, but the different sets of outcomes and indicators between the council and partners are confusing. The council needs to set out in more detail what achieving its wellbeing outcomes looks like in the short, medium, and long term.
- 4.** The council has improved its service performance in many areas and has maintained the performance of its high-performing areas. There are good examples of the council using performance information to target investment at poorly performing areas, such as investment in roads to improve their condition.
- 5.** The council's financial management is effective, and it has a good medium to long-term financial strategy. It has built up its reserves over a number of years and the level of usable reserves is significant for the size of council. Like many councils, the council faces a significant savings gap in the medium term. It has developed detailed savings options for councillors to consider following the local government election in May 2017. An element of reserves is being used to fill the funding gap in 2017/18.
- 6.** The council has demonstrated a commitment to delivering services differently in Inverclyde. It has a history of working well with partners. Over the last ten years it has been involved in a number of initiatives, including shared services and arm's-length external organisations, to change the way it delivers services.
- 7.** The council has good examples of how it has actively sought the views of the community and involved the community in decision-making. It now needs to consider how to use this experience to help deliver the more demanding requirements of the Community Empowerment Act.

Part 1

Does the council have clear strategic direction?



The council is dealing with the challenges in Inverclyde through effective leadership and shared ownership of a clear vision.

Councillors, staff and partner organisations share a clear commitment to the vision of 'getting it right for every child, citizen and community'. However the different sets of outcomes and priorities to deliver this vision are confusing.

Leadership is effective and there is good collaborative working in the council, with the Corporate Management Team setting a good example by working effectively together.

Councillors and officers have constructive working relationships.

The area of Inverclyde faces many challenges

8. Inverclyde is in west central Scotland and is one of the smallest Scottish councils in terms of area (29th out of 32) and population (28th). The area faces a number of challenges including a reducing population, high levels of economic deprivation, and relatively poor health outcomes.

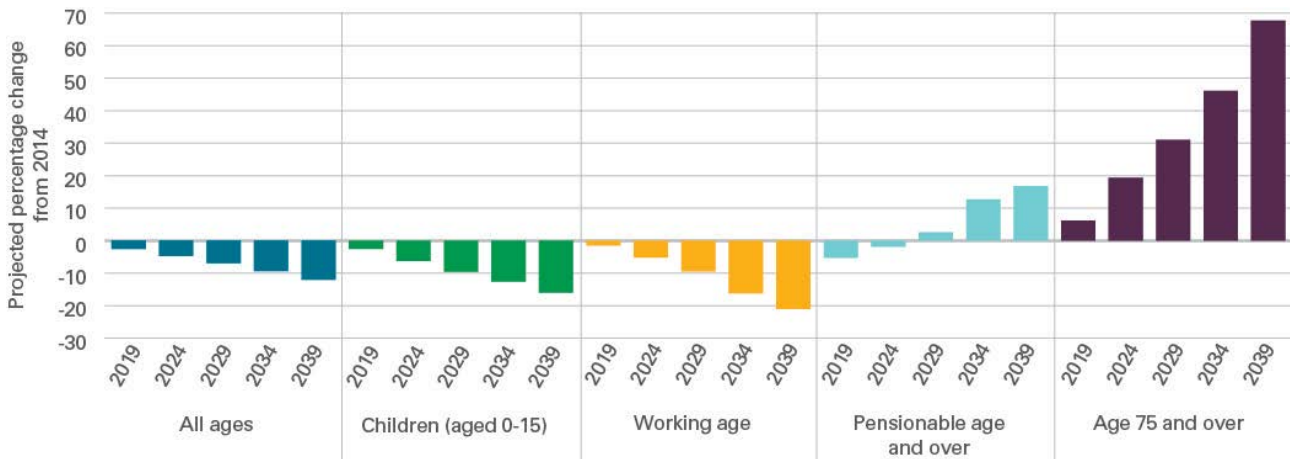
9. A priority for the council and its community planning partners is encouraging more people to come and live in the area. Over the last 35 years the number of people living in Inverclyde has fallen by 21 per cent. It is expected the population will fall by a further 12 per cent between 2014 and 2039.¹ This is the second highest projected fall in a Scottish council area. Between 2014 and 2039 the number of people of working age in Inverclyde is expected to fall by 21 per cent and the number of children by 16 per cent. The number of people living in Inverclyde of pensionable age is expected to increase by 17 per cent ([Exhibit 2, page 9](#)). These population changes could have a number of potential implications for the area. These include a lack of local workforce making the area less attractive to some business, and low population figures making some local services potentially unsustainable.

¹ Population projections are calculated showing what happens if particular assumptions are made. They are trend-based and are not policy-based forecasts of what the government expects to happen. Historically, the rate of depopulation in Inverclyde has been over-estimated. For example, in 2000, a population decline of 13 per cent was predicted in Inverclyde up to 2015. Using NRS' mid-year estimates, the population decline over this period was actually six per cent.

Exhibit 2

Projected population changes in Inverclyde by age group until 2039

The numbers of children and people of working age living in Inverclyde are expected to fall over the next 20 years, causing an overall reduction in population.



Source: National Records of Scotland, Projected percentage change in population (2014-based), by age structure and Scottish area, selected years

The council has a clear vision that staff and community planning partners understand

10. Inverclyde Council's corporate statement (2013-2018) sets out a clear vision for Inverclyde: 'A Nurturing Inverclyde: getting it right for every child, citizen and community'. This vision reflects a clear understanding of the needs and priorities of the area and is recognised by members of staff and partners. Staff noted that this vision of 'A Nurturing Inverclyde' enabled the council and its partners to talk in a common language about their ambitions and activity. The Community Planning Partnership (the Inverclyde Alliance) includes representatives from local businesses, housing associations, police and fire services, community councils, voluntary groups and further education.

The different sets of outcomes to deliver the vision are confusing

11. Using the Scottish Government's 'Getting it Right for Every Child' framework as a starting point, the council has identified eight wellbeing outcomes for the citizens of Inverclyde. These wellbeing outcomes are the main focus for council activity. The council has also agreed eight local outcomes for the whole of Inverclyde with its community planning partners. These are included in the Single Outcome Agreement 2013-17 (SOA) that is agreed between the council, its partners and the Scottish Government. The council's investment plans are also directed by a number of investment initiatives ([Exhibit 3, page 10](#)).

The percentage of Inverclyde Council employees who understand how their work contributes to the council's aims rose from 50 per cent in 2010 to 89 per cent in 2015

Source: Inverclyde Employee Surveys, 2012 and 2015

Exhibit 3

Inverclyde Council's outcomes and priorities

Inverclyde Council has two sets of outcomes to deliver its vision, which is confusing.

| | | |
|---|--|--|
| Vision | Nurturing Inverclyde: Getting it right for every child, citizen and community | |
| Overarching priorities | Council's and Alliance's wellbeing outcomes: Safe Healthy Achieving Nurtured Active Respected Responsible Included | Alliance's Single Outcome Agreement outcomes Promoting population Successful communities Economic regeneration and employability Tackling health inequality Tackling alcohol misuse Best start in life Protecting our environment Delivering excellent services |
| Supporting documents | <ul style="list-style-type: none"> • Corporate directorate improvement plans x2 • Health and social care partnership strategic plan • Service statements | <ul style="list-style-type: none"> • SOA outcome delivery plans x7 • Inverclyde Alliance Improvement Plan |
| Supporting strategies | Financial strategy Asset management strategy Local transport strategy Inverclyde Economic Development and Regeneration Single Operating Plan (with Riverside Inverclyde) Tourism strategy Local development plan Roads asset management plan Schools estate management plan | |
| Strategic investment initiatives | City Deal Roads School estate | |

Source: Audit Scotland, Inverclyde Council

12. The different sets of outcomes are all supported by a number of corporate and partnership plans and strategies. There are similarities between the different sets of outcomes and they all contribute to the central vision. But the picture is confusing and the council needs to be clearer on how the activity included within individual plans contributes to other outcomes. We note that the council and its partners intend to develop a single set of outcomes in the new Local Outcome Improvement Plan (that will replace the SOA), to be delivered in October 2017.

Leadership is effective and there is good collaborative working

13. The strategic leadership of the council has improved in recent years. A new corporate management structure has helped improve the level of strategic leadership provided by senior managers. The council changed to three directorates in April 2012. In April 2014, the council continued this streamlining process with further mergers within directorates. The council's corporate management team (CMT) meets on a weekly basis. The CMT comprises the chief executive, three corporate directors, the chief financial officer (s95 officer), the head of legal and property services and the head of organisational development, human resources and communications. An extended corporate management team meets on a monthly basis including all other heads of service.

14. There is effective working at CMT level. Positive relationships exist in the team and this has endured through recent changes at director and chief executive level.

15. The council's revised directorate structure has also helped increase corporate working. There is consistency between directorates, both in terms of business processes, such as service planning and staff appraisal, and in terms of a shared vision. Councillors told us they find it easier to focus on broad strategic issues, rather than having to focus solely on single services.

16. We met with a number of middle managers and found them to be very positive about the changes taking place within the council. There was general agreement that the council's vision was clear, providing a common language across the council which feeds into partner organisations' priorities. There was a firm belief that the council has improved since the 2005 Best Value report.

