

**438th meeting of the Accounts Commission for Scotland**  
**Thursday 10 August 2017, 10.15am**  
**In the offices of Audit Scotland, 102 West Port, Edinburgh**

**Agenda**

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 12 to 14 in private (\* see note).
4. **Minutes of meeting of 8 June 2017.**
5. **Minutes of meeting of Performance Audit Committee of 15 June 2017.**
6. **Audit Scotland Board Update:** The Commission will consider a report by the Secretary to the Commission.
7. **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.
8. **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.
9. **Commission meeting arrangements 2018:** The Commission will consider a report by the Secretary to the Commission.
10. **Annual Audit Quality Report:** The Commission will consider a report by the Assistant Auditor General.
11. **Audit of Best Value: Renfrewshire 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:\**
12. **Audit of Best Value: Renfrewshire Council:** The Commission will consider the actions that it wishes to take.
13. **Performance audit: draft report: Equal Pay:** The Commission will consider a report by the Director of Performance Audit and Best Value.
14. **Commission business matters:** The Commission will discuss matters of interest.

\* It is proposed that items 12 to 14 be considered in private because:

- Item 12 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 13 proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 14 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:

<b>Agenda Item</b>	<b>Paper number</b>
<b>Agenda Item 4:</b> Minutes of meeting of 8 June 2017	AC.2017.6.1
<b>Agenda Item 5:</b> Minutes of Performance Audit Committee of 15 June 2017	AC.2017.6.2
<b>Agenda Item 6:</b> Minutes of Audit Scotland Board meeting of 5 May 2017	AC.2017.6.3
<b>Agenda Item 7:</b> Report by Secretary to the Commission	AC.2017.6.4
<b>Agenda Item 9:</b> Report by Secretary to the Commission	AC.2017.6.5
<b>Agenda Item 10:</b> Report by Assistant Auditor General	AC.2017.6.6
<b>Agenda Item 11:</b> Report by Director of Performance Audit and Best Value	AC.2017.6.7
<b>Agenda Item 13:</b> Report by Director of Performance Audit and Best Value	AC.2017.6.8

MEETING: 10 AUGUST 2017

MINUTES OF PREVIOUS MEETING

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Minutes of the 437th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 8 June 2017, at 10.15am

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

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)  
Elaine Boyd, Assistant Director, Audit Strategy [Item 14]  
Anne Cairns, Manager, Audit Strategy [Item 12]  
Antony Clark, Assistant Director, PABV [Items 13 and 15]  
Fiona Daley, Consultant, Audit Strategy [Item 14]  
Russell Frith, Assistant Auditor General [Items 12 and 14]  
Lorraine Gillies, Senior Manager, PABV [Item 15]  
Mark McCabe, Senior Manager, PABV [Items 9 and 13]  
Cathy MacGregor, Audit Manager, PABV [Item 15]  
Zoe McGuire, Auditor, PABV [Item 15]  
Rebecca Seidel, Audit Manager, PABV [Item 10]  
Mark Taylor, Assistant Director of Audit Services & PABV [Items 10 and 11]

Item No    Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 11 May 2017
5. Minutes of Audit Scotland Board meeting 31 March 2017
6. Audit Scotland Board Update
7. Update report by the Secretary to the Accounts Commission
8. Update report by the Controller of Audit
9. Local government overview report: impact and approach for 2018
10. New financial powers and constitutional change update
11. Briefing: non domestic rates
12. Housing Benefits performance audit – annual report
13. National Scrutiny Plan
14. Review of quality arrangements
15. Performance audit - draft report: Self-directed support (progress report)
16. Commission business matters

1. Apologies for absence

It was noted that apologies were received from Graham Sharp and Sandy Cumming.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 7, as a non-executive Director of the Wheatley Group, in relation to references to housing matters.
- Geraldine Wooley:
  - in item 7, as a former employee of the Scottish Council for Single Homeless, in relation to references to housing matters
  - in items 10, 12 and 15, as her close family member is an adviser to the Scottish Government on social security matters
  - in item 17, as a member of the Fife Valuation Appeal Committee.

3. Decisions on taking business in private

It was agreed that the following items be taken in private:

- Item 14, as it proposes a report from the review of quality arrangements, in relation to which the Commission may wish to discuss confidential audit matters with the author.
- Item 15, as it proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 16, 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 Chair advised that there was no business for item 16 and thus would not require discussion.

4. Minutes of meeting of 11 May 2017

The minutes of the meeting of 11 May 2017 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 10, first bullet point, noted advice from the Director of PABV that while there were no notable studies of the effects of Scottish Ministers' Public Sector Pay Policy, he would continue to monitor the matter.
- In relation to item 10, fourth bullet point, noted advice from the Secretary on the early development of the Improvement Service's 'associates network', the further development of which he would update the Commission as appropriate.
- In relation to paragraph 16, noted advice from the Secretary that Ronnie Hinds, Alan Campbell and Graham Sharp would be meeting senior officers

and members of Inverclyde Council on 20 June to discuss the report of the Best Value audit of the Council.

5. Minutes of Audit Scotland Board meeting of 31 March 2017.

The minutes of the meeting of Audit Scotland Board of 31 March were noted.

6. 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 he would provide Commission members with further information relating to the Board's review of its standing orders.

7. Update report by the Secretary to the Accounts Commission

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

Following discussion, the Commission agreed to note the report.

8. Update report by the Controller of Audit

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

During discussion, the Commission noted advice from the Controller of Audit that:

- He had convened a 'round table' event for stakeholders concerned with school governance particularly around the Scottish Government's Pupil Equity Scheme, and he would keep the Commission updated on audit implications and for the work programme in this regard, including a planned further 'round table' event later in the year in relation to the Commission's proposed performance audit on educational attainment in 2018/19.
- He continued to act as an observer on the working group convened by the Scottish Government and COSLA on the proposed refresh of Best Value statutory guidance, progress on which he would keep the Commission updated, including a proposed formal statutory consultation on the working group's proposals in the Autumn.

Following discussion, the Commission noted the update.

9. Local Government overview report: impact and approach for 2018

The Commission considered a report by the Director of PABV providing a summary of the initial impact of the approach to overview reporting in 2016/17, and proposing the approach for 2018, including the Commission's oversight of the process.

During discussion, the Commission agreed:

- To note the impact of the 2017 overview reports.
- Agree the approach to the 2018 overview reports as proposed in the report, but incorporating the following:

- A standing advisory group be established as proposed in the report, but including the Improvement Service in its membership.
- Both Commission committees to oversee the scoping and the emerging messages of the two overview reports.
- To note advice from the Director that he would monitor the deliberations of the UK government around the process and content of the UK budget in terms of implications for the Scottish Government budget and thus the overview reports.

*Action: Director of PABV*

- To note advice from the Secretary, in relation to service expenditure, that he would circulate to members the information considered previously by the Financial Audit and Assurance Committee on the reporting requirements on local authorities in the 2016/17 Code of Practice on Local Authority Accounting in the UK in relation to expenditure and funding analysis, arising from a review in this regard (known as ‘Telling the Story’).

#### 10. New financial powers and constitutional change update

The Commission considered a report by the Assistant Director of Audit Services and PABV providing an update on key developments surrounding further financial devolution and constitutional change.

During discussion, the Commission:

- Agreed to continue to receive future updates on at least a six-month frequency, but more often if required.
- Agreed that future such updates provide more information on the likely and actual impact on council strategic planning and service provision.

*Actions: Assistant Director of Audit Services and PABV*

- Noted advice from the Director of PABV that he would continue to monitor the resource implications in this regard on the audit of local government.

Thereafter, the Commission noted the report.

#### 11. Briefing: non domestic rates

The Commission considered a report by the Assistant Director of Audit Services and PABV providing a brief overview of Non-Domestic Rates (NDR) in Scotland, including the 2017 rates revaluation and schemes of rates relief.

During discussion, the Commission:

- Agreed that more information be provided on the Business Rates Incentive Scheme.
- Agreed to continue to receive future such updates as required.
- Agreed that further consideration be given by the Commission to audit work around business rates relief, including issues around appeals, to be considered as part of the refresh of the Commission work programme.

*Action: Secretary*

Thereafter, the Commission noted the report.

12. Benefits performance audit – annual report

The Commission considered a report by the Assistant Auditor General advising the Commission of the outcome of Audit Scotland's housing benefit performance audit work during 2016/17.

Following discussion, the Commission:

- Approved the draft report.
- Agreed that the Chair write to council leaders, copied to chairs of audit and scrutiny committees and chief executives, promoting the report

*Actions: Secretary and Assistant Auditor General*

13. National Scrutiny Plan

The Commission considered a report by the Director of PABV introducing the National Scrutiny Plan for Local Government 2017/18 and its related commentary report.

Following discussion, the Commission:

- Noted advice from the Director of PABV that issues around the capacity of integration joint boards in dealing with audit and inspection work would be considered in the scoping of the proposed performance audit on health and social care integration, due to commence in early 2018.
- Agreed to endorse the published National Scrutiny Plan and the commentary report.

*Actions: Director of PABV*

14. Review of quality arrangements [in private]

The Commission considered a report by the Assistant Auditor General providing a progress update and asking for comment on and endorsement of the ongoing review of audit quality arrangements across all audit work.

During discussion, the Commission agreed:

- To note the ongoing development of a quality framework.
- To note an international comparative study commissioned by Audit Scotland on the approach to audit quality, quality monitoring arrangements, performance indicators and transparency reporting.
- To note Audit Scotland's ongoing consideration of its audit quality governance.
- To endorse the principle of enhanced external assurance as part of a quality framework covering all audit work, including proposals set out in the report about the structure of tenders in relation to financial audit, performance audit and Best Value auditing.
- That further consideration be given to the development needs of Commission members in relation to matters such as monitoring of quality and professional scepticism.



- That the quality framework ensure outputs which help inform the next audit procurement round, including in relation to the appropriate market mix of audit deliverers.
- That the Financial Audit and Assurance Committee provide further oversight of the review with a view to further consideration and sign-off by the Commission in the Autumn, including:
  - Matters around the independence of the audit quality monitoring function
  - Reporting of quality to the Commission across all audit work done by Audit Scotland and private firms
  - Key performance indicators.

*Actions: Assistant Auditor General and Secretary*

15. Performance audit - draft report: Self-directed support (follow up) [in private]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report *Self-directed support: Progress report*, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

- To approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Sandy Cumming and Sophie Flemig.
- To approve the publication and promotion arrangements for the report.

*Actions: Director of PABV*

16. Commission business matters

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

MEETING: 10 AUGUST 2017

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 15 JUNE 2017

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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, 15 June 2017, at 10.00 am.

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

OTHER COMMISSION  
MEMBER PRESENT: Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission  
Fraser McKinlay, Director of Performance Audit and Best Value (PABV)  
Antony Clark, Assistant Director, PABV [Items 4 & 6]  
Gemma Diamond, Senior Manager, PABV [Item 5]  
Mark Ferris, Senior Audit Manager, ASG [Item 5]  
Graeme Greenhill, Senior Manager, PABV [Item 5]  
Tricia Meldrum, Senior Manager, PABV [Item 6]  
Rebecca Smallwood, Senior Auditor, PABV [Item 6]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 27 April 2017
4.	Work Programme Update
5.	Policy briefing: Public investment, environment and economy
6.	Performance audit: emerging messages – Early learning and childcare
7.	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 6, since a close family member is employed by the Scottish Government in relation to early learning and childcare policy. Mr Cumming was not present in the room during consideration of this item.
- Ronnie Hinds, in item 6, as a non-executive director of the Scottish Government.

3. Minutes of meeting of 27 April 2017

It was noted that the Accounts Commission, at its meeting on 11 May, had noted and approved as a correct record the minutes of the meeting of the Committee of 27 April, including noting that Sandy Cumming had advised that he is Vice-Chair of Scotland's Rural College.

Arising therefrom, in relation to item 7, second bullet point, advice from the Director of PABV was noted that: (i) he had convened the 'round table' event for stakeholders concerned with school governance particularly around the Scottish Government's Pupil Equity Scheme; and (ii) he would keep the Commission updated on audit implications and for the work programme in this regard, including a planned further 'round table' event later in the year in relation to the Commission's proposed performance audit on educational attainment in 2018/19.

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.

Following discussion, the Committee agreed:

- To note advice from the Director, in relation to a query from Ronnie Hinds, that he would be considering, as part of scoping for the proposed Auditor General performance audit on the Forth Replacement Crossing, the use of the existing bridge.
- To endorse the proposal in the report to revise the reporting timeline for the performance audit on Early learning and childcare

*Action: Director of PABV*

Thereafter, the Commission noted the report.

5. Policy briefing: Public investment, environment and economy

The Committee considered a briefing from the Director of PABV on matters associated with the Public investment, environment and economy cluster. The presentation was delivered by Gemma Diamond, Graeme Greenhill and Mark Ferris.

During discussion, the Committee:

- Noted advice from the Director, in response to a query from Sophie Flemig, that he would continue to closely monitor the implications for the work programme of policy developments in relation to climate change.

- Noted advice from the Director, in response to a query from Alan Campbell, how various planned performance audit work would feature matters around major capital projects.
- Agreed that Brexit would be an important factor worthy of monitoring in relation to workforce planning matters.
- Noted its interest in economic development issues and the planned performance audit in this regard in 2019/20, arising from which advice was noted from the Director that:
  - Such issues would also feature in other performance audits, and would have increasing prominence in the annual audit of the Scottish Government, overseen by the Auditor General
  - He would consider as part of the preparation and scoping of the planned performance audit the coherence between local government and national government's activities in this regard
  - In relation to a query from Ronnie Hinds, he was monitoring the economic implications of the Scottish Government's review of the planning system.
- Noted advice from the Director, in response to a query from Sophie Flemig, that he was monitoring various projects supported by the Scottish Council for Voluntary Organisations in relation to digital participation and literacy and numeracy.
- Agreed that the following be regarded as continuing areas of interest for the Committee:
  - The effect of Brexit on European fund distribution
  - Policy developments in relation to the Scottish Government's review of the planning system and community empowerment.
- Agreed that, for future policy briefings, enhance the local government aspects of policy development summaries.

*Actions: Director of PABV*

Thereafter, the Committee noted the briefing and the Director thanked Gemma Diamond, Graeme Greenhill and Mark Ferris for their presentation.

#### 6. Performance audit: emerging messages – Early learning and childcare

The Committee considered a report by the Director of PABV advising of the emerging messages for the performance audit *Early learning and childcare*.

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors, Alan Campbell and Geraldine Wooley.
- That a draft audit report be brought to the Commission meeting in November or December 2017, prior to publication in January or February 2018.

*Actions: Director of PABV*

#### 7. Any other business

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

MEETING: 10 AUGUST 2017

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

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### Purpose

1. This report provides an update on the business of the Audit Scotland Board.

### Background

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.<sup>1</sup>
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.<sup>2</sup> These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.<sup>3</sup>
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In *Public Audit in Scotland*<sup>4</sup>, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland’s board.

### Current Board business

7. This report provides the Commission with the latest available minute from a meeting of the Audit Scotland board, in this case the meeting of 5 May 2017.
8. The most recent meeting of the board was on 6 June, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the board. This will be available after the next board meeting on 23 August and considered by the Commission thereafter.
9. The Chair will, however, provide a verbal update on any relevant business for members’ interest, and invites questions from members to this end.

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<sup>1</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

<sup>2</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

<sup>3</sup> The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board, including its Chair.

<sup>4</sup> *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

## **Conclusion**

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

**Paul Reilly**  
**Secretary to the Commission**  
**1 August 2017**

# Minutes

Friday 5 May 2017, 10.00am

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

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## Present:

I Leitch (Chair)  
C Gardner  
H Logan  
R Griggs  
R Hinds

## Apologies:

None

## In attendance:

D McGiffen, Chief Operating Officer  
R Frith, Assistant Auditor General  
M Walker, Assistant Director, Corporate Performance and Risk  
F McKinlay, Director of Performance Audit and Best Value  
A Clark, Assistant Director, Performance Audit and Best Value  
A Devlin, Corporate Governance Manager  
D Robertson, Digital Services Manager  
S Afzal, Auditor, Performance Audit and Best Value  
F Kordiak, Director of Audit Services Group  
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 matters raised in addition to those items on the agenda, which had been previously circulated.

### 2. Welcome and apologies

There were no apologies.

### 3. Declarations of interest

There were no declarations of interest.

### 4. Chair's report

Ian Leitch advised members that Douglas Sinclair, former Chair of the Accounts Commission and Board member has sadly passed away. The Board paid tribute to the enormous contribution that Douglas had made to public life in Scotland in his many roles over many years and for his significant contribution to the Audit Scotland Board. The Board expressed their condolences to Douglas' family and friends.

Ian Leitch provided a verbal update to members, advising of meetings with Caroline Gardner, Auditor General for Scotland, and Diane McGiffen, Chief Operating Officer, on general matters relating to the governance of Audit Scotland.

The Chair also advised of meetings with the legal advisers about the advice received on our Standing Orders, which members would consider at item 9.

The members welcomed the update.