Officers and councillors work together constructively

17. The council has been run by either a minority or coalition administration over the last 10 years ([Appendix 1](#)). Councillors demonstrate they work together to make strategic decisions that provide the best possible services for local people. Discussion at committees focuses on the main issues, and councillors are able to make effective decisions on committee business. Over the last three years only three per cent of agenda items at council and committee meetings have required a vote to make a decision.

18. Working relationships between officers and councillors are respectful and constructive. Relevant officers attend committee meetings to answer councillors' questions. Officers regularly ask councillors about the level of detail and the presentation of information they would like to receive in agenda papers. Where particularly complex information is being provided to councillors, briefing sessions are held to allow councillors to consider information in more depth to inform scrutiny at committee. From our observations of the strategic committees, scrutiny arrangements and the quality of councillors' scrutiny appear effective.

19. For the last two years councillors have operated a cross-party forum (Members Budget Working Group) to discuss and agree budget priorities and actions. We note that in November 2016 the Scottish National Party (SNP) Group withdrew from this forum. Previous Best Value audits have highlighted the benefits of cross-party forums and councillors should

consider continuing with this post-election especially given the financial challenges that exist.

20. All councillors have a personal development plan and officer contact to discuss continuing development needs and access to mentoring, coaching and similar support. The council has a training and induction programme prepared for new councillors. Compulsory training events have been set up for councillors following the election on a number of topics including roles and responsibilities, corporate governance and committees, council finance and budgeting, and media/communications.

21. The council has also been working closely with the Improvement Service to produce guidelines and guidance for new councillors in their first few weeks in office, and on their roles and responsibilities.

Part 2

How well is the council performing?



Overall, performance has improved in recent years but the council needs to demonstrate more clearly the link between planned activity and outcomes.

The council engages in a lot of good improvement activity, and regularly monitors progress against planned actions. However, it needs to better assess how this activity is expected to improve outcomes.

Current outcomes are aspirational in nature and the council needs to more clearly set out what it is aiming to achieve against these outcomes in the short, medium, and long term.

Performance has improved over the last five years, with the council maintaining performance in its highest performing areas as well as improving others. There are good examples of the council using performance information to target investment at poorly performing areas.

The council needs to demonstrate more clearly the difference it expects to make to outcomes

22. We set out in Exhibit 3, page 10, the main plans and strategies that the council uses to deliver its vision. The council identifies actions to implement the strategies and plans and regularly monitors these. Reports identify progress to councillors ([Exhibit 4, page 14](#)). Each action either links to a wellbeing outcome, SOA outcome or investment initiative, but the council needs to further develop its assessment of how this activity is expected to improve the outcome, and to what extent. Wellbeing outcomes appear to be aspirational targets. The council should identify what the pace of improvement will be over time and develop interim milestones and progress measures. For example this might identify what improved outcomes might look like in five and ten years ahead. This would make it easier to assess progress against the plan.

Exhibit 4

How the council monitors progress

The council regularly monitors progress against actions in strategies and plans and reports this to councillors.

| Overarching priorities | Council's and Alliance's wellbeing outcomes | Alliance's Single Outcome Agreement outcomes |
|------------------------|---|--|
| Supporting documents | <ul style="list-style-type: none"> • Corporate directorate improvement plans (CDIPs) x2 • Health and social care partnership strategic plan • Service statements | <ul style="list-style-type: none"> • SOA outcome delivery plans x7 • Inverclyde Alliance Improvement Plan |
| Monitoring progress | <ul style="list-style-type: none"> • Progress on actions in CDIPs reported to every second meeting of appropriate committee • Yearly roll-up progress reports to Policy and Resources Committee | <ul style="list-style-type: none"> • Quarterly progress reports on actions in outcome delivery plans to the Inverclyde Alliance Board • SOA annual report (last one 2014/15) |
| Supporting strategies | Financial strategy Asset management strategy Local transport strategy Inverclyde Economic Development and Regeneration Single Operating Plan (with Riverside Inverclyde) Tourism strategy Local development plan Roads asset management plan (RAMP) Schools estate management plan (SEMP) | |
| Monitoring progress | <ul style="list-style-type: none"> • Progress reports on the financial strategy are presented to the council every six months • Capital programme update to each meeting of the Education and Communities Committee (for schools – SEMP) and of the Environment and Regeneration Committee (for roads – RAMP) | |

Source: Audit Scotland, Inverclyde Council

23. The council has started to try out evaluation tools such as 'driver diagrams' and 'logic models' in some policy areas with partners. These tools help to link inputs, activities and outputs to the outcomes they are designed to help services achieve. We encourage this approach and the use of these tools across a wider range of services and policy areas.

24. We also noted that key corporate initiatives such as City Deal projects and shared service developments, services the council shares with neighbouring councils, are not explicitly included within the main corporate planning documents, or linked directly to outcomes. These projects are included in supporting strategies and plans that link to corporate planning documents, eg Inverclyde Economic Development and Regeneration Single Operating and Development Plans.

Overall performance has improved in recent years

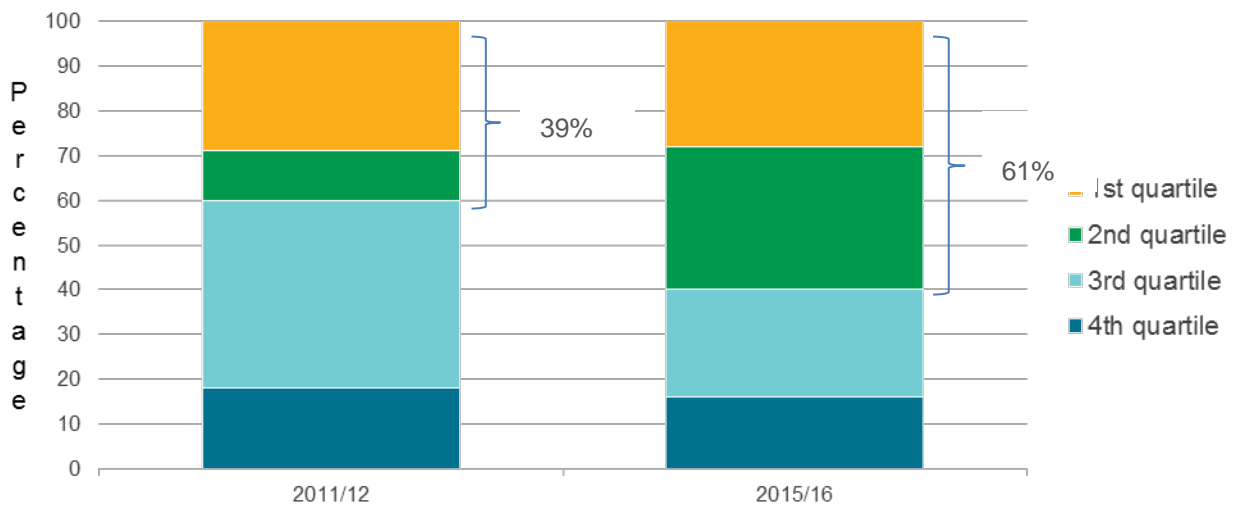
25. The council monitors progress against improvement actions and uses statutory performance indicators and indicators in the Local Government Benchmarking Framework to monitor performance. It assesses its performance against these indicators annually, and reports to the Policy and Resources Committee.

26. Overall, Inverclyde Council's performance is getting better ([Exhibit 5](#)). In 2015/16, the performance of 68 per cent of its indicators was in the top two quartiles.² A number of indicators changed between 2011/12 and 2015/16. Over this period, the percentage of comparable performance indicators in the top two quartiles improved from 39 per cent to 61 per cent. The council has maintained its performance in the top quartile. The improvement comes from increases in performance in indicators that were in the third and fourth quartiles, moving to the second quartile.

Exhibit 5

Comparing Inverclyde Council's performance over time

The percentage of Inverclyde Council's comparable performance indicators in the top two quartiles improved from 39 per cent to 61 per cent between 2011/12 and 2015/16.



Note: Measuring council performance involves considering the range of how all councils are performing, from lowest to highest for each indicator. From this it is possible to see how one council compares to all councils. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile includes the poorest-performing councils.

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

27. The Accounts Commission's recent report, [Local government in Scotland: Performances and Challenges 2017](#), found that councils' performance in the last five years has been maintained or improved, based on measures that give an indication of council performance in key service areas for the public. Inverclyde Council's performance improved in six of these indicators and declined in two ([Exhibit 6, page 17](#)).

² The Improvement Service, in partnership with councils, collates and reports on the Local Government Benchmarking Framework Indicators to provide information for councils to improve performance and costs.

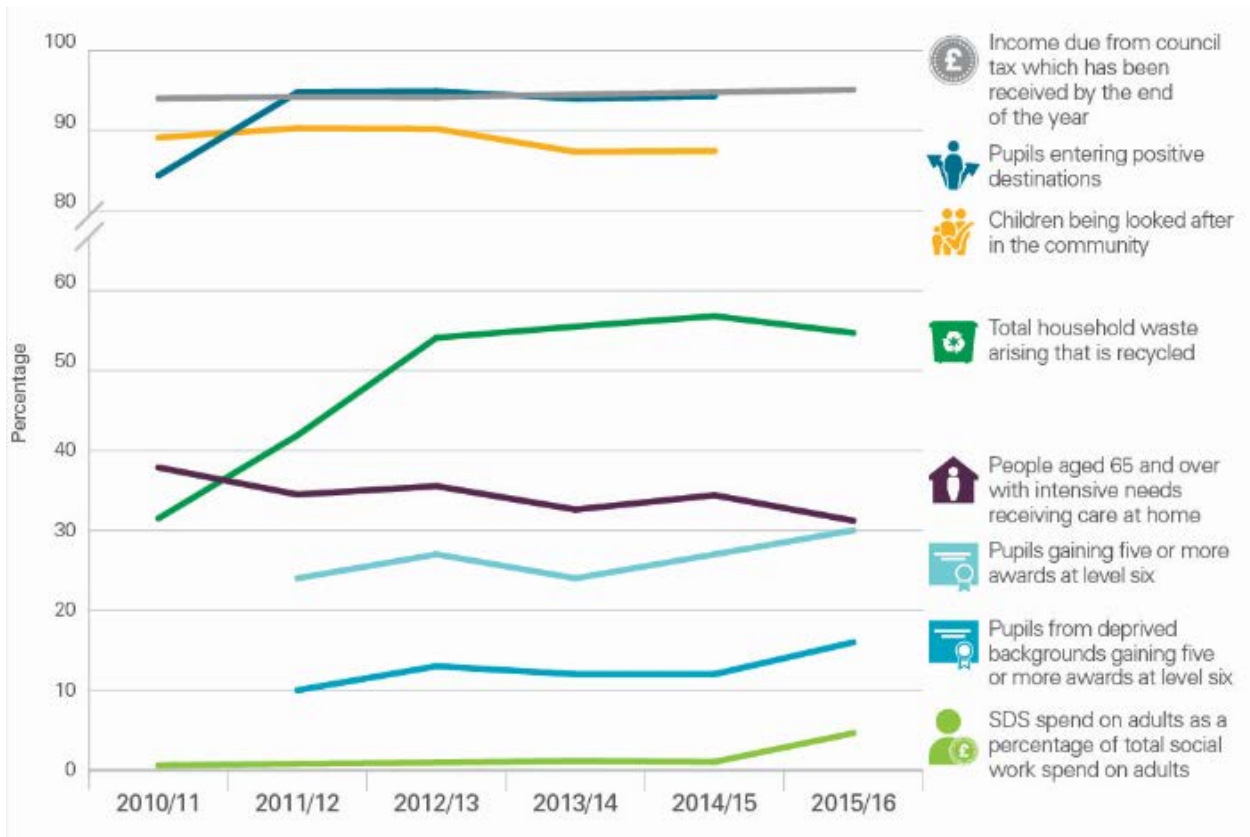
- The percentage of household waste recycled in Inverclyde increased by over twenty percentage points between 2010/11 and 2015/16. Although the level of recycling reduced between 2014/15 and 2015/16, in 2015/16 it was still the fifth highest in Scotland.
- In adult social care, the percentage of older people with intensive needs receiving care at home decreased between 2010/11 and 2015/16 by over six percentage points. Over this same period, performance in Scotland improved by 2.5 percentage points. However, satisfaction levels with adult social care remain much higher in Inverclyde (66 per cent) than the Scottish average (51 per cent).
- Across Scotland, since 2011/12, there has been an improving trend in attainment in the senior phase of schools that has been replicated in Inverclyde. In 2015/16 the attainment level of pupils in Inverclyde from deprived areas gaining five or more awards at level six, equivalent to five Highers, was above the Scottish average.
- The proportion of Inverclyde's pupils entering a positive destination after leaving school, such as higher education or employment, improved substantially between 2010/11 and 2011/12 and has been maintained above the Scottish average since then.³

³ 2015/16 data for percentage of pupils entering positive destinations was not available at the time of writing.

Exhibit 6

Inverclyde Council's performance against selected indicators, 2010/11 to 2015/16

Inverclyde Council's performance has improved in the majority of these indicators over the last five years.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

The council uses performance information effectively and reporting to the public and councillors is regular and balanced

28. The council reports on performance to committees and takes action on areas as a result of this, for example roads investment (see [Case study 1](#)). Overall, reports on performance and actions are regular and reporting is balanced. Councillors commented that the quality of performance reporting had significantly improved in the last ten years with reports now having the right level of detail required for them to scrutinise effectively. From observations of the strategic committees, councillors asked relevant, strategic questions and officials gave appropriate responses.

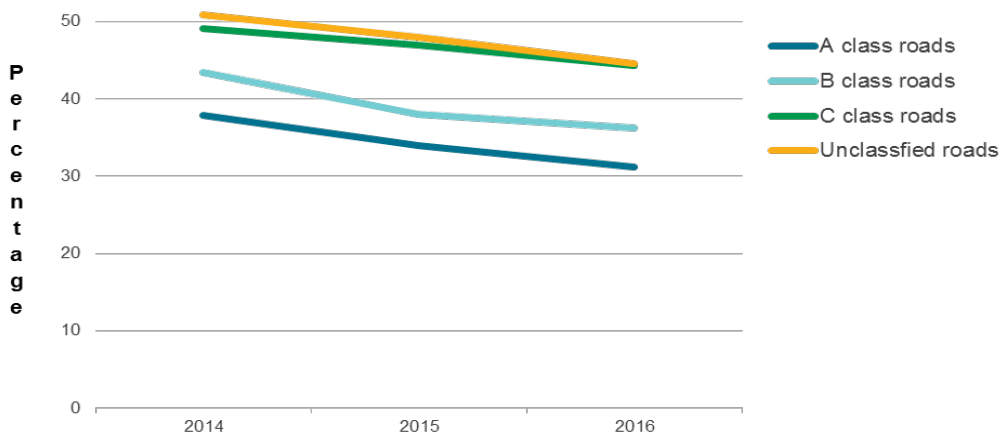
29. Inverclyde Performs is an internal web-based system that enables officers and councillors to monitor performance across directorates for a range of measures over a period of time. The system allows users to view performance against targets and highlights where these are not being achieved.

Case study 1

The council used performance information to decide to invest in roads infrastructure

The council made good use of performance information to identify roads as an under-performing area and developed a five year investment strategy (2013/14 to 2017/18) to address this. By 2015/16 the council had spent £12.3 million and 30 per cent of the road network had been resurfaced or treated (Note 1). The improvement in road condition as a result of the increased investment over this period is illustrated below (Note 2). Despite there being a time delay for changes in road condition to be reflected in performance information, an improvement in road condition is already evident (Note 3).

The percentage of all classifications of road in Inverclyde requiring maintenance decreased between 2014 and 2016



Inverclyde Council was named the UK's most-improved performer for roads, highways and winter maintenance as part of the 2015 Association for Public Service Excellence (APSE) Performance Networks Awards

Note 1: RAMP update and future plans, Paper to Inverclyde Council Environment and Regeneration Committee, 12 January 2017

Note 2: For presentation purposes we have used the end-year for comparison purposes (e.g. 2014 relates to 2013/14 for spending per kilometre, 2012/14 for percentage of A, B and C roads requiring maintenance and 2010/14 for unclassified roads).

Note 3: Owing to the way councils calculate road condition using a two-year rolling average of Scottish Road Maintenance Condition Survey results (four years for unclassified roads), there is likely to be a time lag between decisions to increase/decrease maintenance spending and how this affects reported road condition.

Source: Audit Scotland, Local Government Benchmarking Framework

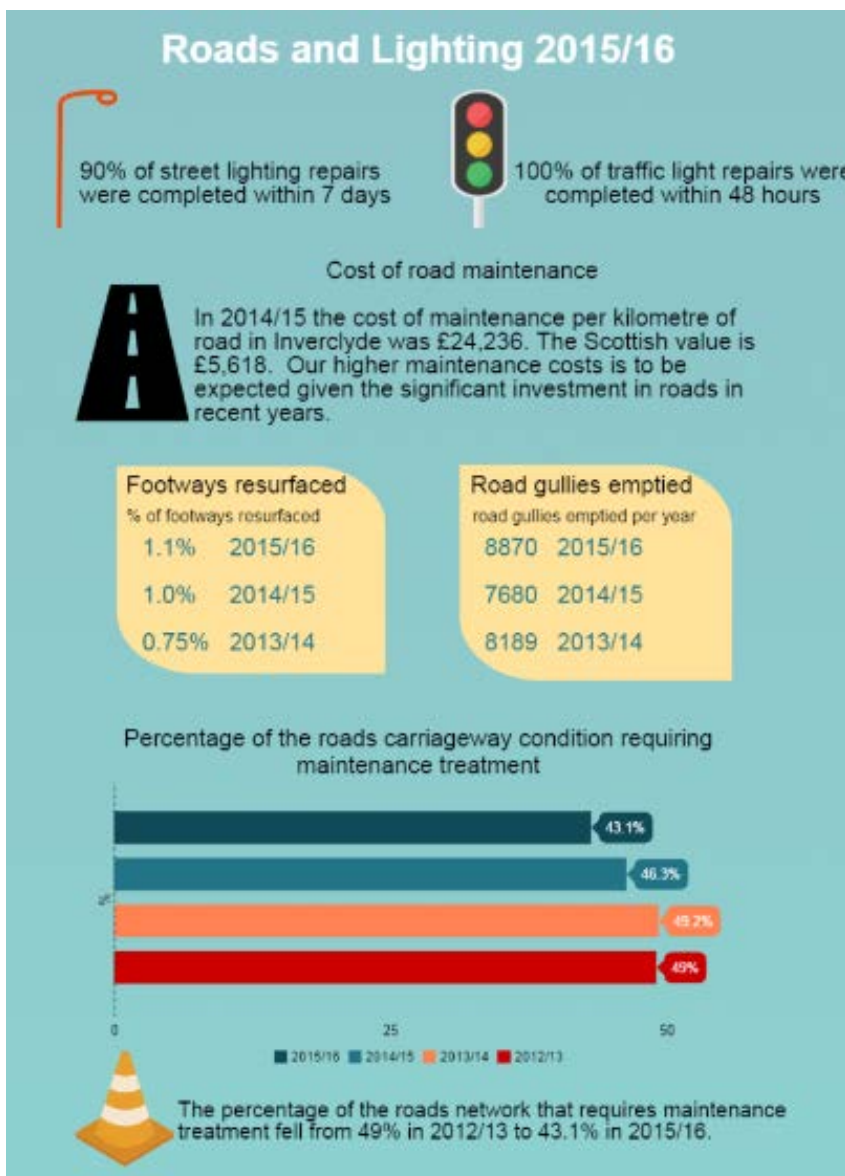
Performance is reported to the public regularly

30. Information on how Inverclyde Council is performing is publicly available on the [performance page of its website](#). Information is gathered from statutory performance indicators, local government benchmarking framework indicators and other sources and is presented in corporate and service-level summaries. The site provides access to useful one-page graphic snapshots ([Exhibit 7](#)).