## 5. Accountable Officer's report

Caroline Gardner provided a verbal update on her activity since the previous meeting including engagement with and attendance at the Public Audit and Post Legislative Scrutiny Committee. She advised that Jackie Baillie had been appointed as acting Convenor. Caroline also updated members on the recent meeting of the Scottish Parliament's Budget Review Group, which had considered responses to its recent public consultation. Caroline reminded the Board about the forthcoming David Hume Institute Seminar on Scotland's Budget Explained at Audit Scotland on Thursday 11 May at our Edinburgh office, at which she was delivering a keynote speech.

Caroline advised that the five year rolling work programme had been published, and of a recent event for parliamentary staff hosted by Audit Scotland.

Caroline also advised of the successful outcome from negotiations with the PCS Union on the pay reward and strategy for colleagues and advised of progress on the role profiles for the Leadership Group which would be considered by the Remuneration & Human Resources Committee in October 2017. Caroline invited the Board to note that this work formed part of a wider leadership development conversation being led by Fraser McKinlay.

Caroline advised the Board of an accident at the Edinburgh office in which a member of staff had been injured as a result of a fall and that the Health, Safety and Wellbeing Committee would be reviewing the incident. The Board expressed their best wishes for a speedy recovery.

The Board welcomed the update.

## 6. Accounts Commission report

Ronnie Hinds, the Acting Chair of the Accounts Commission, provided a verbal update on the most recent meeting of the Accounts Commission and a consultation response on borrowing and treasury management.

Ronnie also advised of a recent meeting he had attended with the Improvement Service and the intention to build on the existing working relationships with the service.

The Board welcomed the update.

## 7. Review of minutes

### Board meeting, 31 March 2017

The Board considered the note of the meeting on 31 March 2017, which had been previously circulated, and confirmed that these were an accurate record of the meeting, subject to the following amendments.

- Item 4, insert 'the' in the fourth line before 'legal advisers'.
- Item 16, insert 'of' in the third para of item 16 before '...external audit work.'

## 8. Review of actions tracker

The Board noted the updates provided on the action tracker, noting a duplicate action at ASB31 and ASB48. Diane McGiffen advised that additional financial information would be included once year end accounting was completed (item ASB33) and a further report would be presented to the Board in June 2017.

**Action: The Chief Operating Officer to arrange for the updated Demonstrating Value for Money report to be circulated to the Board in June 2017. (June 2017)**



## 9. Standing orders - legal advice

Ian Leitch invited members to consider the Note of Advice received from BTO Solicitors on the requirements for establishing a quorum and options on representation at meetings of Audit Scotland.

During discussion, Board members considered the issue around the attendance of members to enable meetings to be quorate.

Ronnie Hinds advised of the Accounts Commission's interest and the Board agreed that the Acting Chair could share the advice with Commission members, noting this should be considered in the private session of their next meeting given the privileged status of legal advice.

The Board also accepted intimation of waiver referred to in the legal advice could be done by email.

Following discussion and acceptance by the Board of the legal advice Diane McGiffen advised that she would update the Standing Orders and present a revised report for approval by the Board at its meeting on 6 June 2017.

**Action: The Chief Operating Officer to circulate to members the summary note of the privileged status of legal advice. (May 2017)**

**Action: The Chief Operating Officer to update the Standing Orders and present a revised set for approval by the Board at its meeting on 6 June 2017. (June 2017)**

## 10. Corporate Plan 2017/18

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Audit Scotland Budget Corporate Plan 2017/18, which had been previously circulated.

Martin invited the Board to consider and approve the updated draft Corporate Plan for 2017/18.

Heather Logan advised that although the report provided comfort around progress, strengths and competency of dealing with risks and challenges, she felt that it could better reflect and capture the achievements linked to the Becoming World Class improvement programme and note the innovative methods and thinking that were necessary to providing the public sector with a quality offering in times of finite resources and additional workloads.

Diane McGiffen welcomed the feedback, advising that the Corporate Plan is a corporate communication tool, and that this was the third and final update with work on the new revised corporate strategy due to start at the end of summer, involving a much deeper strategic review of priority work for the Auditor General for Scotland, the Accounts Commission and Audit Scotland. Diane also advised that the annual report and accounts provides much more detail around our world class aspirations and achievements and that we will look to build on the section around the risk and challenges of resources and how we adapt to the changing operating environment.

Following detailed discussion, the Board welcomed the report and approved the Corporate Plan.

**Action: The Assistant Director, Corporate Performance and Risk, to publish the Corporate Plan. (June 2017)**

## 11. Publication schedule and forward programme

*Fraser McKinlay, Director, and Antony Clark, Assistant Director, of Performance Audit and Best Value joined the meeting.*

Fraser McKinlay, Director of Performance Audit and Best Value introduced the Publication Schedule and Forward Programme, which had previously been circulated.

Fraser invited the Board to note the reports that we plan to publish during 2017/18 and 2018/19 together with the longer term five year rolling work programme.

The Board discussed the comprehensive publication schedule for the next two years and the longer term work programme.

Following discussion, the Board welcomed the report.

*Fraser McKinlay, Director, and Antony Clark, Assistant Director, of Performance Audit and Best Value left the meeting.*

## **12. 2016/17 Annual Report: Freedom of Information and Environmental Information**

*Alex Devlin, Corporate Governance Manager joined the meeting*

Alex Devlin, Corporate Governance Manager, tabled an updated version of the report which had been previously circulated on the 2016/17 Annual Report for Freedom of Information and Environmental Information, to include an update on the outcome of one appeal to the Scottish Information Commissioner (SIC).

Alex invited the Board to note the statistics and analysis reported about the 56 requests recorded in 2016/17 for Freedom of Information and Environmental Information.

The Board sought additional information on the nature of FOI requests and the resources involved in responding to them.

Following discussion, the Board welcomed the report.

## **13. 2016/17 Annual report: Complaints Handling**

Alex Devlin, Corporate Governance Manager, presented the 2016/17 Annual Report on Complaints Handling, which had been previously circulated.

Alex invited the Board members to note that the number of complaints received about audit work had risen slightly against previous years, and that the complaints process continues to work well.

Following discussion, the Board noted the report and the assurance provided.

*Alex Devlin, Corporate Governance Manager, left the meeting.*

## **14. Information Security Management Policy**

*David Robertson, Digital Services Manager, joined the meeting.*

David Robertson introduced the Information Security Management Policy report, which had been previously circulated.

David invited the Board to consider and approve the revised Information Security Management Policy, a copy of which was tabled with apologies following omission from the papers issued.

The Board considered and approved the revised policy acknowledging the underlying policies, standards, procedures and guidance set out at Appendix 1.

The Board welcomed the report.

*David Robertson, Digital Services Manager, left the meeting.*

## **15. Publication of Reports**

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

- Item 9 Standing orders legal advice (effective conduct of business - free and frank provision of advice/ exchange of views for the purposes of deliberation/ conduct of public affairs).
- Item 10 Corporate Plan 2017/18 (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).

## **16. Any other business**

There was no further business.

## **17. ICAS Prize winner Sobhan Afzal**

Ian Leitch welcomed Sobhan Afzal to the meeting and the Board congratulated Sobhan on achieving the highest mark in the ICAS Advanced Finance TPS exam in the UK, a first for one of Audit Scotland's trainees. The Chair congratulated Sobhan on his recent appointment as an auditor with Audit Scotland, and Sobhan shared his experience of training at Audit Scotland and the work on which he was currently involved.

## **18. Review of meeting**

The members took the opportunity to reflect on the meeting and welcomed the assurance provided by the annual reports on Complaints, Freedom of Information and Environmental Information and the opportunity to meet and learn more from Sobhan Afzal following his recent achievement.

## **19. Date of next meeting**

It was noted that the next Audit Scotland Board meeting was scheduled for 6 June 2017 in the offices of Audit Scotland, 102 West Port, Edinburgh.

MEETING: 10 AUGUST 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 members' 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 19 July 2017) are shown below:

Report	Date	Report downloads	Report podcasts
<a href="#">Best Value Assurance Report: Inverclyde Council</a>	1 Jun 2017	659 (+76)	194 (+0)
<a href="#">Accounts Commission annual report 2016/17</a>	25 May 2017	660 (+58)	
<a href="#">Accounts Commission strategy and annual action plan 2017-22</a>	25 May 2017	323 (+71)	
<a href="#">Accounts Commission engagement strategy and engagement plan 2017/18</a>	25 May 2017	149 (+21)	
<a href="#">Accounts Commission engagement plan 2016/17</a>	25 May 2017	83 (+0)	
<a href="#">Accounts Commission action plan 2016/17</a>	25 May 2017	101 (+16)	
<a href="#">Local government in Scotland: Performance and challenges 2017</a>	7 Mar 2017	4059 (+257)	45 (+0)
<a href="#">East Dunbartonshire Council: Best Value audit report</a>	15 Dec 2016	802 (+29)	86 (+0)
<a href="#">Falkirk Council: Best Value audit report</a>	1 Dec 2016	945 (+28)	170 (+0)
<a href="#">Local government in Scotland: Financial Overview 2015/16</a>	29 Nov 2016	3604 (+91)	181 (+0)

Report	Date	Report downloads	Report podcasts
<a href="#">How Councils Work – Roles and working relationships in councils: are you still getting it right?</a>	8 Nov 2016	2798 (+81)	
<a href="#">School education impact report</a>	18 Oct 2016	95 (+0)	
<a href="#">School education scrutiny supplement</a>	18 Oct 2016	90 (+15)	
<a href="#">Angus Council: Audit of Best Value</a>	4 Oct 2016	797 (+31)	
<a href="#">Social Work in Scotland</a>	22 Sep 2016	13302 (+1190)	271 (+0)
<a href="#">Maintaining Scotland's roads: a follow-up report</a>	4 Aug 2016	3159 (+81)	208 (+0)

### **Other business**

5. On 9 June, Paul Reilly presented the Commission's strategy at the Scottish Performance Management Forum. The Forum consists of officers from all Scottish councils responsible for performance management. The topics therefore covered in the event included the forthcoming 2018 review of the Commission's statutory performance information direction, public performance reporting and the new approach to Best Value auditing.
6. On 16 June, the campaign for recruitment of a new Commission Chair was launched on [the Scottish public appointments website](#), national press and social media, with a closing date of 21 July. A new Chair will be appointed and in place from 1 November.
7. On 20 June, the Commission members met Inverclyde Council to discuss the Commission's findings on the Best Value Assurance Report (BVAR) for the Council and to review the audit process. A meeting note is available on the members' extranet. At its meeting on 29 June, the Council [noted](#) the BVAR and agreed an action plan to address BVAR recommendations. Progress against the action plan will be monitored by the Controller of Audit.
8. On 28 June, Ronnie Hinds was [reappointed](#) as Chair of the Local Government Boundary Commission for Scotland by the Minister for Parliamentary Business, Joe FitzPatrick. The appointment will be for four years from 1 September 2017 to 31 August 2021.
9. On 3 July, the Scottish Government formally [confirmed](#) the appointment of Christine May as Deputy Chair of the Accounts Commission, on an interim basis and until further notice.
10. On 6 July, the Acting Chair and Secretary met with the Chair and Programme Manager of the Local Government Benchmarking Board. This is the formal annual meeting that takes place. A number of mutual areas of interest were discussed, including those areas which the Commission has asked for further progress to be made (such as further development of indicators in relation to attainment, health and social care, economic development, and customer satisfaction; more reporting of good practice; and more evidence of how councils are making use of the data). A note of the meeting is under preparation and will be made available for members on the members' portal.
11. On 21 July, the Minister for Local Government and Housing, Kevin Stewart wrote to Pauline Weetman to confirm that she has been reappointed for a second term until 30 November 2021. In addition, following a request from the Commission to assist with workload and succession planning to accommodate the appointment of a new Chair during 2017, the Minister has agreed to reappoint or extend the appointments of four current members, as follows:
  - Christine May will serve as Acting Deputy Chair until 30 October 2017, and then as a member until 31 March 2018.

- Graham Sharp's appointment is extended until 31 March 2018.
- Alan Campbell and Sandy Cumming have been reappointed for a term until 31 December 2018.

### **Auditor General for Scotland**

12. On 15 June, the Auditor General for Scotland (AGS) published a report, "[Common Agricultural Policy Futures programme: further update](#)". The report reviewed the progress made in resolving serious issues with the Common Agricultural Policy Futures programme, which was created to enable the Scottish Government to provide financial support to farmers and rural businesses in line with European Commission reforms. It highlighted that the legacy of an IT programme set up to deliver financial support to rural businesses still presents significant risks and costs for the Scottish Government. The report has been downloaded 1659 times (as at 26 July). There was widespread coverage of the report across print, broadcast and online media.
13. On 22 June, the AGS published [the annual overview of Scotland's colleges](#). The report highlighted that the colleges have seen improved attainment in the past year but face several financial challenges, and potential difficulties from a declining student population. The report has been downloaded 621 times (as at 26 July).
14. On 27 July, the AGS published a report, [NHS workforce planning](#). This is the first part of a two-stage audit on this issue, focusing on clinical staff in hospitals and other secondary care settings. The report stated that spending on staff in Scotland's NHS is increasing and overall staff numbers are at their highest level ever. It highlighted that the Scottish Government has not yet adequately estimated what impact increasing and changing demand for NHS services could have on the workforce or skills required to meet this need. The report has been downloaded 515 times (as at 28 July) and attracted extensive coverage in its first two days of publication across print, broadcast and online media.

### **Audit Scotland**

15. On 16 June, Audit Scotland published its [annual report and accounts 2016/17](#), showcasing highlights from this year's report. Also, it published three annual reports on [Audit quality](#) and [Housing Benefit performance audit: annual update 2016/17](#) as well as [International work: Our strategy for 2017-20](#).
16. On 15 June, Peter Worsdale, Audit Manager, and Derek Hoy, Audit Officer, gave a presentation on ALEOs at the Scottish Local Authorities Chief Internal Auditors Group conference. This covered the role of the Accounts Commission, its forthcoming performance audit on ALEOs, and included a discussion on the role for internal audit in relation to ALEOs.
17. Graeme Greenhill, Senior Manager, will attend the Edinburgh Trams Public Inquiry to give evidence, in September. I will report further on this matter in future reports.

### **Issues affecting local government**

#### ***Scottish Government***

18. On 9 June, the Scottish Government published [Scotland's new Health and Social Care Standards](#). The standards, which will be implemented on 1 April 2018, will apply to the NHS as well as services registered with the Care Inspectorate and Healthcare Improvement Scotland, and set out the standard people should expect when using health or social care services.
19. On 13 June, Housing Minister Kevin Stewart [announced](#) a funding of £1.75 billion to be allocated to councils to encourage their investment in affordable housing by 2021. The



amount of funding available is £532 million in 2018/19, £591 million in 2019/20 and £630 million in 2020/21. The breakdown by each local authority is available [here](#).

20. On 15 June, the Scottish Government launched [Education Governance – Next Steps: Empowering our Teachers, Parents and Communities to deliver Excellence and Equity for our Children](#). The paper sets out the Scottish Government’s vision for education and the reforms to be taken forward, following the review of education governance. It also launched [a consultation on Fair Funding](#) to Achieve Excellence and Equity in Education (submissions to be received by 13 October). It seeks views on the way education is currently funded in Scotland, for the purpose of developing a new, more consistent approach to school funding, and the principles that should underpin any changes. It is intended to respond to this consultation, upon which I will report to the next Commission meeting.
21. On 15 June, the Scottish Government published [Cleaner Air for Scotland](#), the first annual progress report, for the year 2016. The report outlines the 40 actions progressed as part of the Clean Air for Scotland strategy over the last 18 months, involving the Government, local authorities, the NHS and Transport Scotland. It also includes a brief outline of the Government’s planned next steps for tackling air pollution.
22. On 15 June, the Scottish Government launched [a new £2.5 million Employability Innovation and Integration Fund](#) to improve help for people trying to access employment and training. The Fund, which will operate until March 2019, will aim to integrate employment support with health and social care, justice and housing services. Bodies responsible for delivering community planning partnership priorities, which include health boards and local authorities, are being invited to submit proposals for the Fund.
23. On 19 June, the Deputy First Minister and Cabinet Secretary for Education and Skills, John Swinney introduced [the Children and Young People \(Information Sharing\) \(Scotland\) Bill](#), which seeks to amend the Children and Young People (Scotland) Act 2014 to clarify the sharing of information in relation to the named person service. The move follows a Supreme Court ruling that the original Act did not include sufficient data protection elements, which was in violation of the right to respect for private and family life under the European Convention on Human Rights.
24. On 20 June, the first Ministerial Working Group [met](#) to examine building and fire safety regulatory frameworks, following the Grenfell Tower fire in London. The meeting was chaired by Communities Secretary Angela Constance with Housing Minister Kevin Stewart and Community Safety Minister Annabelle Ewing, and joined by officials from fire and rescue, building standards, local government and housing. The group will oversee a review of building and fire safety regulatory frameworks with an initial focus on high rise domestic buildings. Local authorities have been asked to gather information on those buildings in their area. Checks so far [found](#) that no high rise domestic buildings owned by councils or housing associations have the type of cladding reported to have been used in the Grenfell tower. The Group has convened three times and will continue to work to identify medium to long-term actions to be taken forward.
25. On 21 June, Scotland’s Chief statistician published [Council Tax Collection Statistics, 2016-17](#), [Council Tax Reduction in Scotland, 2016-17](#) and [a statistical summary](#). The statistics provide Council Tax collection rates for each local authority for billing year 2016/17, and all previous years. In 2016/17 for Scotland as a whole, the total amount of Council Tax billed (after Council Tax Reduction) was £2.1 billion. The provisional collection rate was 95.8 per cent, which is in line with a steady improvement since 1998/99. The council tax reduction scheme awarded £321.6 million over 2016/17, to a total of 491,760 recipients, around one-fifth of chargeable dwellings.
26. On 22 June, the Scottish Government published the [Enterprise and Skills Review: Report on Phase 2](#). The review began since May 2016, to improve the system of enterprise and

skills support. The report summarises the outcomes and progress achieved across all nine projects during Phase 2 of the Review. The proposals include introducing legislation in 2018 to bring into effect a new South of Scotland Enterprise Agency.