Exhibit 7

Inverclyde Council performance snapshot - roads and lighting

This is an example of the one-page performance snapshots that Inverclyde Council compiles for each service. It sets out the key performance indicators in an easy-to-understand format.



Source: Inverclyde Council website

In general, recent inspections by Education Scotland and the Care Inspectorate have been positive.

31. There has been no significant inspection activity of Inverclyde Council's education and social work services as a whole in recent years but inspections of individual services, such as schools or care homes, have been conducted by Education Scotland and the Care Inspectorate.

32. Since August 2014 two early years establishments, three primary schools and one secondary school in Inverclyde have been inspected by Education Scotland. The inspection reports for these have all been positive with no follow-up inspection activity required. In May 2016, an additional support needs school was evaluated as weak for curriculum and self-evaluation and required follow-up inspection activity. In March 2017, Inverclyde Council reported that a new senior management team for the school was in place and was being supported by council officers. It will report on progress again in September 2017.

33. The Care Inspectorate has reported that regulated care services in Inverclyde are generally performing well and to a good standard. Eighty per cent of Inverclyde Council's adult services are graded as 'very good' or 'excellent', compared with 41 per cent nationally. Assessments of Inverclyde's residential children's services have been positive.

Feedback from citizens shows improving levels of satisfaction

34. The council uses community feedback from Inverclyde Citizens' Panel to understand community views on specific service areas and overall council performance. This includes views on whether the community thinks outcomes are being achieved over time.

35. The 2015/16 Inverclyde Citizens' Panel report shows an improvement in perceptions of anti-social behaviour levels and overall satisfaction levels with council services. There has also been an increase in the proportion of residents who felt council services were good value for money. There has however, been a slight decrease in levels of satisfaction with their neighbourhood as a place to live.

36. The report also sets out Inverclyde Citizens' Panel views on how well the council responds to communities through engagement. Forty-eight per cent of panel respondents in 2014 were satisfied with the way the council took residents' views into account when making decisions that affected the area. This compares to 34 per cent in 2012. The percentage of residents satisfied they could influence decisions affecting the local community was 47 per cent in 2014 and is to be reviewed again in 2017.

Part 3

Is the council using its resources effectively?



Officers have identified that the new council will need to fundamentally review the services the council delivers as part of its 2018-2020 budget

In the last two years, the council has achieved in-year surpluses which exceeded its plan. This is mainly attributed to savings in centrally-held budgets as well as directorate savings.

The council is financially resilient and has significant reserves for its size compared to other councils. These reserves have doubled over six years and should be reviewed. Reserves are now being used to meet short and medium-term budget pressures.

The council has still to agree expected savings of £22.5 million over the period 2017-20 and officers have developed detailed savings options to enable this. Councillors will need to take difficult decisions based on these options after the May 2017 local government election.

The council has a good workforce strategy and forecasts potential job reductions over the medium term. The council recognises that it needs to develop better workforce planning.

The council has effective financial management and a good process in place for financial planning

38. The council has well-established processes for setting and monitoring budgets, and uses a range of media for consulting with the public. Budget consultation is now a matter of routine and involves community meetings, feedback through the council's website and the use of an online simulator. The council's approach to budget management is to focus on pressure areas to help reduce future savings requirements.

39. In March 2016 the council approved a 2016/17 revenue budget and provisionally approved the 2017/18 revenue budget. To balance the 2017/18 budget the council agreed to use £0.8 million of revenue reserves.

40. The council has underspent in the last two years against its revenue budget ([Exhibit 8, page 22](#)). The main reasons for these underspends are lower than expected inflation (compared to assumptions in the budget) and accelerated savings in services including short-term vacancy management. Current projections are the council will underspend its 2016/17 budget by

£1.6 million (0.85% of net revenue budget) against a budgeted break-even position.

41. There is recent evidence that budget assumptions are becoming tighter with initial estimates for 2016/17 non-pay inflationary pressures of £1.3 million revised to £0.5 million.

Exhibit 8

Underspend and variance to planned underspend

The council has underspent in the last two years against its revenue budget

| Year | Total under/(over) spend (£m) | Underspend % of net expenditure | Planned under/(over) spend £m | Variance to plan (£m) |
|---------|-------------------------------|---------------------------------|-------------------------------|-----------------------|
| 2012/13 | 5.4 | 2.4% | 4.0 | 1.4 Favourable |
| 2013/14 | (2.1) | (1.2)% | 4.3 | (6.4) Adverse |
| 2014/15 | 3.6 | 1.8% | 1.8 | 1.8 Favourable |
| 2015/16 | 4.4 | 2.3% | 2.6 | 1.8 Favourable |

Source: Audited financial statements

The council has a high level of usable reserves

42. The level of usable reserves as a percentage of net revenue streams has increased over four years from 23 per cent in 2011/12 to 30 per cent in 2015/16 ([Exhibit 9, page 23](#)). The largest increases were prior to this period. In 2011/12 the usable reserves increased by £11 million and in 2010/11 by £6.9 million. In 2009/10 usable reserves represented less than 15 per cent of net revenue streams. In each of the last five years the council has had the second or third highest level of usable reserves, relative to its size, when compared to other Scottish councils (excluding Orkney and Shetland).

43. The relatively high level of reserves compared to annual budget has enabled the council to deliver medium to long-term strategies, fund one-off costs and smooth its core revenue budget requirement. The council's reserves policy was updated in September 2016 and includes governance arrangements for the creation and management of reserves.

44. £9.7m of usable reserves are held in statutory reserves (Capital Fund has £2.3m, Insurance fund has £3.8m, repairs and renewals has £3.2m) with £49.1m in the general fund reserve. Most of the general fund is "earmarked". This element of usable reserves increased slightly in 2015/16 to £40.3 million. There are a number of significant earmarked reserves which the Council has maintained over many years and these are not always clearly distinguished as capital or revenue in nature. These include miscellaneous reserves for individual committees totalling £5.5 million and individual capital reserves totalling £14.8 million. A number of other

reserves have remained constant or increased since 2010. We have recommended that a detailed review of earmarked reserves should be undertaken with the new council as part of the 2018/20 revenue budget development.

45. The council's reserves policy requires a minimum unallocated general fund reserve of two per cent of turnover. Based on the 2016/17 budget this should be £3.8 million. Unallocated general fund reserves at 31 March 2016 exceeded this strategy minimum at £8.8 million (4.6 per cent). The projected balance at 31 March 2017 is £4.1 million which is £0.3 million greater than the minimum recommended balance.

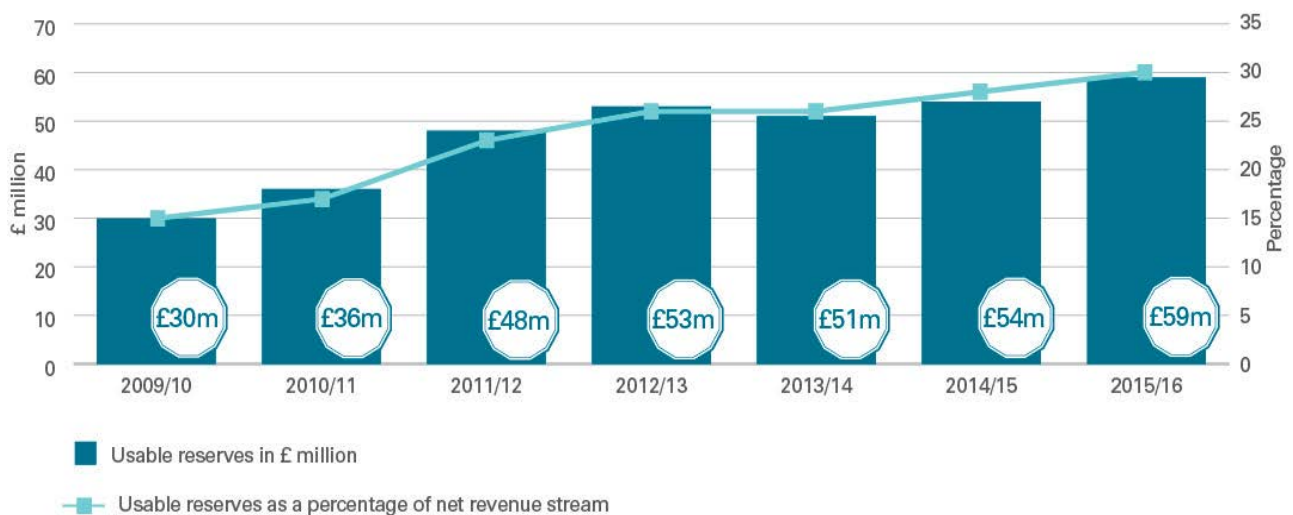
46. In September 2016, the Policy and Resources Committee agreed that any remaining funding gap in 2017/18 would be met from reserves. The council agreed to use revenue reserves of £1.1 million to balance the 2017/18 budget and to set aside a further £3.5 million to fund approximately 33 per cent of the 2018/19 funding gap (totalling £10.6 million).