27. On 22 June, the Cabinet Secretary for the Rural Economy and Connectivity, Fergus Ewing, announced the establishment of [a National Council of Rural Advisers](#). The Council will provide advice on the potential implications of Scotland leaving the EU as part of the UK, and make recommendations on future policy and support, in order to drive rural economy forward. The remit of the Council covers all aspects of future rural development, including appropriate financial support beyond 2022. The recommendations for the Cabinet Secretary will be prepared early next year.
28. On 23 June, the Minister for Local Government and Housing, Kevin Stewart, announced a [£10 million fund for affordable housing in the Highlands](#). The Highland Infrastructure Fund will allow the council to provide support in the form of either an infrastructure grant or loan to facilitate housing sites, moving forward to construction. The Scottish Government will provide £9 million of funding, to be supplemented by £1 million from Highland Council. The fund is part of [the Inverness and Highland City Region Deal](#) which also includes plans to improve transport networks, digital connectivity and the creation of a hub to encourage innovation of high growth businesses.
29. On 25 June, Environment and Land Reform Secretary, Roseanna Cunningham announced [£200,000 funding for the Rural Parliament](#) to empower rural communities. The funding will be provided to Scottish Rural Action to support delivery of its 2017/19 Action Plan.
30. On 27 June, the Scottish Government published [the Local Authority Provisional Outturn \(2016-17\) and Budget Estimates \(2017-18\)](#) alongside a [summary](#). The publication provides net revenue expenditure figures for all the main services carried out by Scotland's local authorities. Local authority net revenue expenditure is expected to total £11.9 billion in 2016/17, which is a decrease by one per cent from 2015/16. The largest components are Education (41 per cent, £4.9 billion) and Social Work (26 per cent, £3.1 billion). The net revenue expenditure is budgeted at £11.9 billion in 2017/18, an increase of 1.5 per cent from that budgeted in 2016/17. The breakdown by local authority is available [here](#).
31. On 28 June, the Scottish Government published [Scotland's National Dementia Strategy 2017-2020](#). The strategy has three key priorities: timely, person-centred and consistent treatment and care; progress on the provision of support after diagnosis and throughout the disease; and responding to the increasing proportion of older people developing dementia later in life.
32. On 28 June, the Scottish Government published [the National Health and Social Care Workforce Plan](#). The plan sets out details of how the workforce will be changed to meet the needs of the changing health service, with more staff based in primary care and the community. A follow-up plan will be published in the autumn, covering social care, with a third for primary care around the end of the year. The social care update will be created jointly with COSLA and a combined plan will be published in 2018.
33. On 29 June, the Scottish Government published the [Places, People and Planning position statement](#), which will be consulted by 11 August 2017. The statement is an update on the proposals following the consultation [Places, People and Planning – a consultation on the future of Scotland's planning system](#) (Jan-Apr 2017), which set out 20 proposals for improvements to planning. The statement highlights the key changes that the Scottish Government is considering taking forward, including aligning community planning and spatial planning and supporting more proactive regional partnership working. These changes will be delivered through the forthcoming Planning Bill (expected to come before



Parliament in the winter), secondary legislation under existing powers, and other, non-statutory approaches.

34. On 29 June, the Scottish Government published [an analysis of consultation responses on possible amendments to the Councillors' Code of Conduct](#) regarding provisions on conflicts of interest. A total of 38 responses were received from a mix of local authorities; Regional Transport Partnerships (RTPs); other public bodies, including [the Accounts Commission](#), and individuals. Among those, 37 respondents agreed with making an amendment to the Code in respect of RTPs. 15 out of 24 respondents in total were in favour of extending the amendment to all public bodies. A number of respondents suggested the Scottish Government undertake a wider review of the Code.
35. On 29 June, the Scottish Government published [a summary analysis of changes in the rateable value of non-domestic properties](#) in Scotland following the 2017 revaluation. The total rateable value (RV) for all properties on the valuation roll at 1 April 2017 was £7,358 million, compared with rateable value at 31 March 2017 of £6,815 million (increase by eight per cent, including designated utilities). The majority of properties saw relatively moderate rises or falls in RV at revaluation. An external review, which has been exploring how non-domestic rates might better reflect economic conditions and support investment and growth, is due to conclude in summer.
36. On 29 June, the Scottish Government published the [Welfare Reform \(Further Provision\) \(Scotland\) Act 2012 - Annual Report - 2017](#). The statutory report estimates the impact of all welfare measures passed by the UK Government between 2010 and 2017 drawing upon independent analysis by the Office for Budget Responsibility. Based on the latest forecasts, it is expected that the UK Government annual social security spend in Scotland will reduce by £3.9 billion by 2020/21. At a local authority level, West Dunbartonshire, North Ayrshire, Dundee, Inverclyde and North Lanarkshire in particular are likely to experience the biggest falls in welfare spending by 2020/21 relative to their working population size.
37. On 30 June, the Scottish Government launched [a consultation on Community Empowerment and Common Good property](#) (submissions to be received by 27 September). The consultation concerns the statutory guidance for local authorities on how to fulfil the requirements of Part 8 of the Community Empowerment (Scotland) Act 2015 in relation to Common Good property, which places new duties on local authorities on this issue. It asks for views on issues such as timescales, information about assets, local consultation and publicising proposals. It is not proposed to submit a response on behalf of the Commission.
38. On 3 July, the First Minister's Independent Advisor on Poverty and Inequality, Naomi Eisenstadt, published her second and final report, [The Life Chances of Young People in Scotland, A Report to the First Minister](#). The report makes 18 recommendations on Employment, Housing and Mental Health, seeking to improve the life chances of young people from less advantaged backgrounds. The First Minister [confirmed](#) the creation of a new independent Poverty and Inequality Commission, which will be chaired by the director of the RS Macdonald Charitable Trust, Douglas Hamilton and will be in place for an initial two year period. The Commission's role will be to challenge and hold the government to account and also to advise ministers on the development of a delivery plan for the Child Poverty (Scotland) Bill.
39. On 4 July, the Cabinet Secretary for Finance and Constitution, Derek Mackay, [wrote to](#) Chancellor of the Exchequer, Philip Hammond, confirming the Scottish Government will end the public sector pay cap in 2018/19. The Scottish Government will engage with trade unions to create a new pay policy, reflecting rising inflation and the need for balanced public finances.

40. On 5 July, the Scottish Government published a consultation, [Digital Scotland – Reaching 100% Programme](#) (submissions to be received on 5 August). In order to meet its commitment to deliver superfast broadband access to 100 per cent of premises in Scotland by 2021, the Scottish Government intends to procure further coverage of Next Generation Access broadband infrastructure in areas where such broadband is currently unavailable. The public consultation is a requirement to comply with the EU state aid regulation and will allow the Scottish Government to finalise the intervention area. Audit Scotland does not intend to submit a response to the consultation.
41. On 11 July, the Scottish Government published statistics on [Self-directed Support, Scotland, 2015-16](#). Following the introduction of the Self-directed Support Act 2014, the report covers the second year of implementation. Option 3 (service arranged by the council) continued to be the most popular choice overall for clients, though age differences were observed with younger clients (<65) more likely to choose Option 1 (direct payment). More than £383 million was budgeted for clients who made a choice regarding services and support.
42. On 17 July, the Scottish Government launched [a consultation on updating the School Premises \(General Requirements and Standards\) \(Scotland\) Regulations 1967](#) (to be closed on 7 October). The 1967 Regulations prescribe a broad minimum standard that the premises or equipment of schools have to meet are out of date and need to be updated. The consultation seeks stakeholders' views on the government's proposals regarding regulations that are to be retained unchanged, those that are to be updated and those to be removed. It is not proposed to submit a response on behalf of the Commission.
43. On 18 July, the Scottish Government published [Scotland's Equality Evidence Strategy 2017-2021](#). Based on consultation with stakeholders, the paper sets out a strategic approach to strengthening Scotland's equality evidence base over the next four years. Several evidence gaps have been identified, such as race and ethnicity, age, disability, gender and pregnancy and maternity. The future actions include establishing priorities in the evidence gaps and considering the cost effective way to fill these gaps.
44. On 18 July, the Scottish Government launched a consultation on [the Socio-Economic Duty](#) (to be closed on 12 September). The duty asks particular public authorities (including local authorities and IJBs but not the Commission or Audit Scotland) to do more to tackle the inequalities of outcome caused by socio-economic disadvantage. The duty was included, at the UK level, in the Equality Act 2010 but has not yet been introduced in any part of the UK. The document invites views on the introduction of the duty, asking which public bodies should be subject to the duty and how they can demonstrate it is being implemented. Following the consultation, guidance will be developed later in the year.
45. On 20 July, [a City Region Deal for Edinburgh and the South East](#) was signed by the First Secretary of State, Damian Green; the Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown; and the Leader of the City of Edinburgh Council, Adam McVey. Up to £1 billion will be invested in the area, including £300 million from both the UK and Scottish Governments. £25 million will be invested to reduce skills shortages and gap in the region, £140 million to transport projects, £20 million for improvements at west Edinburgh area and £65 million to new housing development.
46. On 20 July, the Scottish Government launched a consultation on [Raising Standards and Improving the Quality of Road Works in Scotland](#) (to be closed on 12 October). The consultation seeks views on proposals for improvements to the regulation of road works in Scotland which includes taking forward the accepted recommendations of the 2016 independent review report of the office and functions of the Scottish Road Works Commissioner (SRWC). Proposals include measures to support improvements in quality of road work reinstatements, improvements in the availability of information and strengthening the SRWC's powers (e.g. new inspection functions). Some of the proposals

will feed into legislation later in this Parliament. It is not proposed to submit a response on behalf of the Commission.

47. On 24 July, the Scottish Government [announced](#) a further investment of £45 million through the Scottish Attainment Challenge for education initiatives and projects targeting Scotland's most deprived children. Previously, £20 million was allocated last academic year, and £11.7 million in the first year of the scheme. Nine local authorities as well as 72 primary and secondary schools in other areas will receive the funding in the next academic year. The breakdown by local authority is available [here](#).
48. On 25 July, the Scottish Government published [statistics on the Scottish Welfare Fund](#) covering 2016/17 and previous financial years dating back to 1 April 2013. The fund provides a safety net for some of the most vulnerable and disadvantaged people in Scotland through the provision of grants, which is delivered by local authorities. The statistics showed that, of the 254,000 households helped to 31 March 2017, almost 137,000 were single person households and more than 84,000 were families with children. During 2016/17, a total of £34.7 million was awarded through the Fund, representing 98% of the total available budget.
49. On 25 July, Housing Minister Kevin Stewart [announced](#) £8.6 million funding for 2017/18 to support hundreds of community led projects, including training/upskilling, employability advice and activities for young people. The People and Communities Fund is part of the Scottish Government's Empowering Communities Fund, underpinning the Community Empowerment Act.

### ***Scottish Parliament***

#### General:

50. On 21 June, SPICe published a briefing on [Local Government Finance: Facts and Figures, 2010-11 to 2017-18](#). The briefing provides statistical information and analysis on local government finance, including the local government settlement, Council Tax and Non-Domestic Rates income, and fees and charges for council services, over the period of 2010/11 and 2017/18. It found that from 2013/14 onwards, looking at truly comparable figures following the removal of police and fire services, local government's share of the Scottish Government budget has decreased from 36.7 per cent to 35.7 per cent.
51. On 30 June, the Scottish Parliament Budget Process Review Group published [its final report](#), proposing a revised parliamentary budget process. The report said that the budget process needs to be substantially revised to take account of Scotland's new financial powers and fiscal framework. It recommended the Scottish Government to adopt a more strategic approach to financial planning and Parliament to move to an "all year round approach" to scrutiny. The four core objectives the group recommends for the Parliament are: influencing the formulation of the budget; improving transparency and raising public understanding; responding to new fiscal and wider policy challenges; and measuring outputs and outcomes against benchmarks and stated objectives. It is expected that the Finance and Constitution Committee and Scottish Government will make joint recommendations to the Parliament for a new budget process after the summer recess. The joint response from the Commission, the Auditor General and Audit Scotland can be found [here](#).
52. On 6 July, SPICe published a briefing on [the performance of the Scottish Economy \(1<sup>st</sup> Quarter 2017\)](#). The paper summarised the latest GDP release from the Scottish Government: Scotland Gross Domestic Product 1st Quarter 2017. Scottish GDP increased by 0.5 per cent compared to 1.9 per cent in the UK as a whole, between the four quarters ending in Q1 2016 and the four quarters ending in Q1 2017. The production sector saw the largest quarterly growth of 3.1 per cent while construction growth dropped

by 0.7 per cent. Over the last five years, Scotland's GDP performance has been lower relative to the UK as a whole.

53. On 11 July, SPICe published a briefing on [Local Government Elections 2017: Composition of Councils](#). The paper provides analysis of the political make-up of councils following the local government elections held on 4 May 2017. No council has a majority administration. 12 councils are led by a minority administration (six SNP, six Labour), 17 are in a coalition, and the remaining three are led by Independent councillors.

#### Parliamentary Committees:

##### *Local Government and Communities Committee*

54. On 12 June, the Committee published [a summary](#) of the written submissions on the Committee's inquiry on City Region Deals (CRDs). It noted that [Audit Scotland's submission](#) "explains that their forthcoming performance audit of CRDs would cover all of the key areas the Committee highlighted in its call for views".
55. At its [meeting](#) on 14 June, the Committee took evidence on building regulations in Scotland from professional organisations and agreed to further consider the evidence received at a future meeting.
56. At its [meeting](#) on 21 June, the Committee took evidence on post-legislative scrutiny of the Disabled Persons' Parking Places (Scotland) Act 2009 from Humza Yousaf, Minister for Transport and the Islands, Scottish Government and others.
57. At the same meeting, the Committee also [agreed its future work programme](#), including the following topics:
- Post-legislative scrutiny of the High Hedges (Scotland) Act 2013
  - Post-legislative scrutiny of the Disabled Persons' Parking Places (Scotland) Act 2009
  - Building regulations in Scotland
  - The Housing (Amendment) (Scotland) Bill
  - City region deals
  - Common good property and funds
  - Non-domestic rates
  - Payments to returning officers
  - Scottish local government elections and voting
  - Homelessness
  - The Scottish Government's draft Budget 2018/19
  - Scrutiny of public bodies

The priorities include the future of local services, the planning system and empowering local communities. The scope of its ongoing scrutiny of building regulations in Scotland will be widened to include the safety aspect of these regulations, following the events at Grenfell Tower. The Committee will also take evidence biannually from the Accounts Commission on its financial overview and overview of local government in Scotland.

58. Following the Committee's session with the Accounts Commission on 31 May on its overview report, the Committee [wrote](#) to the Improvement Service to seek its views on which areas local authorities are learning from each other and sharing best practice in order to drive improvements. On 5 July, the Improvement Service [replied](#) to the Committee, which is also available on the members' extranet.

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

59. At its [meeting](#) on 1 June, the Committee took evidence on its post-legislative scrutiny of the National Fraud Initiative, from Audit Scotland (Russell Frith, Assistant Auditor General)

and other national audit bodies as well as councils. It also considered the Auditor General's March 2017 Major Capital Projects progress update.

60. At its [meeting](#) on 15 June, the Committee took evidence on the administration of the Scottish Income Rate of Income Tax 2015/16 from HMRC as well as Caroline Gardner, Auditor General and Mark Taylor, Assistant Director, Audit Scotland, agreeing to write to HMRC to follow up on issues raised in evidence and to close its consideration of this report. It also took evidence on the post-legislative scrutiny of the National Fraud Initiative, from the Scottish Government.
61. At its [meeting](#) on 22 June, the Committee took evidence on the Auditor General for Scotland's reports on the 2015/16 audit of Moray College and of Lews Castle College from colleges as well as Caroline Gardner, Auditor General and Audit Scotland (Mark MacPherson, Senior Manager, and Anne MacDonald, Senior Audit Manager). The Committee will continue its scrutiny of this issue.