47. In his report to the council's budget meeting in February 2017, the chief financial officer highlighted it is important councillors understand the proposed use of reserves to meet funding gaps is a short-term, one-off measure. He reported it is justifiable on the basis of the level of reserves currently held by the council and there will be a fundamental review of council services, eligibility criteria and charging policies over the next twelve months.

Exhibit 9

Usable reserves as a percentage of net revenue

The level of usable reserves has increased significantly since 2009/10.



Source: Audited financial statements

The council has a high level of borrowing

48. At 31 March 2016 the council's total borrowing was £274 million, including long-term liabilities relating to the schools PPP finance lease of £66 million. The council's borrowing (excluding PPP) consists of loans from the Public Works Loan Board (PWLB) (52 per cent) and market loans (48

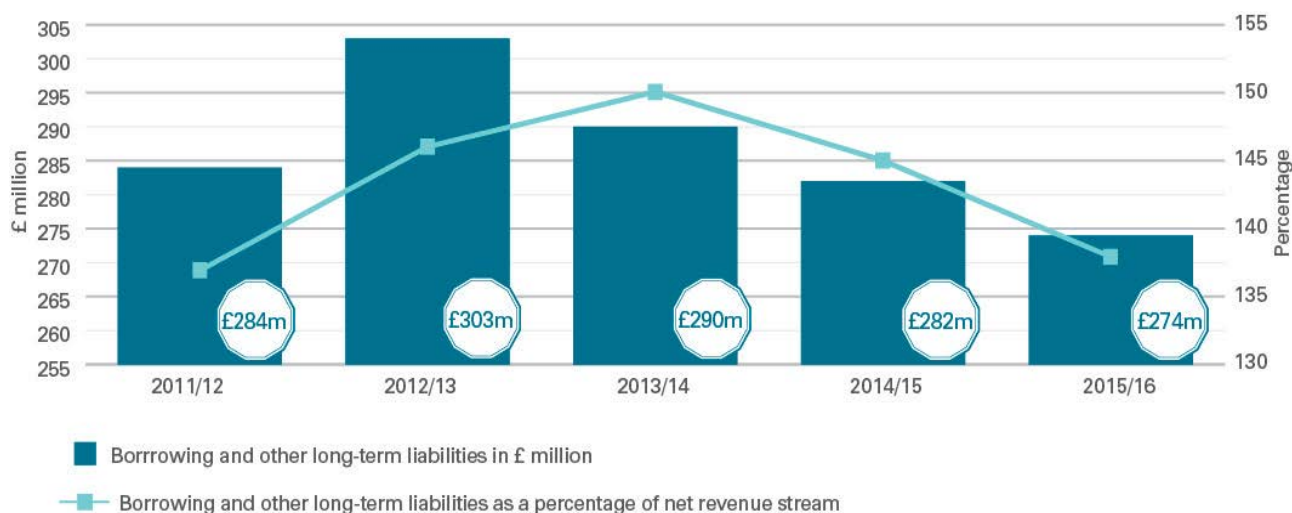
per cent). All PWLB loans and 69 per cent of market loans are at fixed rates of borrowing. During 2015/16 the council operated within the prudential indicators for the year set out in its Treasury Policy Statement.

49. [Exhibit 10](#) shows the level of borrowing and external debt for the last five years. In 2012/13 borrowing increased as a result of funding the building and refurbishing of educational properties as part of its school estates strategy. In the three years 2013/14 to 2015/16, the council's debt has reduced due to repayment of maturing debt without undertaking new borrowing. The council continues to have relatively high levels of borrowing and external debt compared to other councils. Its ratio of long-term borrowing and debt as a percentage of net revenue stream is fourth highest of all councils.

Exhibit 10

Borrowing and long-term liabilities as a percentage of net revenue

The council's long term liabilities represent 138% of annual net revenue.



Source - Audited financial statements

50. In 2015/16, overall capital spending was £30.5 million. The largest element (£8.3 million) related to building and refurbishing schools. Funding of capital expenditure included £4.4 million from revenue, £0.5 million from receipts and £16.1 million from government grants. The balance of £9.5 million was met through internal funding.

51. The Accounts Commission's [Local government in Scotland - financial overview 2015/16](#) report highlighted a key treasury management decision for councils will be when to borrow rather than use their cash reserves to fund projects. This will be influenced by councils' capital investment plans, the extent to which reserves are needed to support service spending as cost pressures increase and whether any forecast change in interest rates makes external borrowing more attractive.

52. In the recently approved 2017/20 capital programme, the council approved no new prudential borrowing on the basis that further increases to the cost of council debt servicing would place unnecessary strain on the council's future budget. The council will continue to use internal funding,

supplemented by already approved limited long-term borrowing commitments.

The council has developed detailed savings plans

53. The council has a good process in place for financial planning, which includes scenario planning. Through this process, officers have identified that the council needs to save £22.5 million over the period 2017 -2020 ([Exhibit 11](#)). This is a mid-range estimate. Optimistic and pessimistic scenarios are £13 million and £37 million respectively.

Exhibit 11

Inverclyde Council's budget gap, 2017-20

The mid-range estimate for Inverclyde Council's budget gap is made up of a number of different items.

| | 2017/18 £ million | 2018/19 £ million | 2019/20 £ million | Cumulative £ million |
|--|----------------------|----------------------|----------------------|-------------------------|
| Estimated Block Grant Reduction | 1.8 | 3.7 | 2.9 | 8.4 |
| Continuing cash cut due to Depopulation | 1.0 | 1.0 | 1.0 | 3.0 |
| Inflation - Pay | 1.2 | 1.8 | 2.4 | 5.4 |
| Inflation - Non Pay | 1.0 | 1.5 | 2.0 | 4.5 |
| Pressures* | 1.6 | 2.0 | 1.4 | 5.0 |
| Savings Identified to Date | (3.8) | - | - | (3.8) |
| TOTAL | 2.8 ** | 10.0 | 9.7 | 22.5 |

Source: Inverclyde Council Financial Strategy 2016-24 (December 2016)

*includes pressures relating to auto-enrolment, asset management plans, general pressures and apprenticeship levy

**revised to £1.1 million in 2017/18 Budget Setting Report following approval of Local Government Funding Settlement for 2017/18 in February 2017. The report also highlights that the overall level of funding gap of £22.5 million is still viewed as being realistic on the basis that it is estimated that the Scottish Block will reduce in real terms over the next two financial years.

54. Officers have developed detailed savings proposals for consideration by the new council. These proposals provide options totalling approximately £20 million over the same period and are based around service reduction, service withdrawal and income generation.

55. At its budget meeting in February 2017, the council agreed the projected 2017/18 deficit of £1.1 million would be funded from reserves and decided to impose no increase in council tax for 2017/18. In his report to the council's budget meeting the chief financial officer included a "realistic" scenario based on a reduction in real terms in the Scottish block and the continued protection of education and social care budgets. In the accompanying narrative, the chief financial officer has said the impact on unprotected budgets is severe and supports the requirement that the new council will need to have a fundamental review of the services the council delivers as part of the 2018-2020 budget.

56. The annual returns submitted to the Scottish Government detail the council has delivered £15.5 million of recurring efficiency savings over the eight-year period 2008-2016. In addition, the council has reinvested a further £4.6 million of savings generated by the School Estates Management Plan in new and upgraded schools.

The council has good workforce planning, and is starting to develop longer-term forecasts

57. The Accounts Commission's [Local government in Scotland - performance and challenges 2017](#) report highlighted the need to plan and manage reductions to council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively. The report advises councils to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans.

58. The council estimates that to address the estimated funding gap of £22.5m it will need to reduce staff by a further 175-300 FTEs over the next two years. The council has already reduced the number of FTEs by 507 over the last seven years, but will need to accelerate the pace of staff reduction to meet this target.

59. The council has an overarching workforce strategy and is developing succession planning. The strategy sets out key workforce planning actions for 2017 to help the council manage the workforce implications required to deal with the projected funding gap. Longer-term forecasts do, however, need to be developed, and the council would benefit from having more detailed workforce plans to support the workforce and financial strategies.

Sickness absence rates have improved

60. In 2015/16, the average number of days lost through sickness absence was 5.5 days for teachers and 9.5 days for other council employees. This had improved over the previous year when the teachers' rate was 6.4 and other council employees was 11.1. It also compares favourably to the Scottish average of 6.1 days for teachers and 10.6 days for other employees.

Staff survey results have improved and development training is established, leading to positive changes

61. The council undertakes employee surveys every three years. The latest survey, conducted in 2015 with a response rate of 26 per cent, showed improvement from 2012 in 84 per cent of areas surveyed.

62. There have been significant efforts to engage with the council's workforce as a whole. More than 100 employees have completed a Senior Management Leadership Development training course with the University of the West of Scotland (UWS). Managers have told us that there is an increasing emphasis on making the council less hierarchical, reducing the decision-making layers and delegating operational decisions to front-line managers.

63. Over 60 senior managers and head teachers attended a leadership development event during 2015. This focused on improving employee performance and engagement in challenging times. A similar event is to be

Inverclyde
Council
achieved
Bloomberg's
Best
Government
Services
Employer in the
UK award for
2016

arranged during 2017 which will focus on addressing the key leadership challenges which lie ahead for the council.

Investing in and rationalising assets has been a strategic priority

64. The council has invested significantly and improved its schools and roads infrastructure in recent years. The council has invested over £250 million on its school estate over the last 11 years.

65. The council has had a Schools Estate Management Plan (SEMP) for a number of years. The first edition was published in 2004 when the majority of the council's primary and secondary schools were rated as being in poor condition and dated mainly from the 1960s and 1970s. Over the period of the programme there has been a net reduction of 12 primary schools (from 32 to 20) and a net reduction of two secondary schools (from eight to six) with two of the remaining six secondary schools co-located within a shared campus.

66. A range of approaches was used to gather stakeholders' views on the configuration and structure of new and refurbished schools and issues arising as a result of proposed changes. This involved consultation on the design of individual projects and formal consultation on changes to school provision.

67. One of the prime objectives of the SEMP is to have all schools as category A (good) or B (satisfactory) for condition. In 2007, Scottish Government statistics show that 77 per cent of primary schools and 88 per cent of secondary schools in Inverclyde were rated in condition C (poor). The statistics also show that 75 per cent of additional support needs schools were in condition C or condition D (very poor). These statistics have improved significantly, with the whole of Inverclyde's school estate across primary, secondary and additional support need sectors currently in category A or B.

68. The 2015-16 Local Government Benchmarking Framework data shows that Inverclyde Council has the fourth highest level of adults satisfied with local schools. This is up from 11th in the 2014-15 report, and 20th in the 2013/14 report.

69. [Case study 1](#) highlighted the investment in the council's roads after relatively poor performance was highlighted. The council began implementing its Roads Asset Management Plan in April 2013. By the end of 2015/16 it had spent £12.3 million on carriageways and £1.3 million on footways and bridges.

70. The council's financial strategy ensures strategic initiatives that require long-term revenue and capital commitments such as the Asset Management Strategy, the School Estates Management Plan and the Roads Asset Management Plan are properly incorporated into the financial planning process.

Part 4

Is the council working well with its partners?



There is good evidence the council is working well with its main partners and the community and recognises the challenges this involves

Close working at a leadership and an operational level with NHS Greater Glasgow and Clyde meant the council was well prepared for the introduction of the new integration joint board (IJB).

The council is an active partner in the Glasgow City Region City Deal and recognises the need to overcome challenging issues with private sector partners to progress these major infrastructure initiatives.

There are good examples of working with, and involving, communities. This provides a good base for the council to go further and fully implement the provisions of the Community Empowerment Act.

The council has a robust risk-based governance process in place for monitoring arm's-length external organisations (ALEOs).

The council works closely with its partners to deliver local outcomes

71. The council is part of Inverclyde Alliance, Inverclyde's community planning partnership, and contributes to the delivery of the Single Outcome Agreement.⁴ The Leader of the council chairs the Inverclyde Alliance Board. There is a delivery group and targets for each outcome and different partners take the lead across the outcomes.

72. We have reviewed outcomes data for Inverclyde and outcomes are generally improving, as they are across Scotland:

- the crime rate in Inverclyde reduced by 44 per cent between 2004/05 and 2014/15, in line with the reduction across Scotland that was also 44 per cent.

⁴ Community planning is the process by which councils and other public bodies work with local communities, businesses and voluntary groups to plan and deliver better services and improve the lives of people who live in Scotland. Community planning is led by community planning partnerships (CPPs). There are 32 CPPs, covering each council area.

- Early mortality decreased by 13.5 per cent in Inverclyde between 2004/05 and 2014/15, similar to the 14.5 per cent decrease across Scotland.
- In Inverclyde, the number of babies at a healthy birth weight increased by 3.4 percentage points between 2004/05 and 2014/15. This is higher than the increase for Scotland overall of 0.9 percentage points. Despite this improvement, over the three years to 2014/15, 2.5 per cent of babies in Inverclyde had a low birth weight, higher than the Scotland average of 1.9 per cent.

73. The area continues to face significant challenges in improving some outcomes relating to its history of economic deprivation and poor health:

- The percentage of the working age population (aged 16-64) in receipt of out of work benefits, a proxy indicator for poverty and an indicator of economic wellbeing of the community, increased by 0.3 per cent in Inverclyde between 2004/05 and 2014/15. This compares with Scotland overall, which showed a decrease of 2.1 per cent, highlighting important issues in Inverclyde around poverty and deprivation.
- The median weekly earnings in Inverclyde for people living within the area who are employed increased by 18.1 per cent between 2004/05 and 2014/15. While this is positive, it is less than the 28 per cent increase for Scotland overall.
- Fragility, a measure of population resilience taking into account decreasing population and the proportion of elderly people, increased by 4.8 per cent in Inverclyde between 2004/05 and 2014/15. This is significantly higher than the one per cent increase in Scotland overall, demonstrating the challenges Inverclyde faces around depopulation combined with a growing elderly population.
- In Inverclyde, emergency admissions for people aged over 65 increased by 27 per cent between 2004/05 and 2014/15. This is significantly higher than the increase for Scotland overall of seven per cent, showing the challenges Inverclyde faces in caring for a growing elderly population.

The council and its partners have developed a good base to formally integrate health and social care

74. Inverclyde Integration Joint Board (IJB) has been in place for over a year and will play a key role in implementing NHS Scotland's 2020 Vision and the council's strategic priorities. A Strategic Plan 2016-19 - 'Improving Lives' was approved in March 2016 and sets out the intentions and priorities of the IJB over the three-year period.

75. Inverclyde has had a strong Community Health and Care Partnership (CHCP) since 2010 when it was established as an enhanced partnership arrangement between the council and NHS Greater Glasgow and Clyde Health Board. The CHCP partnership arrangement included reporting to both the council and the health board, joint planning, allocated aligned budgets and integrated staff and practice development. Our local scrutiny plans have previously commented on the strong base for integration provided by the CHCP and the 2016/17 plan highlighted that this had

allowed benefits to be realised on the transition to an IJB. This included the continuation of many joint operational activities that had previously been introduced.⁵

76. The IJB is well-placed to meet the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. The external auditor's strategic audit plan for the IJB includes a review of operational efficiency between 2018/19 and 2020/21.

The council recognises that it needs to overcome challenging issues to progress the City Deal projects

77. City Deals provide city regions with the opportunity to deliver infrastructure, innovation and employment projects to improve their economic performance. The UK and Scottish Governments both provide funding with councils contributing additional funding. Inverclyde Council became part of the £1.13 billion Glasgow City Region City Deal, with seven other councils, in 2014. The council is the smallest involved in the Deal, but has an equal partner role, and plays an active role in the governance structure. It is represented on all the sub-groups and takes the lead on the economy and tourism sub-group.

78. Three City Deal infrastructure projects are being developed in Inverclyde, with funding of £27 million. These are progressing at a slower rate than originally anticipated due to the complex nature of the projects that also involve private sector partners. Two infrastructure projects are being progressed initially; Inverkip, opening up a former power station site for housing, and Ocean Terminal, creating a dedicated quay for cruise ships. The third project, a renewables site at Inchgreen is not planned to commence on site until 2020/21. Work on the Inverkip project was originally due to start in September 2016 with work on the Ocean Terminal project to begin in autumn 2017.

79. The council has attributed the delays to it not owning the land on which the two projects are being developed. The land is owned by two different multinational companies. This has led to complexities around state aid considerations needing to be investigated, proposed design changes requiring reappraisal and lengthy approval processes for progressing the projects within the companies.⁶ The council continues to work to overcome these issues with its private sector partners in order to progress the City Deal projects.

80. Both the Inverkip and Ocean Terminal projects had strategic business cases approved by the Glasgow City Region City Deal Cabinet in October 2015. This approval allowed funding to be released for design and feasibility work. The strategic business case for the two Inverclyde projects contains an options appraisal. Each contains a 'do nothing' or 'do minimum' option with three other options. These were assessed using a SWOT analysis (strengths, weaknesses, opportunities, threats). The options are to be tested in detail at the next stage of the process, the 'outline business

⁵ [Inverclyde Council Local Scrutiny Plan 2016/17](#)

⁶ State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union.

case' stage, when firmer plans on which option is recommended to be taken forward are presented. At that stage, the Glasgow City Region City Deal Cabinet requires a full business case be developed for each project so it can decide whether to finally approve the project. If approved, funding is released for the construction works. We will continue to monitor progress against the City Deal projects over the next few years as part of the Best Value approach.