#### *Finance and Constitution Committee*

62. At its [meeting](#) on 14 June, the Committee took evidence on the proposed Contingent Liability on the Scottish Government budget for the rental income guarantee scheme, from the Scottish Government. It also took evidence from academics on Brexit: Implications for the devolution settlement of any UK common frameworks (and again at its [meeting](#) on 21 June).
63. At its [meeting](#) on 28 June, the Committee took evidence on Brexit from Michael Russell, Minister for UK Negotiations on Scotland's Place in Europe and Scottish Government officials. It also agreed its work programme in private.
64. On 30 June, the Committee launched [a call for views on the Impact of Brexit on the Scottish Budget](#) (submissions to be received by 18 August). It seeks views on how Brexit might impact on the Scottish economy relative to the rest of the UK, and how that could impact upon Scotland's public finances and the 2018/19 Scottish Budget. It is not proposed to submit a response on behalf of the Commission, as Audit Scotland advises that there is no audit evidence available as yet.

#### *Others*

65. On 12 June, the Economy, Jobs and Fair Work Committee issued its call for views in relation to [an inquiry into the economic data](#) (the closing date is on 1 September). The inquiry will examine the accuracy, utility and comprehensibility of Scottish economic statistics, consider what data is required for effective delivery and scrutiny of policy; and recommend where any improvements might be made. In preparation, the SPICe commissioned a report for the Committee on the [Limitations and Strengths of Scottish Economic Statistics](#). It is not proposed to submit a response on behalf of the Commission.
66. On 15 June, the Health and Sport Committee launched [a call for evidence on the draft budget 2018-19](#), (submissions to be received by 26 July). It seeks views on whether the 2017/18 budget reflected the Government's priorities, where additional resources could be most effectively deployed, whether sufficient information is available for scrutiny, and if the integration of health and social care budgets achieved desired outcomes. The inquiry follows agreement last year that the Committee would adopt a full year budgeting approach, with its main report to be published in advance of the budget. The report will seek to inform budget decisions rather than comment on allocations. Audit Scotland has submitted a response (see **Appendix**).
67. On 20 June, the Commission for Parliamentary Reform published [the final report \(the summary](#) of the report) to reform the Scottish Parliament, following an eight month review. The reforms set out its aim to "maximise the capacity of the existing parliament...before



more radical proposals are considered". The report made 75 recommendations, including having committees with elected conveners which can sit at the same time as the main chamber; expanding the legislative process to five stages, rather than three; scrapping the requirement for questions to the First Minister to be published in advance; and establishing an Implementation Group to provide the necessary institutional impetus to deliver the report recommendations, which should be led by the Presiding Officer.

68. On 23 June, the Equalities and Human Rights Committee launched [a call for views on the gender split on public boards](#) to inform its scrutiny of the [Gender Representation on Public Boards Bill](#) (submissions to be received by 31 August). The Bill was introduced by the Cabinet Secretary for Communities, Social Security and Equalities, Angela Constance on 15 June. It is for an Act of the Scottish Parliament to make provision about gender representation on boards of Scottish public authorities, including the Accounts Commission. The Committee is specifically, interested in views on whether the Bill goes far enough (and whether other protected characteristics should be included), its potential impact, the reporting requirements and penalties for non-compliance. It is not proposed to submit a response on behalf of the Commission.
69. On 25 June, the Health and Sport Committee issued [a call for views](#) as part of phase two of its NHS Governance inquiry, focusing on clinical governance (submissions to be received by 9 August). The Committee is interested in whether services are safe and effective, if service users' perspectives are taken into account in planning and delivery, and whether there is confidence in the quality of services. It is not proposed to submit a response on behalf of the Commission.
70. On 26 June, the Economy, Jobs and Fair Work Committee published its report, [No Small Change: The Economic Potential of Closing the Gender Pay Gap](#) and [the summary of case studies](#). The report concluded that current estimates of a six per cent gender pay gap in Scotland underrepresents the real figure, recommending the Scottish Government to develop a range of indicators to measure the underlying causes of the gap and a comprehensive data set. It also advised that the Scottish Government build on the successes of the Modern Apprenticeship programme to create a new mechanism for people to return for work. The Committee called for care workers to receive more than the living wage to narrow the gap and encourage more men to work in the sector. The report is referenced in the draft report of the Commission's performance audit on equal pay, which it will be considering later in today's meeting.
71. On 30 June, the Social Security Committee issued [a call for views on the Social Security \(Scotland\) Bill](#) (submissions to be received by 23 August), to consider whether the principles set out in the Bill will result in the intended consequences. [The Bill](#) was introduced by the Cabinet Secretary for Communities, Social Security and Equalities, Angela Constance on 21 June. The Committee plans to take oral evidence on the bill in autumn and also to hold a workshop with those who have direct experience of social security. Alongside the main consultation, the Finance and Constitution Committee called for views on [the Financial Memorandum](#) by 16 August. It is not proposed to submit a response on behalf of the Commission, as Audit Scotland advises that the high level nature of the Bill means that there is little of value to add at this stage.
72. On 30 June, the Rural Economy and Connectivity Committee launched [a call for evidence](#) and [a survey](#) on [the Islands \(Scotland\) Bill](#) (to be closed on 25 September). The bill was introduced by the Cabinet Secretary for Rural Economy and Connectivity, Fergus Ewing, on 9 June. It intends to give island councils powers over activities on and around their coastlines, including creating a National Islands Plan, imposing duties on public authorities specifically in relation to island communities and increased flexibility around councillor representation within island communities. The committee will produce a report on the bill after it has concluded its evidence taking in autumn. It is not proposed to submit a response on behalf of the Commission, although the Commission will retain an interest

in the matters covered by the Bill, particularly in relation to any impact on our audit of Best Value.

## **Current activity and news in Scottish local government**

### **COSLA**

73. On 30 June, COSLA raised [concerns about the Scottish Government's education reforms](#), warning that they remove democratic accountability from the education system. Following a special council leaders meeting in Edinburgh, COSLA said: "Council leaders were clear today on two things: firstly that the removal of democratic accountability from Scottish education is not the answer to raising attainment; and secondly that we need the Scottish Government to listen to what local government has to offer".
74. On 30 June, Aberdeenshire Labour councillor, Alison Evison, was elected as [the 15th President of COSLA](#). She said: "I am determined to be a President that works for all of our membership in partnership with my Vice-President and spokespersons. The President of COSLA is still one of the best political jobs in Scotland and I intend giving it my all for the next five years." Councillor Graham Houston (SNP, Stirling) was appointed Vice-President.
75. On 12 July, COSLA [commented](#) on self-directed support (SDS), saying: "The scale of system and cultural change that SDS requires means authorities are having to make changes to finance, IT and commissioning systems and continue to run more traditional services for those who still want them, while at the same time shifting to personal budgets and more innovative forms of support. It also highlighted while the reduction of the Scottish Government funding create pressure across other local government services, councils and their stakeholders are delivering high-quality care, citing that the [2015/16 National Health and Care experience Survey](#) found that "81 per cent of people receiving social care rated it as excellent or good." The Commission and Auditor General's performance audit on this topic will be published on 24 August.

### **Improvement Service**

76. In June, the Improvement Service has been awarded three years funding from the Big Lottery Fund to provide [strategic support to CEDAR \(Children Experiencing Domestic Abuse Recovery\) groups](#) working in eight local authority areas across Scotland. Over the next three years, the Improvement Service will coordinate the [National CEDAR Network](#) in Scotland to share information, learning and resources. It will also provide strategic support to individual CEDAR groups to assist them to become more integrated and sustainable at local level, and help them to better measure and demonstrate their impact and deliver improved outcomes for children and young people affected by domestic abuse.
77. In June, the Improvement Service published a [briefing note on procurement](#) as part of an Elected Members Briefing Series. The report helps elected members understand why good procurement practice matters to local authorities and examine the ways in which it can help to address challenges faced by the public sector.
78. The Improvement Service is working on [extending access](#) to Scottish local government spatial data beyond members of the One Scotland Mapping agreement. The Spatial Hub has been set up to provide a single point of access to data from all of 32 local authorities in a consistent format. Under a hybrid licensing model, it is likely that anybody can use data free of charge for non-commercial reasons. The Improvement Service also takes on the quality assurance with the data, aiming to provide a space in which councils manage their spatial data for their own purposes and re-use by others.

### ***Individual councils***

79. On 20 June, [a learning summary from a Significant Case Review on Child C](#) was published by Dr Jacqueline Mok on behalf of Fife Child Protection Committee. The review highlighted "missed opportunities across services to intervene and provide support to the family" while pointing out "the manipulative and devious nature of the mother and her partner hindered this (the intervention and prevention) from happening". The review presented the findings, learning points and recommendations. It also noted a number of changes which have been made since then, including standardising the multi-agency approach across all relevant agencies and services and expanding staff capacity and training opportunity.
80. Seven councils in the north of Scotland (Aberdeen City Council, Aberdeenshire Council, Angus Council, Argyll and Bute Council, Comhairle nan Eilean Siar, Highland Council and Moray Council) are establishing [a Northern Roads Collaboration Joint Committee](#) to collaboratively improve their roads network. Aberdeenshire Council will take the role of lead authority for the first year of the Joint Committee. It is planned to meet at least quarterly and will be an addition to the councils' respective transport committees. The first meeting is expected to be held at the end of the summer.
81. On 5 July, the UK Government [confirmed](#) that it will close ten Jobcentres across Scotland, including [six in Glasgow](#). Offices in Castlemilk and Cambuslang are no longer due to close, following consultation. A further 11 DWP offices in Scotland will also close. A full [response](#) from the UK Government to the consultation is available.
82. On 13 July, the UK government announced plans to create [a centre of excellence for public services in Edinburgh](#). It is expected that 2,900 civil servants will move into the city centre premises in 2020, as part of the UK government's commitment to building a strong Civil Service outside London.
83. On 29 June, City of Edinburgh Council [agreed](#) to call for a report on the steps that need to be taken to implement a city-wide Rent Pressure Zone to limit increases in high rents in the private rented sector in the City. The Lothian region [saw](#) the average rents of two bedroom properties increase around by 25 per cent between 2010 and 2015. Councils were given new rent control powers under the Private Housing (Tenancies) Scotland Act 2016, providing the opportunity to apply to the Scottish Government to place a cap on rent increases in pressure zones.

### ***By-elections***

84. There has been [one by-election result](#) since my last report. On 13 July, Conservative candidate Maria McLean gained a seat for the Elgin City North ward of The Moray Council, following the resignation of Independent Councillor Sandy Cooper, after public accusations of bribery.

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

### ***Education Scotland***

85. On 12 June, Education Scotland published a new framework ["Applying Nurture as a Whole School Approach"](#) to support practitioners as they self-evaluate their nurturing approaches. The framework was developed in partnership with eight local authorities across Scotland. It describes features of highly-effective practice from a nurturing perspective and provides a range of practical tools including school environment observation schedules.



### ***Care Inspectorate***

86. On 26 June, the Care Inspectorate provided [an update on its joint inspections of integrated health and social care](#) with Healthcare Improvement Scotland. From 2017/18, the two organisations have a joint responsibility in law to inspect the quality of strategic commissioning. A new methodology has been developed, focusing on three key areas, performance, how services are planned and commissioned, and leadership. In 2017/18, this new approach will be applied in three local areas. Further information will be published soon.
87. On 6 July, the Care Inspectorate launched [a call for views on its new corporate plan \(2018-22\)](#). The plan, which will set out its strategic aims over the next few years, will be shaped by stakeholders' views and feedback.

### ***Healthcare Improvement Scotland (HIS)***

88. On 14 July, HIS published its [workforce and development plan 2017-2020](#). The plan is aligned to support the delivery of HIS's three year Corporate Strategy and sets out the current workforce profile, identifies the workforce profile required to achieve the Corporate Strategy and Operational Plan and identifies the workforce priorities for action to meet the proposed service changes required to achieve its objectives.

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

89. On 29 June, the SPSO published its first [Scottish Welfare Fund Independent Review Service annual report 2016-17](#). The SPSO took on a new responsibility as independent reviewer for Scottish Welfare Fund applications from April 2016. Overall, the SPSO helped 1,078 people and handled 437 reviews. Common findings related to council's poor communication with applicants and the statutory guidance not being followed correctly. The SPSO wrote to each council that received decisions to advise their annual performance, which are available [here](#).
90. The SPSO's [newsletter – July](#) 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 will be considered in the September FAAC meeting.

### ***Commissioner for Ethical Standards in Public Life in Scotland***

91. Since my last report, the Commissioner published four decisions on complaints relating to councillors. The Commissioner decided that all the following individuals did not breach the Councillors' Code of Conduct.
- Councillors Gordon Murray, Charlie Nicolson, Catherine MacDonald, Angus Morrison, Donald Crichton, Iain Mackenzie and John Mackay, [Western Isles Council](#)
  - Councillor Tom Gray, [Perth and Kinross Council](#)
  - Former councillor Allan Wright and Former councillor Douglas Ross, [Moray Council](#)
  - Councillor Stephen McCabe, [Inverclyde Council](#).

### ***Standards Commission for Scotland***

92. There have been five hearings by the Standards Commission for Scotland since my last report:

- At a [hearing](#) on 17 and 19 May and 8 June, the Commission determined that councillor Cameron Rose and former councillor Jeremy Balfour of Edinburgh Council had not breached the Councillors' Code of Conduct. The panel found that whilst it was regrettable that the councillors had been discourteous and disrespectful by publicly identifying five Council officials at a committee meeting, this did not constitute a breach of the Code of Conduct in light of the application of the enhanced protection enjoyed by councillors to the right to freedom of expression.
- At a [hearing](#) on 24 May, the Commission censured former councillor Angela Moohan of West Lothian Council, for failing to register and declare interests in her remunerated employment in a private company limited by guarantee at the council's meetings.
- At a [hearing](#) on 5 June, the Commission censured former councillor Marina Lyle of North Lanarkshire Council, for failing to include in her Register of Interests a property in Motherwell, despite having become a part owner of the property in 2012.
- At a [hearing](#) on 21 June, the Commission suspended councillor Alexander Duncan of Aberdeenshire Council for six months, for acting inappropriately in using his council facilities to send the email and using his position to seek preferential treatment in the committee's planning decision.
- At a [hearing](#) on 11 July, the Commission censured former councillor Jim Orr of City of Edinburgh Council, for failing to treat his colleague with courtesy and respect, making personal attacks and accusations.

93. The Standards Commission for Scotland's [quarterly profession briefing \(June\)](#) included a plan to hold four regional roadshows for elected members on the Councillors' Code of Conduct in Inverness, Ayr, Glasgow and Edinburgh in the last half of the year and also provides highlights from the recent hearings.

### ***Other***

94. On 27 June, [Daren Fitzhenry](#) was nominated as the new Scottish information commissioner by the Scottish Parliament, which must be approved by the Queen. Fitzhenry is currently a senior legal officer in the RAF legal branch and will succeed Rosemary Agnew who held the position until April 2017.

### **UK Government**

95. On 26 July, the UK Government published the [UK Plan for Tackling Roadside Nitrogen Dioxide Concentrations](#), several days before a High Court deadline of 31 July. The document sets out how the Government intends to meet its legal requirements to reduce nitrogen dioxide, and will apply to all the nations across the UK. The Government still intends to publish a comprehensive Clean Air Strategy next year, which will seek to address other sources of air pollution.

### **UK Parliament**

96. The UK Parliament is in summer recess till 4 September 2017.

### **Other UK Audit Bodies**

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

97. On 4 July, the NAO published a [review](#) of HM Treasury's economic analysis in the lead-up to the EU referendum. HM Treasury published two reports, analysing the potential economic impact of leaving the EU. The NAO paper provides background on how HM

Treasury's created its analysis, and puts that analysis in context with others published at a similar time.

98. On 7 July, the NAO published a report, [Progress in setting up combined authorities](#). The report stated that the introduction of combined authorities has added further complexity to England's already complicated local government arrangements and the evidence that investment, decision-making and oversight at this sub national level is linked to improved local economic outcomes is mixed and inconclusive. Also it found that there is a risk that local councillors will have limited capacity for the overview and scrutiny of combined authorities. The NAO recommended that the Department should continue to work with combined authorities to develop their plans for assessing their impact, including demonstrating the value they add.

#### ***Wales Audit Office (WAO)***

99. On 14 July, the WAO published a report, [Savings Planning in Councils in Wales](#). It concluded that medium-term financial planning in councils is generally effective, but shortcomings in savings planning present a risk that some councils will not achieve the savings they need to make.

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

100. On 6 July, the Northern Ireland Audit Office published a [Local Government Annual Report 2017](#). The report includes the audit of 2015/16 local government body accounts, including 11 councils, as well as assessment of the councils' performance improvement responsibilities for 2016/17. Noting that this was the first year in which councils were required to implement the statutory performance improvement framework, it commented that it was too early for them to demonstrate the extent to which improvements were being made.

#### **Other general**

101. In June, the PwC published [its annual local government survey 2017 report](#), "The local state we're in". The report acknowledges councils have coped well in the face of this uncertainty in the short term. Also, it highlights concerns about the longer term remaining high and the scale of the challenge ahead being significant. Capacity and capability gaps remain and there are specific gaps around data and analytics capabilities. Going forward, the report identifies six key challenges councils need to respond to, stating that, "There is a growing focus on partnership working in order to deliver place based growth and public service reform".
102. On 27 June, the Joseph Rowntree Foundation published a briefing [on Inclusive Growth and City Deals](#). The briefing explores the technical, practical and political issues at stake. It recognises that City Deals have been designed to support economic growth in urban settings across the UK. It highlights that such deals, which position city-regions as potential growth engines, raise questions as to whether inclusive growth objectives will be supported or constrained.
103. On 4 July, the Local Government Association published a report, [Growing places: building local public services for the future](#). The body comprises local authorities in England and Wales. The paper recognised the challenges local government is facing in a changing world and called for more focus on early prevention, asking the UK government to work together with them.
104. On 5 July, the Nuffield Trust published [Learning from Scotland's NHS](#). The report warns that the Scottish NHS is facing "a serious financial predicament". It acknowledges the twin difficulties of health inequalities and remote areas in Scotland. The report also characterises the Scottish system as "engaging the altruistic professional motivations of

frontline staff” and using a “less formal approach” than a larger country might require. It states that the health services of the other countries could learn lessons from the Scottish equivalent.

105. On 6 July, CIPFA published a report, [Building financial resilience](#). The paper identifies five symptoms of stress found in authorities, such as a lack of medium-term financial planning and a growing tendency for departments to have unplanned overspends and/or carrying forward undelivered saving into the following year. To manage financial stress, four pillars of resilience are highlighted, which are getting routine financial management right; making use of benchmarking data; having clear plans for delivering savings; and managing reserves.
106. On 13 July, the International Federation of Accountants (IFAC) and CIPFA announced the launch of [a Public Finance Accountability Index](#). It sets out to encourage public financial management reform around the world and is the first to give an accurate global picture of the quality of financial reporting. It will demonstrate the extent to which International Public Sector Accounting Standards have been adopted. The main output will be a regularly updated country-by-country public database. It will initially focus on central government, and expand over time to include state/provincial and local government.
107. On 18 July, PwC published a report, [UK Economic Outlook July 2017](#). According to the report, while UK economic growth held up better than expected in the six months following the Brexit vote, it slowed in the first half of 2017 as inflation rose sharply. It stated that Scotland GDP would see 1.2 per cent growth in 2017 and 1.1 per cent in 2018, compared to UK GDP growth of 1.5 per cent in 2017 and 1.4 per cent in 2018. It also identified a year-on-year decline in house purchases. With uncertainty continuing, PwC found four Scottish council areas (Inverclyde, East Ayrshire, North Ayrshire and West Dunbartonshire) have experienced the highest price decline in house prices when compared to UK counterparts.
108. On 28 July, the Local Government Association published a report, [Beyond Brexit](#). It presented an analysis of a number of options which aim to inform the design and delivery of the UK Shared Prosperity Fund, calling on the UK Government to grant councils the £8.4 billion they were due from the European Structural Investment Fund between 2014 and 2020.

## **Conclusion**

109. The Commission is invited to:
  - a) consider and note this report
  - b) endorse the various proposals in relation to ongoing consultation exercises by Scottish Parliamentary committees and the Scottish Government.
  - c) in particular, to endorse the Audit Scotland response to the Parliament Health and Sport Committee’s a call for evidence on the draft budget 2018-19 (paragraph 66).

**Paul Reilly**  
**Secretary to the Commission**  
**2 August 2017**

## **Health and Sport Committee: Consideration of the draft budget 2018/19**

### **Response from the Audit Scotland, June 2017**

1. Audit Scotland welcomes the opportunity to respond to the Health & Sport Committee's call for views on the budget for 2018/19. You set a number of specific questions for consideration and while it would not be appropriate for us to respond to all of those questions, we clearly have an interest in your question:

**Is sufficient information available to support scrutiny of the Scottish Government's health and sport budget? If not, what additional information would help support budget scrutiny?**

2. In July 2013, we published our report *Developing Financial Reporting in Scotland*, available [here](#). In this report we highlighted that publically reported information on the devolved Scottish public sector's assets and liabilities is important for accountability and decision-making.
3. Accurate and robust financial information is a cornerstone of the good management of public services and finances. The provision of comprehensive, reliable and transparent financial information by public bodies can help support decision-making; provide accountability by, for example, by allowing the Parliament to understand the rationale for decisions and to hold to account those responsible for the use of public funds; and generate public and other stakeholder confidence in the sustainability of public services.
4. In our report we identified that there is scope for the Scottish Government to further develop its financial reporting to make it more comprehensive and transparent. While the Scottish Government and other public sector bodies produce audited accounts, they do so individually. It would require the consolidation of over 100 sets of accounts, with appropriate adjustments for transactions between public bodies, to determine the assets and liabilities of the devolved Scottish public sector as a whole.
5. More recently, we published our report *Scotland's New Financial Powers: Key Issues for the Scottish Public Finances*, available [here](#). In this report we reiterated that 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 in our democratic system of government. As the Scottish Government implements the new financial 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.
6. In terms of specifics in relation to the health and sport budget, it could be made more meaningful by disclosing further information such as how the funding to health boards is allocated across the boards rather than simply split between special and territorial boards. Some areas are amalgamated to make the health budget more manageable, however a more detailed breakdown would help in making budget transfers between revisions clearer,

for example the funding for nursing and midwifery education which is transferred from the Health and Sport budget to the Education budget at the Autumn Budget Revision.

7. In addition, the Scottish Government receives budget/Barnett consequentials in year from UK budget announcements for which there is a Scotland element. The Scottish Government has a policy that all consequentials will be passed to the health budget, but it may choose to hold some budget back for contingency. The budget documents show where a budget transfer has been funded by a consequential, but the budget documents do not show all consequentials received in year and what has been spent and what has been saved for contingency.
8. In general, it would be beneficial for longer term financial targets to be set for Health Boards to help with a more strategic approach to planning for services and budgeting. The increasing role of integration authorities is fundamentally changing the way resources are used across health and social care, including a focus on localities. This increasing complexity means comprehensive, reliable and transparent financial information is even more crucial to support decision-making, provide public accountability and trust in the decisions of government.
9. The Committee may be interested to note that we plan to look at Managing Continued Devolution of Fiscal Powers in our 2018/19 audit programme which continues a series of reports looking at the devolution of new financial powers. We plan to publish this in spring 2018 on behalf of the Auditor General.
10. It may also be useful to note our continuing interest in health and social care as reflected in our [work programme](#). Our forthcoming second audit of health and social care integration will follow up the [emerging risks highlighted in our 2015 report](#), including: governance arrangements, budget-setting and strategic planning. We are currently carrying out an audit of children's mental health services, and we will examine spend, outcomes, and issues relating to transitions into adult mental health care. Our annual NHS in Scotland report will comment on the financial performance of the NHS in Scotland in 2016/17, performance against national targets, progress with health and social care integration, developments in public health and realistic medicine and how well the NHS is adapting for the future.



**MEETING: 10 AUGUST 2017**

**REPORT BY: SECRETARY TO THE COMMISSION**

**MEETING ARRANGEMENTS 2018**

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### **Purpose**

1. The purpose of this report is to propose meeting arrangements for the Commission for 2018.

### **Background**

2. The Commission has in its Strategy a commitment to continuously improve how it does its business and to consider how it can manage better its business.
3. This paper seeks the Commission's approval of a schedule of meetings for 2018. It also reviews aspects of how the Commission conducts its business.

### **Summary proposal**

4. The Commission has in place an approach to meeting which has the following features:
  - 11 monthly Commission meetings, with a break in July.
  - Meetings generally on the second Thursday of every month.
  - Meetings start at 10.15am, preceded by an informal private business session at 9.30am.
  - Quarterly committee meetings, with two optional dates (see paragraph 9 below) in late spring and autumn.
  - Committees meet on the same day, with the Financial Audit and Assurance Committee meeting at 10.00am and the Performance Audit Committee starting at 2.00pm.
  - A guest speaker session during committee meeting days.
5. The attached Appendix proposes a schedule of meetings for 2018. This follows the same approach as last year, but with one proposed modification. Last year the Commission did not meet in January, although it was agreed to retain the January slot as an 'optional' date, to be used if business requires, in much the same fashion as is currently used for the two optional Commission committee meeting dates. This year, planned business will require a meeting in January.

### **Conducting our business**

6. The Commission has progressed a number of aspects of its meeting arrangements in recent years, including improvements to the agenda style; scheduling a members' private business session; holding a meeting of its committees in the Audit Scotland office in Glasgow; and improvements to its physical venue arrangements such as introducing enhanced acoustics for those attending meetings.

7. It is proposed that in future the September meeting of the committees be held in Glasgow. (Members have already agreed that this year's committee meetings - on 28 September – will be held in Glasgow.)
8. The Commission is asked to consider if there is anything else in its current meeting arrangements that it would like to review.

### **Committee days**

9. The Commission's committees meet quarterly. This year, in addition, there were two optional dates identified, in June and August 2017. The Financial Audit and Assurance Committee met in June and both committees are meeting in August.
10. I have consulted with Audit Scotland colleagues who have indicated that they are comfortable with this arrangement for next year. I therefore propose the same arrangement for 2018.
11. This year the Commission has also continued the practice of its committees meeting on the same day. It has also continued the practice of having a guest speaker. It is proposed that this practice continue.
12. Commission members previously expressed the desire for a series of statutory council officers to feature as guest speakers on committee days. We have used this slot in recent years to hear from, amongst others, representatives of various local government commissioners such as Ethical Standards Commissioner, Information Commissioner and Ombudsman, and local government statutory officers. Most recently, the series has been:
  - February 2016: Mike Ash, Chair, East Lothian Health and Social Care Partnership (and a former member of the Commission) and David Williams, Chief Officer, Glasgow Health and Social Care Partnership.
  - April 2016: Derek Yule, Director of Finance, Highland Council.
  - February 2017: Michelle Miller, Chief Social Work Officer, Edinburgh City Council.
13. There were no speakers in April and June 2017.
14. The Chair proposes that for the next two committee days in September and November, we invite a representative from chief education officers and from the third sector respectively.
15. The Commission's views are sought on this proposal and for the four committee dates in 2018.

### **Strategy seminars**

16. In considering the proposed schedule, the Commission should also consider the scheduling of its annual strategy seminar. Commission members will be aware of the progress made in improving the Commission's planning process, to ensure a clear feed through to other processes such as the Commission's own strategy and annual plan, work programme development, audit scheduling, and Audit Scotland's own corporate planning process. Accordingly, holding the Strategy Seminar during March of each year would seem the desired approach. It is therefore proposed that the annual strategy seminar take place on 13 and 14 March. If the Commission is agreeable, then detailed arrangements will be made and reported to the Commission.
17. Further, in line with Commission's desire for a complementary half-yearly event, it is proposed that this event take place on the afternoon of 12 September 2018.



## **Conclusion**

18. The Commission is invited:

- To consider the proposed schedule for meetings of the Commission and its committees in 2018, and in particular:
  - To schedule a January 2018 meeting
  - To retain the two optional committee dates
  - To schedule the strategy seminar and mid-year strategy seminar as proposed in paragraph 16
  - Until further notice, to schedule the September committee meetings in Glasgow.
- To comment on any issues around meeting arrangements, as set out in paragraph 6, and any other related issues.
- If minded to retain a speaker session during committee days, consider the proposal for speakers for the remainder of 2017 (set out in paragraph 14) and suggest a schedule of speakers for 2018; and
- To consider the proposal that the annual strategy seminar take place on 13 and 14 March 2018 and the mid-year seminar on 12 September 2018.

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**2 August 2017**

## **APPENDIX**

### **ACCOUNTS COMMISSION MEETING SCHEDULE 2018**

11 January	Accounts Commission
8 February	Accounts Commission
22 February	Committees
8 March	Accounts Commission
13 & 14 March	Strategy Seminar
12 April	Accounts Commission
26 April	Committees
10 May	Accounts Commission
7 June	Accounts Commission
14 June	Committees (optional date –only if business requires)
9 August	Accounts Commission
23 August	Committees (optional date –only if business requires)
12 September	Mid-Year Strategy Seminar
13 September	Accounts Commission
27 September	Committees
11 October	Accounts Commission
8 November	Accounts Commission
22 November	Committees
6 December	Accounts Commission

#### **Proposed ‘committee day’ arrangements:**

10.00am – 12.00pm: Financial Audit and Assurance Committee

12.15pm – 12.45pm: Lunch

12.45pm – 1.45pm: Visiting speaker

2.00pm – 4.00pm: Performance Audit Committee

**MEETING: 10 AUGUST 2017****REPORT BY: ASSISTANT AUDITOR GENERAL****ANNUAL AUDIT QUALITY REPORT**

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**Purpose**

1. This report presents the Audit Quality Report 2016/17 to the Accounts Commission to provide assurance that the work of appointed auditors has been of the high quality expected.
2. The Commission appoints external auditors, either firms or Audit Scotland staff, to local government bodies. It also receives statutory reports from the Controller of Audit and commissions performance audits where it has direct input in agreeing the scope of the work and reviewing draft reports. Commission members acting as project sponsors input to performance audit work as it progresses.

**Background**

3. Audit Scotland's Corporate Quality Framework requires the annual publication of a Transparency and Quality Report. This report currently forms part of the overall framework of assurances provided annually by management to those charged with governance and provides assurance to the commissioners of audit work ie the Accounts Commission and the Auditor General. The report was approved by Audit Scotland Board on 6 June 2017. It has been renamed the Audit Quality report this year to better reflect the focus of the report and it was published it in June alongside Audit Scotland's Annual Report and Accounts and other annual reports.
4. Elaine Boyd, Assistant Director, Audit Strategy, is leading a review of audit quality arrangements as discussed at the Accounts Commission meeting on 6 June. The purpose of the review is to ensure that robust systems are in place to support the new Code of Audit Practice and audit appointments, improve audit quality and provide assurance to internal and external stakeholders. The review covers financial, best value and performance audit, including the work of the firms. We are developing performance indicators to enable us to measure audit quality to help drive continuous improvement and consistency in audit work. This will lead to a revised quality framework including changes to the information that we collect and therefore further changes to annual audit quality reporting.
5. At its June meeting, the Commission agreed that the Financial Audit and Assurance Committee provide further oversight of the review with a view to further consideration and sign-off by the Commission in the Autumn, including the matters above. Further discussion will therefore take place at the Financial Audit and Assurance Committee meeting on 24 August.

**The report**

6. The report has been comprehensively revised this year based on emerging findings from the review of quality arrangements. It remains a transition year, and further changes are expected in next year's report, which will be the first to report on the new audit appointments.

7. The report has been written to comply, as much as is possible in the context of public sector audit, with the [Transparency Instrument](#). This was published by the Financial Reporting Council in 2008. It gives effect to the Statutory Audit Directive, which introduced a mandatory requirement for annual transparency reporting by auditors of UK companies with securities admitted to trading on a UK regulated market. Although the directive does not apply to public sector audit, we publish an equivalent report containing all the content except that which clearly does not apply (such as “a list of public interest entities in respect of which an audit report has been made by the transparency reporting auditor as a list of audit clients traded on a UK regulated market”).
8. The report’s key messages are that:
  - Audit Scotland teams and the appointed firms have effective audit quality arrangements
  - Appraisal work has shown that high quality audits are being delivered
  - Audit Scotland is revising how it appraises and reports on audit quality
  - International comparisons with other audit agencies and institutions commissioned as part of the review of audit quality arrangements shows that we are starting from a good base
  - Audit Scotland will develop its internal information systems to support improved audit quality indicators
  - Audits are focused on the right areas.

## **Conclusion**

9. The Commission is asked to:
  - a) Note the positive assurance presented in the report.
  - b) Note that the ongoing review of quality arrangements – in which the Financial Audit and Assurance Committee will be taking forward the Commission’s interest in the immediate term – includes development of quality reporting arrangements.
  - c) Notwithstanding this, provide feedback on the report.

**Russell Frith**  
**Assistant Auditor General**  
**28 July 2017**

# Audit quality

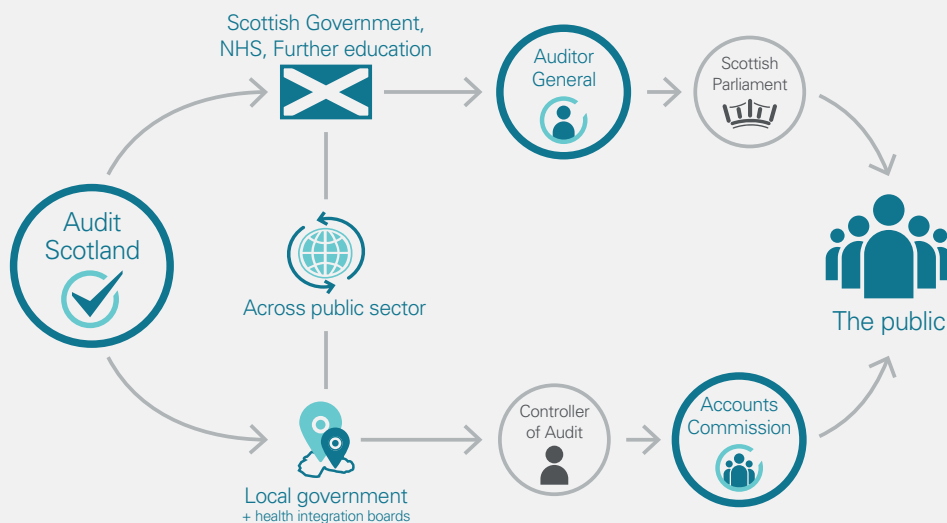
Annual report 2016/17



# Who we are

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

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



## About us

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

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

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

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# Key messages

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- 1** Audit Scotland teams and the appointed firms have effective audit quality arrangements.
- 2** Our appraisal work has shown that high-quality audits are being delivered.
- 3** We are revising how we appraise and report on audit quality.
- 4** We know from international comparisons with other audit agencies and institutions that we are starting from a good base.
- 5** We will develop our internal information systems to support improved audit quality indicators.
- 6** We are focussing our audits on the right areas.