There are good examples of how the council has involved the community in planning its services

81. The Inverclyde Alliance Community Engagement Strategy 2008-2018 forms the basis for how the Alliance partners work with and involve local communities and third-sector organisations, such as local voluntary groups. It provides a clear indication of the importance the council and partners give to involving communities. The Community Engagement Network plans and coordinates Alliance partners' community engagement activity and includes representation from the third sector.

82. Methods used to engage with communities range from the traditional to innovative, encouraging participation from a wide spectrum of the community. Examples include a mixture of local public meetings, focused workshops on town centres (charrettes), web-based consultations, Inverclyde Citizens' Panel responses, connecting with parent and pupil councils and advisory groups and community outreach work.

83. There is clear evidence of community engagement findings feeding into strategies and helping partners form priorities. For example the Health and Wellbeing survey results clearly feed into the Inverclyde Carer and Young Carer strategy while the Youth Council has informed the recent Youth Participation Strategy.

84. Building the capacity and capabilities of communities is a priority for the council and its partners. The council's Community Learning and Development (CLD) team work with partner organisations to provide the help and advice they need to achieve their aims. Dedicated community workers help those groups develop how to manage short and longer-term projects. They also provide broader, strategic support by advising on issues. In 2015 the CLD team reported that 77 per cent of the community organisations they worked with increased their capacity.

85. At a corporate level, an easy-access webpage (Your Council, Your Say) hosts a wide variety of public consultations on services and policies. It provides feedback to show what the council has done in response. Corporate-wide service review guidance includes a detailed section on engaging with the community and suggests different ways to do so.

86. The Inverclyde Citizens' Panel comprises 1,000 members of the public selected to reflect the demographic composition of the area as a whole. It acts as a review function by asking respondents about their experiences of particular services and proposals for change. Respondents are provided with feedback on how the responses have led to changes.

87. Targeted approaches aim to encourage involvement by traditionally difficult-to-reach communities, including young people and communities in the most disadvantaged areas ([Case study 2, page 32](#)).

Case study 2

Community engagement in action: Health and wellbeing survey of Inverclyde's young people

In 2013 Inverclyde Council and partner organisations surveyed the health and well-being of all local secondary school pupils, achieving a return rate of 83 per cent. The survey was developed with school pupils, their parents and school staff allowing important issues to be identified and explored.

The questionnaire was designed to be completed within the classroom as part of personal and social education. It covered a range of topics including teen sexual health, young carer issues and experiences of cyber-bullying. One of the findings uncovered the potential for a much higher number of young carers in the community than previous evidence suggested. This reflected a lack of awareness about what being a carer actually involved.

The findings of the young people's health and wellbeing survey were followed up in two Inverclyde's Young People conferences (# Clyde Conversations) in 2015 and 2016, that were designed and led by young people. The information provided a detailed area-wide profile allowing the council and community partners to agree and modify council priorities to help secondary school pupils in the area.

Following the success of the survey, more funding from partners has been identified for further actions. The council is sharing the methodology and survey with other councils.

Source: Inverclyde Council

88. The council has solid foundations for implementing the Community Empowerment Act. This aims to empower communities through the ownership of land and buildings and strengthening their voices in the decisions that matter to them. The council has so far been involved in three projects to transfer assets to community groups. It is interested in developing participatory budgeting, that is giving voluntary groups the decision-making powers over part of a budget. It has organised information sessions with managers and councillors.

89. The council has demonstrated a commitment to community empowerment, but will need to develop some of these activities within available resources to make this happen. We will continue to look at how the council implements the Act over the next four years.

There are robust monitoring arrangements for arm's-length external organisations (ALEOs)

90. The council has well-developed arrangements in place for its governance of ALEOs. The council has a controlling interest in two ALEOs (Inverclyde Leisure Limited and Riverside Inverclyde Limited), and monitors the performance of a number of bodies that receive significant financial support from public funds. A governance framework was agreed in 2011 and introduced a risk-based approach for monitoring these organisations. This developed over a number of years, and takes account of relevant guidance including the Accounts Commission's ['ALEOs: are you getting it right?'](#) report.

91. As part of this framework, a scoring matrix is used in which ALEOs receive points based on factors including:

- the amount paid by the council
- the proportion of turnover funded by the council
- the nature of the payment
- council representation at ALEO meetings.

92. The level of oversight required is determined by the number of points assessed using the scoring matrix. ALEO reports are presented in line with the governance framework to the relevant service committee throughout the year. These reports provide updates and assurances in terms of performance and governance, while an annual report is presented to the policy and resources committee.

Part 5.

Is the council demonstrating continuous improvement?



Since the last Best Value audits, the council has kept up the pace of change and has developed a positive improvement culture

The council has a good history of exploring and developing different models to deliver services. It aims to ensure services continue to deliver effectively in the future as well as create financial savings. It is currently in the early phase of progressing shared services with two other councils.

The digital strategy is a key part of its initiative to deliver services differently. The council has positive examples of the impact of digital on ways of delivering services.

The council makes good use of self-evaluation and service reviews to improve how services are delivered.

There has been a significant culture change at the council since the last Best Value audits

93. Inverclyde Council's Best Value audit timeline is set out in [Appendix 1](#). The council has significantly improved the way it manages services since its first Best Value audit in 2005. [Exhibit 12](#) highlights some of the main improvements.

Exhibit 12

Comparing selected Best Value judgements, 2005 and 2017

The difference in Controller of Audit judgements between 2005 and 2017 shows the extent of progress made by Inverclyde Council

| 2005 Controller of Audit judgement | 2017 Controller of Audit judgement |
|---|--|
| There has been a serious lack of effective leadership and direction in Inverclyde for some time and this is a critical barrier to the council moving forward and improving its performance. | Shared ownership of a clear vision and effective leadership helps the council to deal with the challenges facing the area. |
| The council has not developed a continuous improvement culture. | The council has developed a continuing culture of improvement. There is evidence of a supportive culture that encourages innovation and new ideas. |
| The council does not make full use of the opportunity to learn from other councils. It is somewhat insular, tending to focus on internal issues rather than picking up good practice elsewhere. | Officers see looking at what others are doing as a key part of improvement activity. They are keen to talk to other councils and tap into national resources and IT developments where possible. |
| A poor working relationship between key councillors and senior officers in Inverclyde is hindering the improvements required in performance. | There are constructive relationships between officers and councillors. |
| The council recognises that public performance reporting varies between services, is not systematic or comprehensive across the council as a whole, and needs to improve. | Reporting to the public and councillors is regular and balanced for all services. |

Source: Audit Scotland, Inverclyde Council: The Audit of Best Value and Community Planning, Accounts Commission, June 2005.

The council has used self-evaluation and service review consistently but this process could be better communicated to councillors

94. Inverclyde Council has used self-evaluation consistently with clear links to improvement plans. Services use the Public Service Improvement Framework (PSIF), but can also use other frameworks. For example, the library service has used the 'How Good is Our Public Library Service' framework to benchmark against other library services. In 2015, an Education Scotland review of the council's Educational Psychology Services found its approach to self-evaluation to be rigorous.

95. Improvement actions are presented to the service's senior management team for review and are developed into an improvement plan. These are managed at head of service level, but any main themes may be put into an improvement action within the relevant CDIP.

96. The council's service review guidance clearly sets out that all service review reports should be presented to councillors at the relevant service committee. This happens in most cases but we found exceptions to this. For example, in 2015, the CMT requested a review of business support staff in schools. A review was carried out and findings and recommendations from the review, including proposals for a major service redesign, were presented to the CMT in 2016. These have not yet been reported to the relevant service committee. Councillors should consistently receive appropriate information and progress reporting on service review on a timely basis.

97. The council's service review guidance clearly outlines each stage and the important areas to be considered, including:

- consulting with key stakeholders to understand customer expectations
- carrying out an options appraisal to decide which options should be progressed, taking risk into consideration
- presenting favoured options to a challenge panel for scrutiny
- preparing a report with a supporting action plan and presenting to councillors.

The council has a history of exploring and developing different ways that services are delivered

98. The council has a history of exploring and developing different models to deliver services. Its aim is to ensure the future resilience of services, so that these can continue to improve local outcomes, as well as create financial savings.

99. The council's housing stock was transferred to River Clyde Homes in 2007 and Riverside Inverclyde, an urban regeneration company, was created to take the lead on reversing commercial decline and creating job opportunities in Inverclyde.

100. Although the outcome has not always been successful, the council has explored shared services with other councils for corporate functions and ICT, and a shared roads service ([Case study 3](#)). The council uses the private sector to deliver a number of council functions including street lighting, roads infrastructure projects and recycling (Greenlight Environmental Ltd). It also uses the third sector to provide employability programmes (Inverclyde Community Development Trust).

101. There is evidence of a supportive culture that encourages innovation and new ideas. The council does not have a separate improvement programme run by a central team. A previous separate transformation programme with external consultants was not successful and the council has learned from this experience. The council believes that services should be responsible for improvement within their areas, rather than it being

identified and led by a central team without detailed knowledge of how the services operate.

102. The 'Delivering Differently in Inverclyde' programme, Inverclyde Council's plan for changing and modernising its services to deliver better, more efficient services at a lower cost, includes the following:

- considering options for further shared services ([Case study 3](#))
- sourcing services externally
- considering the transfer of the library service to a leisure trust
- the potential to transfer local services to communities
- expanding the digitalisation of services (paragraphs 105 to 106).