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# Foreword

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Quality is at the core of what we do and is the foundation for building consistency and confidence across all of our audit work. We ensure that auditors carry out high-quality audit work with robust quality arrangements that lead to improvements and build stakeholder confidence.

We manage the appointment of financial auditors on behalf of the Auditor General and the Accounts Commission. And we also make sure that the appointed auditors and Audit Scotland staff working on performance audits and Best Value audits are doing high-quality audit work.

Audit quality is more important than ever. The Scottish Commission for Public Audit (SCPA), a commission of the Scottish Parliament that approves our budget, recognises our commitment to maintaining the quality of audit in the context of the significant cost reductions that we obtained in the last audit procurement exercise. We are enhancing our quality appraisal arrangements and putting in additional resource to ensure that the competitive fees that we obtained in the procurement round will continue to deliver high-quality audits.

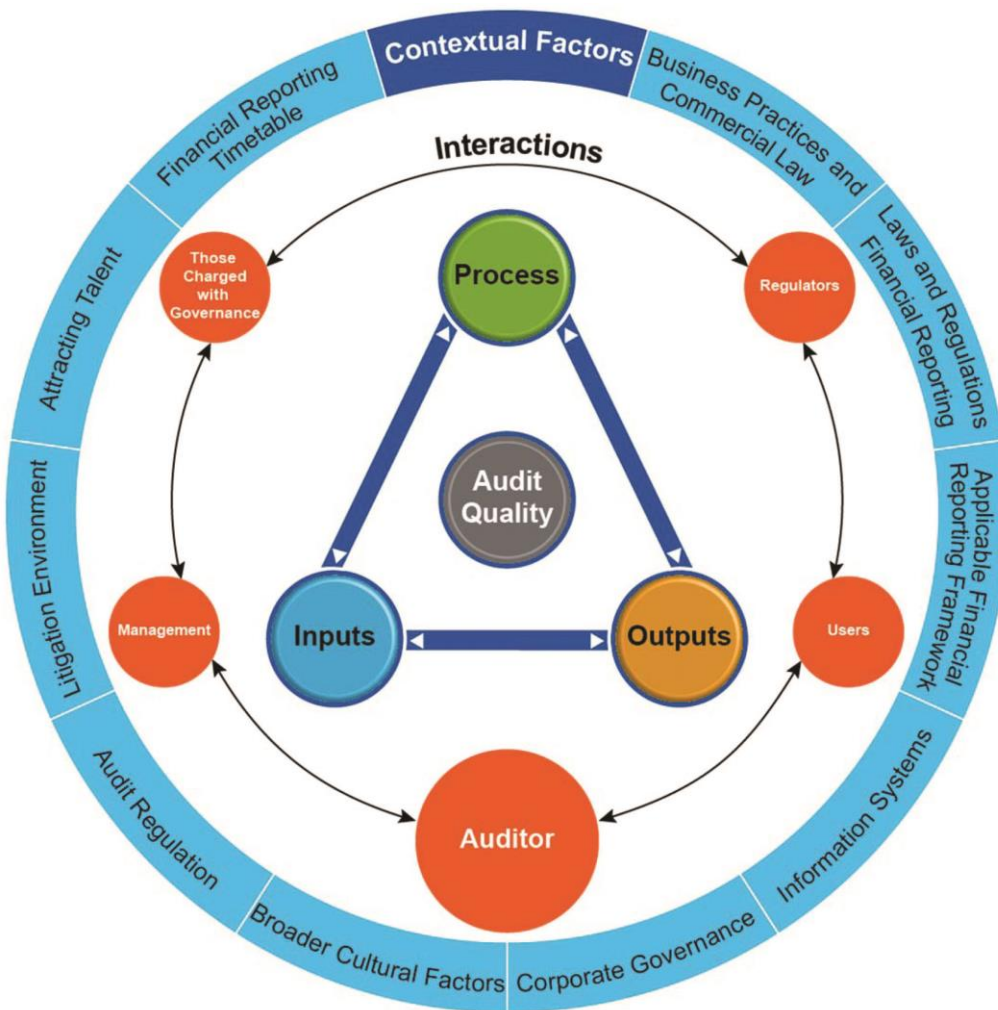
Although there is currently no common approach to measuring audit quality, increasing consideration is being given around the world to the quality of an audit and what audit quality means, how it could be defined and how it could be measured. We have been appraising audit quality using a variety of measures for a number of years. However we recognise that we can improve. That is why we have invested in a project to review the audit quality appraisal arrangements that we describe on [page 23](#).

This report on audit quality has been prepared to meet the principles of the [Statutory Auditors \(Transparency\) Instrument 2008](#). Although the requirements of the instrument do not apply to our work, we choose to produce our own report to comply with best practice, and provide explicit assurance to the Auditor General and the Accounts Commission on the quality of audit work commissioned and performed on their behalf.

Audit Scotland has designed and implemented effective audit quality arrangements to ensure high-quality audit work for the period 1 April 2016 to 31 March 2017. The results of our internal and external work on audit quality provide assurance that audit work carried out for the Auditor General and the Accounts Commission is high quality and also highlight areas where we may benefit from improvement.

# Introduction

Our audit quality framework is based on the International Auditing and Assurance Standards Board's (IAASB) Framework for Audit Quality. The framework provides the foundation for achieving consistency in audit quality and applies to all audit work.



Source: *A Framework for Audit Quality*, 2014, International Auditing and Assurance Standards Board

In this report, we set out the inputs, the processes, and the outputs that we have in place for all our audit work. We describe in the [Appendix \(page 25\)](#) our corporate structure, our finances, and who we audit.

# Inputs

## Values, Ethics and Attitudes

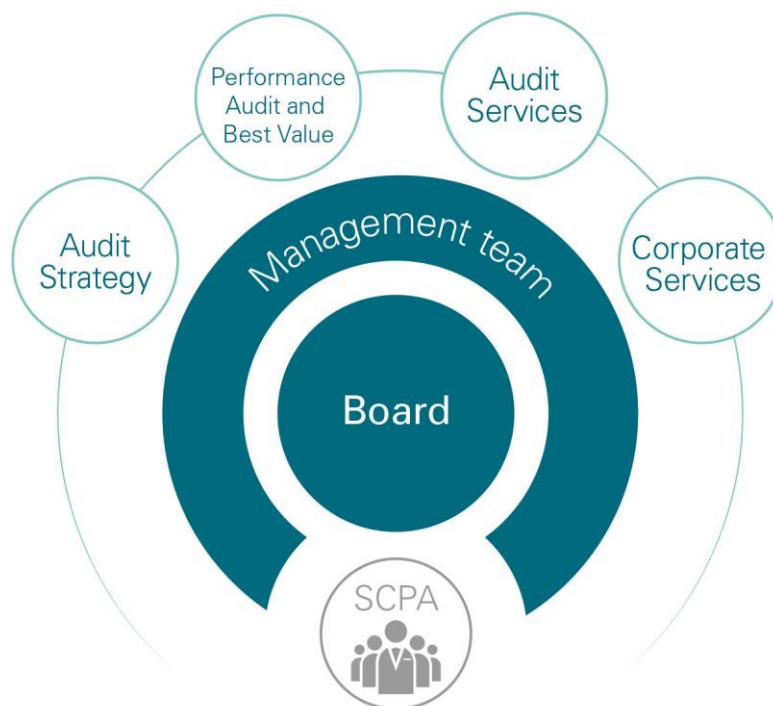
### Independence

Auditors' independence and freedom from influence from the bodies they audit is an essential element of high-quality audit. Scottish public sector bodies do not have the power to appoint their own auditors. The Auditor General and Accounts Commission appoint auditors to carry out the statutory financial audits of Scottish public sector bodies. These auditors are a mixture of Audit Scotland staff and some of the top UK audit firms. This independent appointment process is a unique feature of public sector audit and helps to ensure the auditors' independence from the bodies they audit. Appointed auditors apply their professional expertise to conduct their audits and report their findings in public.

Audit Scotland staff carry out performance and Best Value audits.

We consult widely to set our [work programme](#), but the statutory responsibilities for the programme rest solely with the Auditor General and Accounts Commission.

### Responsibilities



The Audit Scotland Board is responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves.

Audit Scotland's management team oversees the day-to-day operations of Audit Scotland's work, with each member taking responsibility for a specific area. Further details on the composition of the board and management team are set out in the [Appendix \(page 25\)](#).

Fiona Kordiak, the Director of Audit Services Group (ASG) is responsible for Audit Scotland's audit quality arrangements for financial audits. Fiona is supported by the Professional Standards and Quality Improvement Group which is managed by a full time senior manager and led by an Assistant Director.

Each appointed firm has its own arrangements for ensuring audit quality. Their arrangements vary but are all consistent with International Standard of Quality Control 1. Further information about their audit quality arrangements can be found in their Transparency reports.



Fraser McKinlay, the Director of Performance Audit and Best Value and Controller of Audit is responsible for the audit quality arrangements for performance audits and Best Value audits. Fraser is supported by the Performance Audit and Best Value Quality Group.

Russell Frith, the Assistant Auditor General is responsible for coordinating the quality appraisal of all the audit work carried out for the Auditor General and Accounts Commission. Russell is supported by the Audit Strategy team and a corporate quality group with membership from the Professional Standards and Quality Improvement Group and the Performance Audit and Best Value Quality Group.

## Ethics

We have a rigorous process to ensure that our auditors comply with the Financial Reporting Council's Ethical Standard to avoid any actual or perceived conflicts of interest. We consider potential conflicts of interest when making recommendations for appointment, and also when approving non-audit work requests by the firms.

We require all our staff to complete and submit an annual Fit and Proper form. Staff are personally responsible for declaring any potential conflicts of interests. As part of this process they must confirm they have read relevant policy documents and are up to date with their professional training. We use their responses to put in place any necessary safeguards, such as removing someone from an audit.

We carried out a procurement exercise on behalf of the Auditor General and the Accounts Commission during 2016 to select auditors to appoint to all our audits. This process included rotating auditors, primarily between firms and Audit Scotland auditors. Where the audit firm or in house provider was not rotated, the teams on the audit were rotated based on the Ethical Standard's long association requirements.

## Non-audit work

Audit Scotland staff do not conduct any non-audit work for bodies which we audit. When secondment opportunities arise, these are considered by the Ethics Partner to ensure that they do not create any conflicts of interest.

The appointed firms carry out some non-audit work for the bodies they audit. Firms explain how the work complies with the FRC's Ethical Standard and what safeguards they plan to put in place before obtaining clearance to do the work from Audit Strategy. A small number of requests for non-audit work during 2016/17 were approved, none of which created an actual or perceived threat to the independence of the auditor.

## Knowledge, Experience and Time

Our most important assets are our staff. Having the right staff, allocating the right time to audits and providing the right training are critical to delivering high-quality audit work.

We have introduced more collaborative working for Best Value audit work under the new Code of Audit Practice. All appointed auditors are now more clearly covering their Best Value responsibility through the annual audit. Auditors are working collaboratively with Audit Scotland staff on the periodic Best Value Assurance reports.

### Staff survey

We conducted a staff survey this year to better understand how our staff see us as a place to work. We used three questions that are reported by all the major UK audit firms. We also include the results of the firms' own staff surveys that they report in their Transparency reports to show the views held across all auditors involved in Scottish public sector audit. These questions provide an insight into how our own staff and those of the appointed firms view how well they are supported to provide high-quality audit work.

	Audit Scotland	Grant Thornton	Deloitte	KPMG	PWC <sup>1</sup>
I am encouraged to perform a high-quality audit	92% positive 6% neutral 2% negative	92% positive 4% neutral 4% negative	86% positive 11% neutral 3% negative	86% positive	90% positive
The time and resources available to me enables the delivery of a high-quality audit	63% positive 17% neutral 20% negative	33% positive 15% neutral 52% negative	40% positive 23% neutral 37% negative	85% positive	57% positive
The training and development I receive enables the delivery of a quality audit	62% positive 21% neutral 17% negative	65% positive 14% neutral 21% negative	64% positive 23% neutral 13% negative	67% positive	74% positive

Note: 1. PwC reported the result as a number out of 5. We converted this to a percentage to increase comparability with other firms' results.

The results show that there is a strong culture of support for performing high-quality audit across all auditors. The time available to auditors across the profession shows a mixed picture. Staff are broadly positive about the adequacy of training but we recognise that there is more that we can do, and this is being picked up as part of the review of audit quality arrangements.

## Qualifications

We ensure that our staff are appropriately qualified. 85% of our staff working in financial audit are either CCAB or CIMA qualified or in training for a CCAB qualification. A further 12% have other accounting or IT qualifications.

Our staff working on performance audits and Best Value audits have a variety of audit and research-related qualifications, all of which go towards supporting the delivery of high-quality audit work. 22% of staff within this business group have a CCAB qualification, which supports our move to a more flexible 'One organisation' way of working.

## Training

Audit Scotland runs one of the largest public sector accountancy training schemes in Scotland. We have 35 trainees and staff working towards CIPFA and ICAS qualifications. This year we recruited eight financial trainees and eight trainees successfully completed their ICAS training to become qualified accountants. In June 2017, the programme will be opened again to a new generation of trainees that will help shape the growing future of Audit Scotland.

Over the course of the year, Audit Scotland recorded 89 discrete learning events, totalling almost 1,367 training places at a cost of £267k. This represents an average spend of £972 per employee. The average number of hours of recorded training per person is 34 hours, although this does not include other training activity undertaken by staff through their work or in their own time. We will be working over the coming year to obtain more comprehensive training data.

Audit Scotland's events included our annual audit conference (200 attendees), technical training workshops on Capital Accounting, Management Commentary, and specialist areas such as NHS audits and pension fund audits. We also delivered personal development skills training including Thinking on your Feet and Client Relationship Management. The appointed firms each host a variety of training events for their staff including annual mandatory technical training, subject specific training and webinars.

We provide additional training opportunities through a programme of knowledge cafes. In the last year we have hosted sessions on a wide variety of topics from Government Expenditure and Revenue Scotland statistics to TED talk sessions on the Surprising Habits of Original Thinkers by Adam Grant.

We are working to increase collaborative training to maximise the offering to all staff involved in Scottish public sector audit. We invite staff from appointed firms to attend training that our technical experts deliver, and cooperatively deliver some training with experts from appointed firms.

We make sure that we put staff on audits with the right skills. Our financial auditors have experience and training in sectors and specialist areas, eg local government pension funds, registered charities, and the NHS. Our performance and Best Value auditors often have experience of working in particular areas or specific research skills. We provide internal training for staff who are new to a sector/specialism. We support all auditors involved in public sector audit with our experienced technical advisers in Audit Strategy. Audit Strategy produces accounting and auditing guidance, and provides responses to technical accounting and auditing queries.



# Process

## Audit process and audit quality arrangements

### Organisation-wide audit quality arrangements

All parts of Audit Scotland and the appointed firms have distinct responsibilities for the main strands of audit quality.



Our [Corporate Plan: 2017/18 update](#) confirms our commitment to operate to the highest ethical and professional standards and our aim to maximise the value of the audit and support improvement. This commitment is central to our Quality Framework, which sets out the following principles:

- Quality is the responsibility of everyone in Audit Scotland.
- Our approach to quality will drive continuous improvement across Audit Scotland.
- Quality will be assessed in terms of outputs, outcomes and impact, as well as inputs and processes.

We are reviewing our quality arrangements as described on [page 23](#).

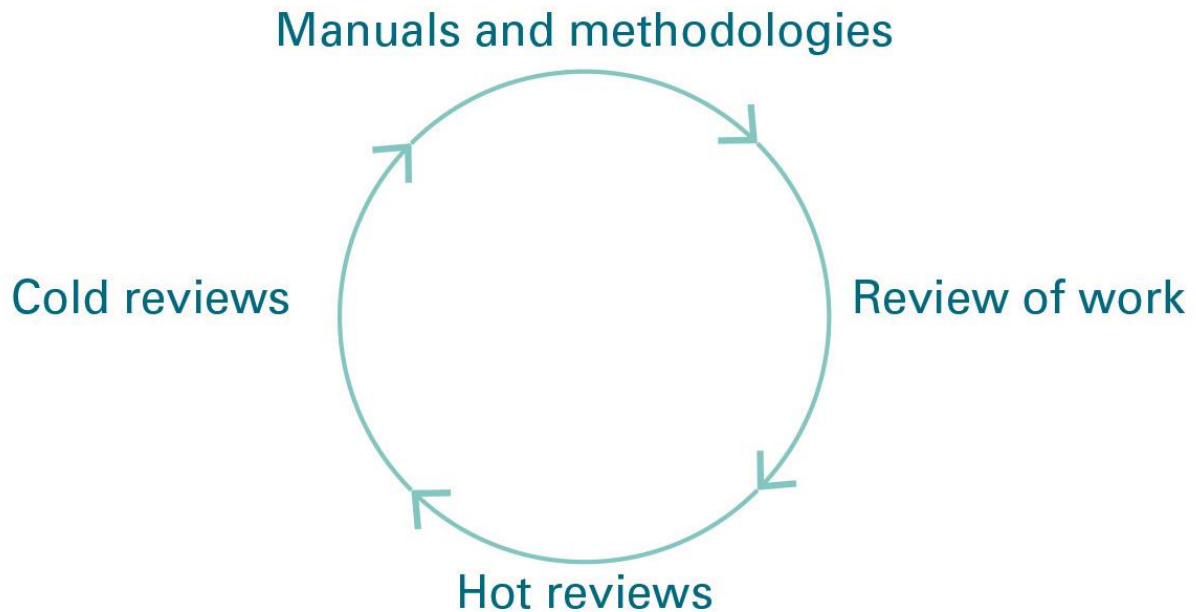
The Audit Strategy Group is independent of auditors. It is responsible for overseeing audit quality arrangements of all audit work and providing assurance to the Auditor General for Scotland and the Accounts Commission in accordance with the framework approved by the board.

Auditors are responsible for establishing the arrangements for their activities, including the processes for getting it right first time, and reviews of audit work. Relevant documents are available to our staff and also to the firms.

Our audit quality arrangements and those of the firms are focused on making continuous improvements to the way we do audit work by understanding why errors are made and sharing good practice. We regularly update our methodologies, and provide learning and development opportunities to our staff.



There are many ways to describe the arrangements to ensure audit quality. They all share a small number of critical features shown in the diagram below. We describe the arrangements that we have in place for financial audit work and for performance audits and Best Value audits under each feature.



### **Financial audit**

All financial audits, whether undertaken by Audit Scotland staff or appointed firms share certain common features to ensure audit quality. They are designed to comply with International Standards on Auditing (ISA) and the International Standard on Quality Control (ISQC1), and the [Code of Audit Practice 2016](#) jointly approved by the Auditor General and Accounts Commission.

A new [Code of Audit Practice 2016](#), published in 2016, applies from the 2016/17 audits. This report covers work on the 2015/16 audits, so the 2011 Code applies to that work. The new Code raises the expectations on auditors, in particular the wider scope of public audit. This is most notable in the requirements to provide conclusions on the audit dimensions (financial sustainability, financial management, value for money, and governance and transparency). The wider reporting that comes with Scottish public sector audit differentiates our work from private sector audit, and requires greater judgement from the auditor. It also puts more useful information in the public domain about the audit process and about performance of the bodies being audited.

### **Manuals and methodologies**

All staff working on financial audits must comply with their manuals and methodologies and record all work on their documentation system. Manuals and methodologies set out how to conduct the audit to ensure high compliance with auditing standards. Manuals, methodologies and documentation systems are regularly reviewed and updated to ensure they reflect changes in standards and continue to meet business requirements.

### **Review of work**

More experienced members of the audit team review all the audit work of less experienced staff. This ensures that the work achieves its objectives, judgements are appropriate, and work complies with the audit methodology and auditing standards. The appointed auditor then supplements this with a further review of key areas of the audit.

**Hot reviews**

Auditors apply a variety of review approaches based on different criteria to review audit work before the audit opinion is signed. Overall judgements and conclusions, and the wording of the independent auditor's report are reviewed on a proportion of audits based on audit size, risk or likelihood of a modified opinion. Auditors' approaches to specific issues are reviewed across the population where a specific matter is considered to be high risk or to ensure that training has been successfully reflected in audit work.

**Cold reviews**

Senior and appropriately experienced colleagues that have not been involved in the audits carry out a sample of reviews after audits have reported. These differ from hot reviews in that they cannot change the work in the event of an error. Cold reviews go into greater depth than hot reviews. The samples reviewed ensure that all auditors that sign an opinion are reviewed at least once in a three-year cycle and cover all sectors and sizes of audit. The results are reported back to the teams that conducted the audit. The results also help to identify wider training needs and where audit manuals and methodologies can be improved.

The independence of the reviews is strengthened within Audit Scotland by having reciprocal arrangements with other members of the UK public audit forum and by firms using staff from other UK offices. We have supplemented this with a programme of external review of Audit Scotland audits by the Institute of Chartered Accountants in Scotland (ICAS).

The appointed firms are subject to external cold reviews through regulation by their accountancy institutes. For the larger firms, this involves the Financial Reporting Council (FRC) conducting a sample of reviews which they report publicly. For the smaller firms this involves ICAS conducting periodic reviews.

Both hot and cold reviews provide an opportunity for auditors to identify why errors are made. Auditors carry out root cause analysis to better understand what led auditors to make errors. This helps to identify what changes will best be able to prevent any recurrence of the errors.

**Developments in audit quality in Audit Scotland**

We put in place new arrangements for Audit Scotland teams for relying on auditors' work where bodies used shared services for 2015/16 audits. This meant that we were prepared for the introduction of the first Integrated Joint Board (IJB) audits and also addressed one of the findings from previous quality reviews. In IJBs, the council and health board host all the IJB's systems including general ledger, payroll and other payments systems. We further developed the arrangements ahead of the 2016/17 audits when the rest of the IJBs became operational, and will review them after the conclusion of the 2016/17 audits of IJBs.

We responded to quality findings by providing mandatory focused training on a key audit planning tool before the 2016/17 audits started. We plan to carry out a hot review of the effectiveness of that supplementary training in 2017. Our one day annual audit conference is not exclusively focused on technical training. We are now providing more technical training in smaller groups so that we can use case studies and increase opportunities for questions and answers.

We continue to use the results of quality reviews to influence the programme of training for new starts and all financial audit staff. We recently commissioned ICAS to provide focused training on common areas of ISA non-compliance to provide staff with up-to-date knowledge on current issues.

## Performance audits & Best Value audits

We managed performance audits, Best Value audits, Community Planning Partnership audits, statutory reports (S102 or S22), sector overview reports, and reports in the 'How councils work' series during 2016/17 under a common set of audit quality arrangements.

We carry out performance audit and Best Value audits for the Auditor General, the Accounts Commission and the Controller of Audit. All are involved at the planning and reporting stages of the work to provide input to ensure that the audits are high quality and meet their needs.

An important dimension of audit quality is the relevance and timeliness of any audit work. Focusing on the right issues, on the right organisations ensures that we add value and support our World Class Audit ambitions of making a difference through our work. The introduction of our new strategic approach to programme development is an important component of taking forward this agenda.

Our [five-year rolling work programme](#) is based on our analysis and understanding of the key risks facing the public sector in Scotland. Our strategic approach to programme development helps us to be flexible, so that we can respond to any emerging or changing risks and adapt the programme accordingly. During 2016/17, we strengthened our approach by engaging with a wider group of stakeholders on an on-going basis about issues that they consider should feature in the programme and how they can inform specific audits.

Our stakeholders (audited bodies, national bodies such as COSLA and SOLACE, the Scottish Parliament) have told us that our programme development activity is delivering a work programme that is focusing on relevant and important issues of strategic concern across the public sector.

## Manuals and methodologies

All Audit Scotland staff use the Audit Management Framework (AMF) to carry out performance audit and Best Value audit work. The AMF covers each key stage of an audit from project selection, audit design, fieldwork and reporting through to post-audit review and impact assessment. We supplement the AMF with our performance audit manual and performance audit standards that comply with INTOSAI standards.

## Review of work

The manager of the audit reviews all the work of the team. The Assistant Director then carries out a quality review before it is further reviewed by the Controller of Audit/Director of Performance Audit and Best Value and the Auditor General for Scotland and/or the Accounts Commission.

## Hot reviews

We review all significant pieces of audit work (performance audits, overview reports, Best Value audits) using experienced colleagues who have not been involved in the audit before the work is completed. This gives us assurance that the judgements in the report are appropriate and are supported by appropriate audit evidence. It also contributes to shared learning and ownership of quality throughout the group.

## Cold reviews

All audit teams carry out a post-project review to identify potential improvements to the audit process for future work. These are supplemented with 'reviews of project reviews' to identify common themes and learning points that are then shared with all audit staff to support system-wide improvement.

We obtain additional independent assurance over the quality of our reports through reciprocal peer reviews with our UK partner audit agencies (National Audit Office, Northern Ireland Audit Office and Wales Audit Office).

**Developments in audit quality**

The Accounts Commission has approved a new approach to Best Value audit. We have prepared a separate Best Value audit guide that is available to all auditors involved in Best Value audit work, which will apply for reports that are published during 2017/18.

We identified last year that we needed to introduce a system of cold reviews of a sample of audits to independently assess compliance with the AMF. We piloted two cold reviews in the last year and then reviewed how the process went.

We found that the process worked well overall, but that we could make refinements to improve it. Before we use the cold review process on 2017/18 reports, we will:

- focus the questions more tightly on compliance with the AMF
- eliminate duplication between the hot reviews and post project reviews
- strengthen the focus on independently assessing the range and quality of audit evidence underpinning key audit judgements.

# Outputs

## Audit Quality Indicators

We set out below the output measures that we used this year to appraise audit quality. Many of these are common to the indicators agreed by the Professional Reputation Group (a forum for the six largest firms: BDO, Deloitte, EY, Grant Thornton, KPMG and PwC).

We publish below the results of audit quality reviews based on our Audit Scotland work and each appointed firm's transparency reports.

We report information on staff surveys and investment in Audit Scotland staff in the Knowledge, Experience and Time section of this report. We were not subject to any external investigations, and none of our appointed firms were subject to external investigations in relation to their public sector work.

## Reporting

### Timeliness

#### Financial audit work on 2015/16 accounts

Audit Strategy sets deadlines for auditors to ensure that their financial audits are completed in a timely manner. The deadlines vary by sector. Audit opinions and annual audit report deadlines are 30 June for health, 30 September for local government, 31 October for central government and 31 December for further education. The accounts of all bodies other than local government have to be laid in the Scottish Parliament. Legislation requires the accounts to be laid within nine months of the financial year end. This is 31 December for health and central government and 30 April for further education.

Auditors are expected to do all they can to meet the deadlines, but we recognise that in some circumstances, events beyond the control of the auditor can cause the deadlines to be missed. Auditors' performance in meeting the deadlines for 2015/16 audits is set out below.

	Local government	Health	Central government	Further education
Audit opinion on time	106/106 100%	23/23 100%	70/76 92%	21/21 100%
Annual audit report on time	105/106 99%	22/23 96%	68/76 89%	21/21 100%
Accounts sent for laying on time	N/A	23/23 100%	76/76 100%	21/21 100%

Opinions for six central government bodies were signed after the Audit Strategy deadline. All of these were complete and laid in parliament by the statutory

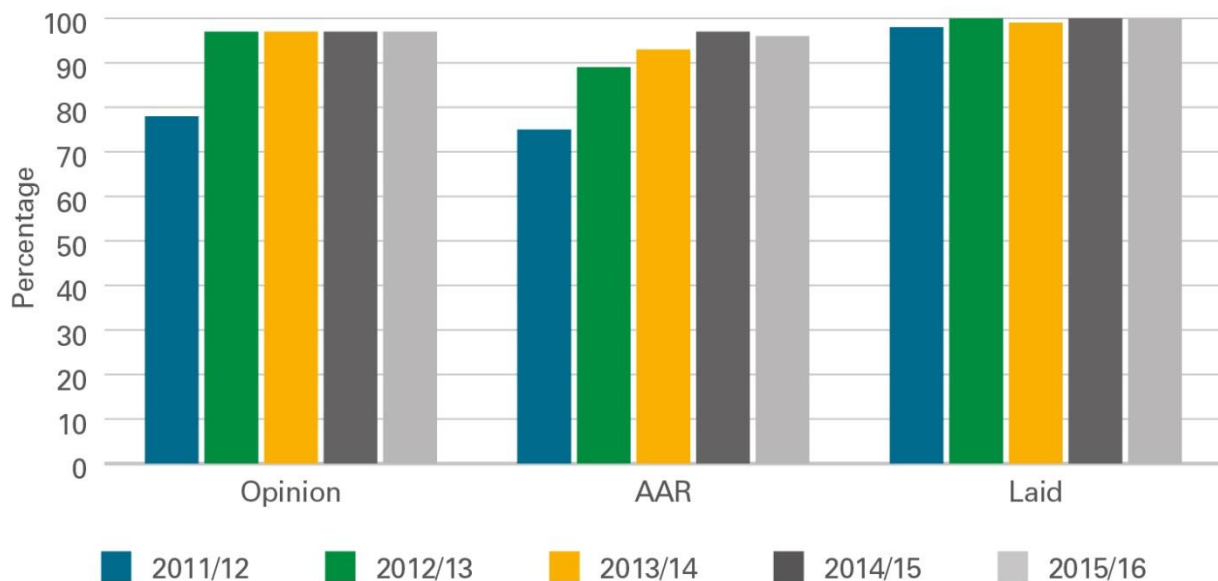
deadline. Three bodies were unable to schedule meetings to sign the accounts by the deadline despite the auditors being able to do so. Two bodies were insufficiently prepared at the start of the audit leading to delays throughout the audit. In one of those bodies this was exacerbated by the number of changes that were required to the annual accounts and the extended audit work that was needed to conclude the audit. The sixth body was new and experienced a number of accounting and management difficulties.

Ten annual audit reports were late. The auditors of the six bodies with late opinions issued annual audit reports after the opinion resulting in them also being late. The other two central government annual audit reports were late because of delays to responses by the bodies. The two local government and health audit reports that were late were completed and reported to the audit committees on time but finalised after the deadline.

### Completion of principal financial audit outputs over time

Auditors' performance in delivering outputs over time is shown in the graphs below. This shows a high level of compliance in delivering the audit opinion on time. The completion and delivery of annual audit reports (AAR) has been steadily climbing towards 100 per cent and auditors have successfully ensured that 100 per cent of accounts were ready to be laid in parliament on time for three of the last four years.

We brought forward the AAR deadline by a month for 2015/16 audits so that the opinion and AAR would be issued concurrently. Auditors maintained their high standard of performance despite the shortened time available to them.



### Modification of audit opinions

Modified audit reports are issued where an auditor concludes that the accounts contain material misstatements, where significant expenditure has been incurred in breach of rules, or where reporting requirements have not been met.

	Local government	NHS	Central government	Further education
Modified opinion	3	1	2	1
All audits	106	23	76	21
Percentage unmodified opinions	97%	96%	97%	95%

The three modified local government opinions related to local authorities not achieving a statutory duty for significant trading operations to break even. The modified college opinion was because of a failure to include required information on the pensions of senior staff. The NHS and one of the central government modified opinions referred to inadequate records being kept throughout the year on property, plant and equipment. The auditor was ultimately able to conclude that the final year end balances were materially correct. The other modified central government opinion was of the European Agricultural Fund Account to reflect uncertainty about the accuracy of disclosures.

### Publication of performance audit and other reports

The number of performance and other reports fluctuates over time. We have a five-year rolling [work programme](#) that covers a range of public sector bodies and services, and is framed around nine key risks which inform all of Audit Scotland's policy work and monitoring activity. The work programme for 2017/18 includes 18 planned national reports and six Best Value Assurance Reports.

The Auditor General and Controller of Audit write statutory reports under Section 22 of the Public Finance and Accountability (Scotland) Act 2000 and Section 102 of the Local Government (Scotland) Act 1973 respectively where they identify matters that require reporting.

	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
National reports	16	11	20	13	16	17
Best Value	4	6	4	6	8	12
S22/S102	7	9	6	3	4	5
Other	2	2	2	3	4	3
<b>Total</b>	<b>26</b>	<b>28</b>	<b>32</b>	<b>25</b>	<b>32</b>	<b>37</b>

Progress on delivery of the work programme is routinely reported to the Accounts Commission Performance Audit Committee and the Auditor General throughout the year. Any changes to planned publication dates are agreed with the Auditor General and/or the Accounts Commission study sponsors/Chair of the Accounts Commission.

### Improvement feedback

Each year Audit Strategy reviews a sample of annual audit reports to ensure that they are of good quality and comply with the requirements of the Code of Audit Practice. As part of this we identify examples of good practice to share with auditors.

The review of 2015/16 annual audit reports confirmed that the quality of reporting remains high with a number of improvements. Indeed, the best reports contain many of the features required under the new, more demanding Code of Audit Practice. This provides assurance that auditors are reporting in the spirit of the Code and working together to improve the quality of reporting as expectations increase over time. Examples of good practice were identified and shared with auditors to help support continuous improvement in reporting.



## Quality reviews

The following section sets out the findings from the review work that auditors have carried out over the last year.

### Hot reviews

Audit Scotland teams conducted seven reviews covering 6 per cent of 2015/16 financial audits (eight reviews covering 8 per cent of 2014/15 audits) all of which were satisfactorily concluded. These hot reviews were designed to meet the scope of Engagement Quality Control Reviews (EQCR) as set out in ISQC1. Deloitte conducted reviews on all its audits. The other firms did not conduct any EQCR scope reviews, although Grant Thornton conducted quality compliance reviews on two of their 2015/16 audits looking at ten key quality metrics which change over the year.