103. However, it believes these activities will not be enough to close the funding gap and it will need to continue to focus on a programme of reducing, charging for or stopping services. Options on this are included in the savings options discussed at paragraph 53.

104. It is important that, in the absence of a central programme, all these activities are prioritised, managed and monitored. The council has recognised this and is implementing change management groups for each of the three directorates to undertake this activity. These groups will report back to the corporate management team.

Case study 3

The council is actively exploring shared services across a number of services

The Accounts Commission has highlighted the benefits to service users, communities and public sector organisations of working well together. However, the Commission's recent report, [Local government in Scotland: Performances and challenges 2017](#), identified limited evidence of councils collaborating or sharing services.

In June 2016, Inverclyde Council approved the establishment of the East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee. The committee became effective from 1 November 2016, and established a governance framework for the potential sharing of services. It will consider any business cases developed to pursue this objective in due course.

Establishing the joint committee demonstrates the council's ongoing commitment to pursuing different approaches to delivering services. The council's goal is to find the most effective and efficient way to deliver its priorities for the local community. We will monitor the progress of the joint committee in achieving these objectives.

Source: Audit Scotland

The council has identified digital transformation as a key part of delivering differently

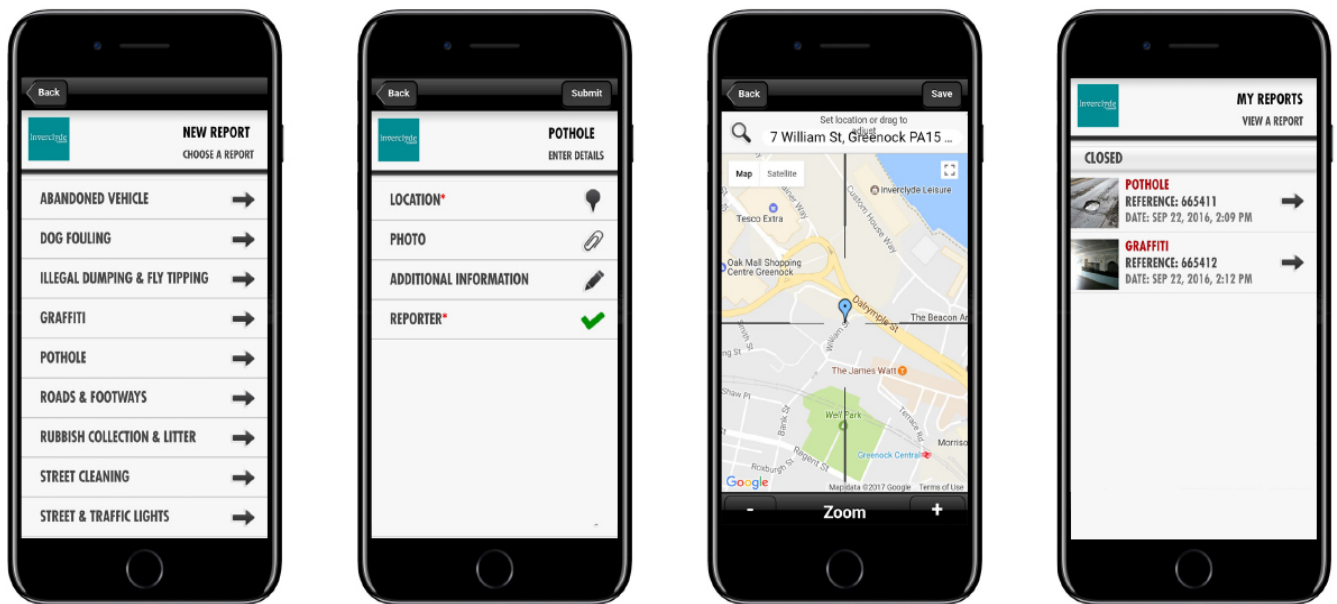
105. Digitalisation of services is a key part of delivering services differently. The council has good examples of the positive impact of digital initiatives

on delivering services. These include more online services being available on Inverclyde Council's website, a schools online payment pilot and the launch of Citizens' Mobile, an application (app) that members of the public can use to report problems such as potholes to the council using their mobile phones ([Exhibit 13](#)).

Exhibit 13

Inverclyde Council's Citizen's Mobile app

Citizens can report problems directly to the council using an app.



Source: Inverclyde Council user application screen shots

106. The council is currently developing its Digital Access Strategy and has sought advice and facilitation from the Improvement Service.⁷ As part of the strategy's development the Improvement Service held a number of workshops with managers from across the council. Managers are approaching digitalisation as a corporate strategy, rather than a solely IT strategy. This is a good approach, as transforming digital services requires leadership and it needs managers across the business to get involved and work together to revise service provision. As digital options play an increasing role in how councils deliver services, the council will need to ensure it has the appropriate skills and experience to deliver on its commitments.

⁷ The Improvement Service is the national improvement organisation for local government in Scotland. It provides a range of products and advisory services including consultation and facilitation, learning and skills, performance management and improvement, and research.

Recommendations



The council and its partners should use the Local Outcome Improvement Plan (which will replace the SOA) to develop a single set of outcomes which simplifies the strategic and planning framework. (Paragraph 12)

Councillors should consider continuing with the Members Budget Working Group, given the financial challenges that exist and the key decisions that will need to be made following May 2017 elections. (Paragraph 19)

Actions to deliver strategic improvements should identify the difference they are expected to make to the overall strategic outcomes, with milestones at key intervals. (Paragraph 22)

Key corporate initiatives such as City Deal projects and shared services should be reflected in updated corporate planning documents. (Paragraph 24)

A detailed review of earmarked reserves should be undertaken with the new council as part of the 2018/20 revenue budget development. (Paragraph 44)

The council should develop more detailed workforce plans and longer-term forecasts of workforce numbers and skills required. (Paragraph 59)

The council has experienced delays in its City Deal projects. Councillors and officers should continue to focus significant efforts to develop these projects with private sector partners. (Paragraph 79)

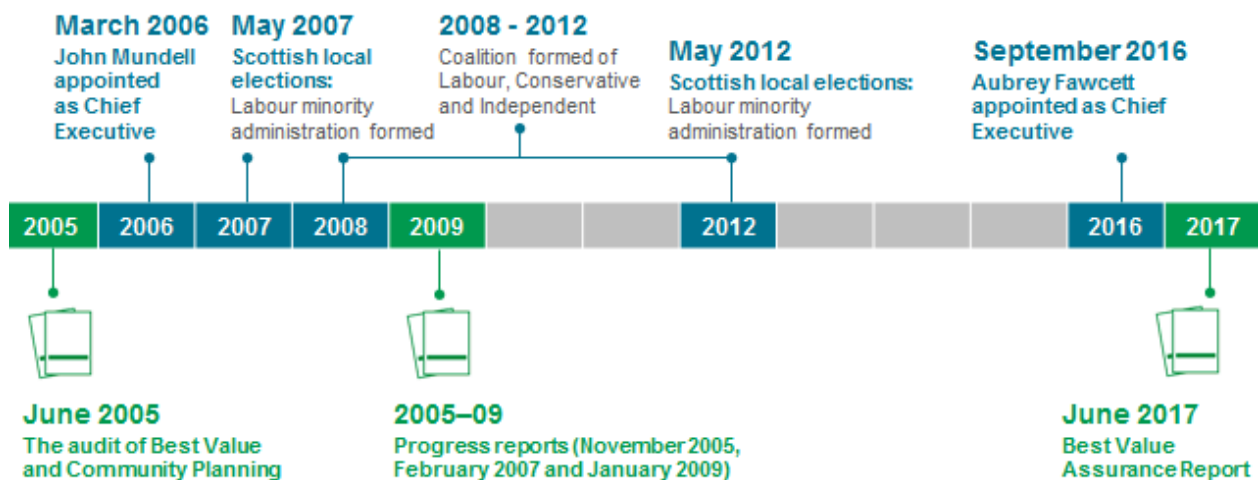
To progress community empowerment to the level that the Act requires, the council will need to further develop the capacity of communities it is working with. It will need to raise awareness of the possibilities for communities, and look at the level of funding and staffing required to work with communities to progress initiatives including the transfer of assets and participatory budgeting. (Paragraph 89)

All service review reports should be presented to councillors at the relevant service committee, in accordance with the council's service review guidance. Councillors should also receive progress reports on service reviews. (Paragraph 96)

The council should embed the recent introduction of directorate change management groups to prioritise, manage and monitor service improvement activity. (Paragraph 104)

Appendix 1

Best Value audit timeline



June 2005 – The audit of Best Value and Community Planning:

The Commission's 2005 findings highlighted extensive and fundamental weaknesses in leadership and direction by both councillors and senior management, preventing the council from delivering Best Value. The council was urged to take urgent and major remedial action.

2005–09 – Progress reports (November 2005, February 2007 and January 2009):

The Commission requested a number of progress reports following the initial findings. The most recent of these was published in January 2009. The council made a number of significant changes in this time. This included setting a clear strategic direction in new community and corporate plans, improved medium to long-term planning and changes to its political management arrangements and management structures. The report concluded that the council had made significant progress in delivering its improvement agenda and that the foundations for Best Value had been laid for further improvement.

May 2017 – Best Value Assurance Report:

The Controller of Audit presents this Best Value Assurance Report to the Accounts Commission. It is expected that this report will be provided at least once during the five year audit appointment for each council. This is the first of its kind across Scotland. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities.

Inverclyde Council

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