We reviewed all 16 performance audit and four Best Value reports published in 2016/17 using colleagues not involved in the work. The reviews helped to shape the final reports and confirmed that the judgements were appropriate and supported by evidence.

### Cold reviews

#### Internal reviews

Audit Scotland and each firm review a sample of completed financial audits to ensure that they are being delivered to the expected quality. The reviews are carried out by staff not involved in the audit. Each firm has their own method of scoring their reviews so they are not directly comparable. However, Audit Scotland has committed to using the Financial Reporting Council's grading from the 2016/17 audits to improve comparability and provide more meaningful assurance.

Each firm ensures that each engagement lead's work is reviewed at least every two or three years. In the case of the firms, the scoring from quality control reviews forms a part of the performance assessment of the engagement lead and through that influences their remuneration.

The number of quality control reviews has been increasing over the last five years:

Audit year	2015/16 <sup>1</sup>	2014/15	2013/14	2012/13	2011/12
Audit Scotland	12	10	8	9	8
Scott-Moncrieff	1	2	1	2	1
KPMG	1	1	1	1	1
Grant Thornton	-	2	-	-	1
Deloitte	2	-	-	-	-
PwC	-	1	1	1	-
Wylie + Bisset	-	-	2	1	-
Henderson Loggie	-	-	1	-	1
<b>Total</b>	<b>16</b>	<b>16</b>	<b>14</b>	<b>14</b>	<b>12</b>
<b>Percentage</b>	<b>8%<sup>2</sup></b>	<b>9%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>

Notes:

1 PwC, Wylie + Bisset and Henderson Loggie no longer carry out audits following the 2016/17 audit tender.

2. Of those auditors carrying out reviews.

The overall conclusion was that the results of the quality monitoring activity provided assurance that audit work carried out on 2015/16 financial audits was of a good standard, supported key judgements and resulted in the correct audit opinions being issued.

The majority of Audit Scotland's ISA breaches identified related to ISA 230 (audit documentation) and ISA 500 (audit evidence). This is not unexpected and is consistent with industry experience. The breaches identified were not of sufficient severity to affect the audit opinions.

Our Audit Scotland teams revised internal reporting on cold reviews to improve the balance of reports. The reports now highlight instances of good practice to spread useful innovations across Audit Scotland, and link any findings more closely to ISAs.

One of the 12 cold reviews on 2015/16 audits was carried out by the Northern Ireland Audit Office as part of reciprocal arrangements to increase the independence of these reviews.

Audit Scotland staff piloted cold reviews on one performance audit and one Best Value audit during 2016/17 representing 10 per cent of our principal reports. We found a strong culture of learning and improvement in the two audits, alongside a commitment within the audit teams to delivering high-quality audit work. We were able to place a high level of reliance on audit teams' own post project reviews which had already identified areas where either the AMF had not been fully applied or where improvements could be made for future audits as part of their post-project review discussions.

The single most significant area of improvement across the two reviews was the need to improve the evidencing of some key quality review stages on working drafts of audit reports. We have now introduced a standard format to record key quality assurance approvals which is now incorporated within the PABV AMF.

### **External reviews**

The Financial Reporting Council (FRC) conducts independent external reviews of the quality of financial audits subject to their regulatory oversight. This includes bodies listed on the main market of the London Stock Exchange but does not cover the vast majority of public sector audits. The reports of the appointed firms are available from the [FRC](#).

The appointed firms that are not regulated by the FRC are subject to oversight from [ICAS](#) which carries out periodic reviews.

Audit Strategy's review of firms' arrangements for audit quality confirms that they use common systems to ensure high-quality audit work so although the audits sampled do not include Scottish public sector audits, the results are a useful indication of the quality of the firms' work.

The diagram shows the aggregate results for PwC, KPMG, Deloitte and Grant Thornton for audits of 2011/12 to 2014/15. These percentages compare favourably to the other firms inspected by the FRC, who only had 60 per cent of audits described as good with limited improvements and 11 per cent requiring significant improvement. The most recently published data on [ICAS reviews](#) relate to 2015/16 audits. These are not directly comparable to the FRC categories, but 70 per cent were judged as not requiring follow up and the remaining 30 per cent only requiring some follow up.



The results show that the firms we use have more favourable review findings than other regulated firms and so are among the best performing in their profession. ICAS regulated firms perform nearly as well as our own appointed auditors.

The FRC is setting a target that by 2019, no more than 10 per cent of audits will require more than limited improvements. The external reviews of public sector work do not yet use the FRC's categories. We are in the early stages of procuring external review of Scottish public sector audits and we will identify an appropriate target for all Scottish public sector audits.

The ICAS quality monitoring team completed its third twice-yearly assessment of Audit Scotland financial audits in 2016, covering the 2014/15 audit year. The scope of their work was to:

- inspect a sample of six completed audits to assess the quality of audit work and compliance with the ISAs and Ethical Standards
- review progress against the findings contained within the report issued in relation to the outcomes from their second assessment of 2012/13 audits.

The ICAS review made a number of recommendations that we have now put in place. Many are about how existing audit procedures are applied and the adequacy of recording. Consistency in applying audit procedures will improve by establishing an even greater focus on staff training this year.

We received feedback from our UK partner audit agencies on two performance audit reports during 2016/17 representing a further 10 per cent of our principal reports. Both had clear structures, were well balanced, were written in accessible language and provided authoritative summaries of the key issues covered by the audits. Improvements could be made by further reducing the limited use of jargon and increasing the use of plain language, and improving the presentation of material in the reports.

## Surveys

Audit Strategy conducted regular surveys asking bodies for their views on audit quality over the course of the five year appointment. The surveys were sent to two sectors each year for the first four years of the appointment period. The table shows the percentage of respondents who agreed with the question, "Did the audit

deliver a high-quality service?” The years in the table represent the financial statements audit work about which respondents were asked.

Sector	2014/15	2013/14	2012/13	2011/12
Local government	95	-	97	-
NHS	-	87	-	100
Central government	100	-	94	-
Further education	-	100	-	88

The surveys were sent to the auditors to address any concerns expressed by the audited body. Audit Strategy discussed poor survey results with the auditor to understand both sides of the relationship and to find out what the auditor proposed to do to improve relationships.

This year we took a different approach and met with a smaller sample of 11 directors of finance and audit committee chairs from all sectors. This gave us an opportunity to get richer information about bodies' views of their auditors. We scheduled the interviews this year to be able to ask about the handover of audits following the new audit appointments. It was particularly encouraging to hear that the handover between auditors was generally smooth and that the new auditors had made a good start in developing an understanding of their new audits.

Overall, the views were positive about the quality of auditors' work. One body expressed a more ambiguous view about the quality of the auditor's work, but did recognise that there had been difficulties from both sides. All bodies agreed that their auditors understood their body well, and most were satisfied with the quality of financial statements work and the contribution made by external audit.

Audit Scotland commissioned an independent survey of MSPs in 2016 to gather evidence on their levels of awareness of our work and our effectiveness as Scotland's public sector auditor. The survey also provided some evidence on the early impact of our new parliamentary engagement strategy.

The key findings from the survey were that:

- our standing among MSP has improved since 2013
- this is regardless of party, their region and committee role
- almost all MSPs interviewed are familiar with Audit Scotland (95%)
- the vast majority think Audit Scotland is effective in its key role (86%)
- the vast majority are favourable towards Audit Scotland (91%)
- key committees are overwhelmingly supportive of Audit Scotland (72-100%)
- almost all MSPs interviewed have had some form of contact with Audit Scotland in the past year (76%)
- contact with key committees has been well managed (72-100%).

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# Review of audit quality arrangements

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We are undertaking a review of audit quality arrangements to improve audit quality across all of our work to help us achieve our ambition of becoming world class. We aim to enhance our measurement of audit quality and provide a stronger evidence base through greater use of KPIs and application of the Financial Reporting Council's widely recognised audit file scoring system.

In reviewing and revising our existing quality framework our goal is to:

- provide assurance to the Auditor General, the Accounts Commission and Audit Scotland Board about the quality of all types of audit work carried out on their behalf
- support continuous improvement in the value for money of audit work.

The key deliverable within the review is to produce a revised Audit Quality Framework that:

- is applicable to all audit work
- provides assurance on audit quality
- includes performance indicators for quality
- establishes new internal and external reporting arrangements
- leads to an enhanced annual Audit Quality Report.

Progress to date includes:

- Commissioning a report on international comparisons of the approach to audit quality, quality monitoring and arrangements, performance indicators and transparency reporting.
- Developing a Draft Quality Framework that will improve organisational governance arrangements and new KPIs that will be subject to wide consultation.
- Reviewing options for securing external assurance across all audit work.

The main development areas that are in progress include:

- Integrating quality arrangements into the new approach to the audit of Best Value.
- Extending quality arrangements to cover the wider scope audit required by the new Code of Audit Practice.
- Sourcing external assurance over all audit work.

- Further developing performance indicators to measure audit quality.
- Adopting scoring assessment criteria to facilitate greater comparison and identify areas for development and improvement.

We aim to have all the new arrangements in place for 2017/18 audits, and to apply as much as possible for 2016/17 audits.

# Appendix

## How we are structured

Audit Scotland is a body established by the Public Finance and Accountability (Scotland) Act 2000. We provide the Auditor General and the Accounts Commission with the services they need.

The Audit Scotland Board is responsible for all Audit Scotland's functions. It exercises its powers and authorities through its Scheme of Delegation. The board consists of the Auditor General, the chair of the Accounts Commission, and a non-executive board chair and two non-executive members appointed by the Scottish Commission for Public Audit (SCPA), a commission of the Scottish Parliament.

The board members during 2016/17 were as follows:



**Ian Leitch CBE**

Chair of the board



**Caroline Gardner**

Auditor General and Accountable Officer for Audit Scotland



**Ronnie Hinds**

Acting chair of the Accounts Commission (from March 2017)<sup>1</sup>



**Heather Logan**

Independent non-executive member



**Professor Russel Griggs OBE**

Independent non-executive member

Note: 1. In March 2017, Douglas Sinclair retired as chair of the Accounts Commission due to ill health. Ronnie Hinds was confirmed as the acting chair of the Accounts Commission and joined the board in March 2017.

**Ian Leitch CBE** was an assistant chief executive at the Scottish Parliament before his retirement, and before that was in local government. Ian joined the board on 1 April 2014 and became chair in October 2015.

**Caroline Gardner** is the Auditor General and the Accountable Officer for Audit Scotland. She was appointed by the Crown for a single fixed-term of eight years from 1 July 2012.

**Ronnie Hinds** is the acting chair of the Accounts Commission from 9 March 2017. He is a former chief executive of Fife Council, and chairs the Local Government Boundary Commission for Scotland.



**Heather Logan** was a member of the Scottish Government's audit and risk committee and chair of the corporate services audit and risk committee. Heather joined the board in October 2015 and is currently chair of the Audit Committee.

**Russel Griggs** has had a number of non-executive positions in the private, public and third sector. Russel joined the board in October 2015.

**Douglas Sinclair** was chair of the Accounts Commission until his retirement on 8 March 2017. He was the Former Deputy Chair of the Accounts Commission. Douglas held the position of chief executive in district, regional and unitary councils in Scotland, as well as being former chief executive of COSLA.

The board has two standing committees:

The Audit Committee oversees the arrangements for internal control, risk and corporate governance, internal and external audit, the annual accounts and the Standing Orders, Financial Regulations and Scheme of Delegation.

The Remuneration and Human Resources Committee oversees the arrangements for salaries and terms and conditions of staff and other HR matters.

Our governance arrangements provide effective governance of Audit Scotland while preserving the independence of the Auditor General and the Accounts Commission in their statutory roles.

All audit judgements are made independently by the Auditor General, the Accounts Commission, the Controller of Audit or appointed auditors.

A management team oversees our day-to-day operations. The members at 31 March 2017 were as follows:



**Diane McGiffen**  
Chief Operating Officer



**Russell Frith**  
Assistant Auditor General



**Fraser McKinlay**  
Director of Performance Audit and Best Value and Controller of Audit



**Fiona Kordiak**  
Director of Audit Services

The management team also includes Caroline Gardner (pictured on page 25)

**Caroline Gardner**, Auditor General for Scotland and Accountable Officer.

**Diane McGiffen**, Chief Operating Officer, chairs management team meetings and is responsible for our internal operations and business performance.

**Russell Frith**, Assistant Auditor General, is responsible for the external strategic and development work of financial audit, auditing and accounting standards, technical support and quality assurance. He acts as Audit Scotland's Ethics Partner.

**Fraser McKinlay**, Director of Performance Audit and Best Value and Controller of Audit, manages a team that is responsible for carrying out performance and Best Value audits.

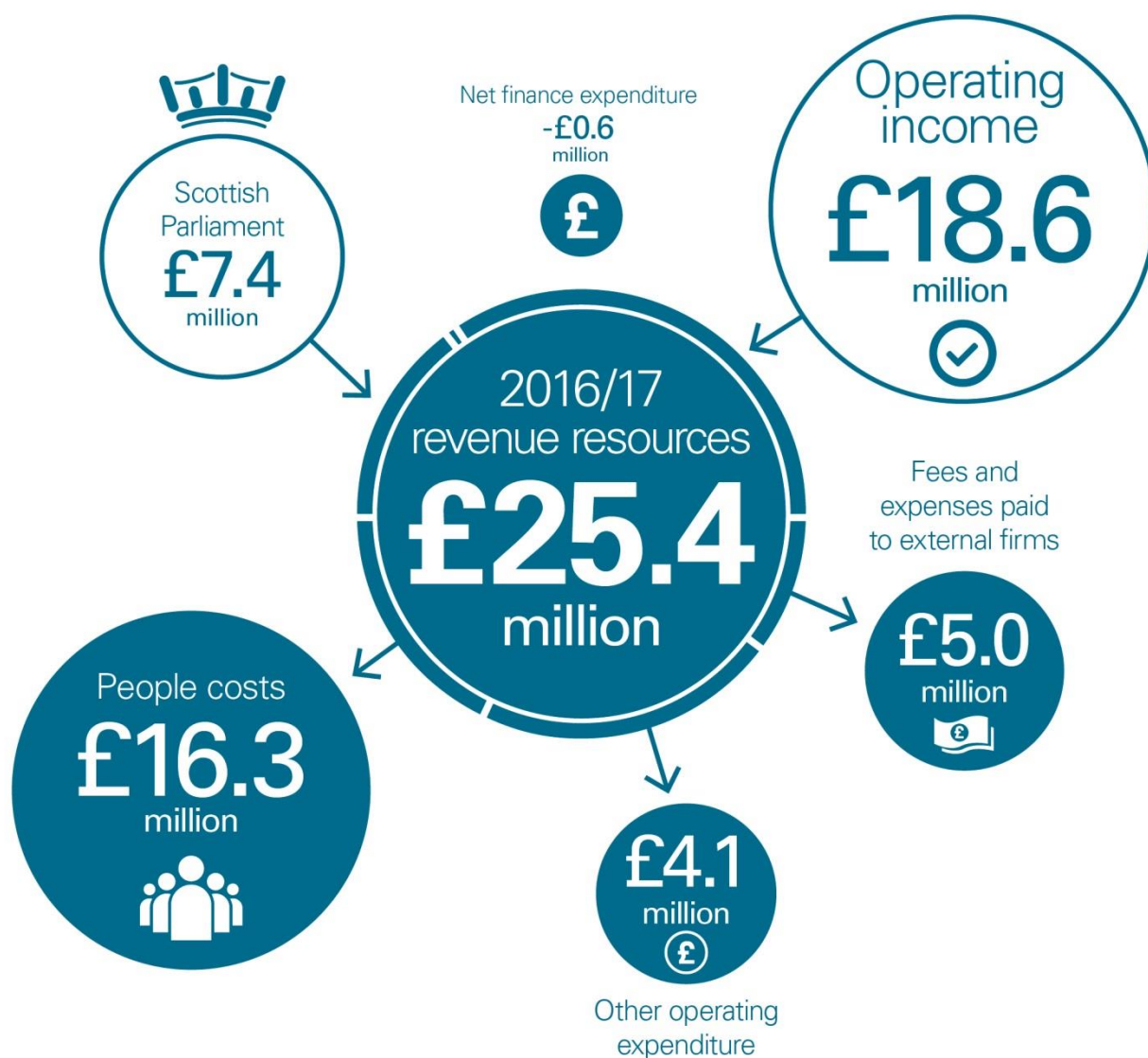
**Fiona Kordiak**, Director of Audit Services, is responsible for the Audit Scotland financial audit services we provide to the health service, central and local government. She acts as our Ethical Compliance Partner.

## Our finances

We meet our costs from a combination of audit charges to public bodies and funding from the Scottish Parliament through the annual Budget Act. We set audit fees to recover the costs of local audit work and, where appropriate, a contribution to other audit and support costs. We reviewed our approach to funding and fee setting this year to ensure that it meets our business needs and is clear and understandable to audited bodies and stakeholders.

Our spending and use of resources are examined by the SCPA. This is a statutory body comprising five MSPs that reports to Parliament and appoints external auditors for Audit Scotland.

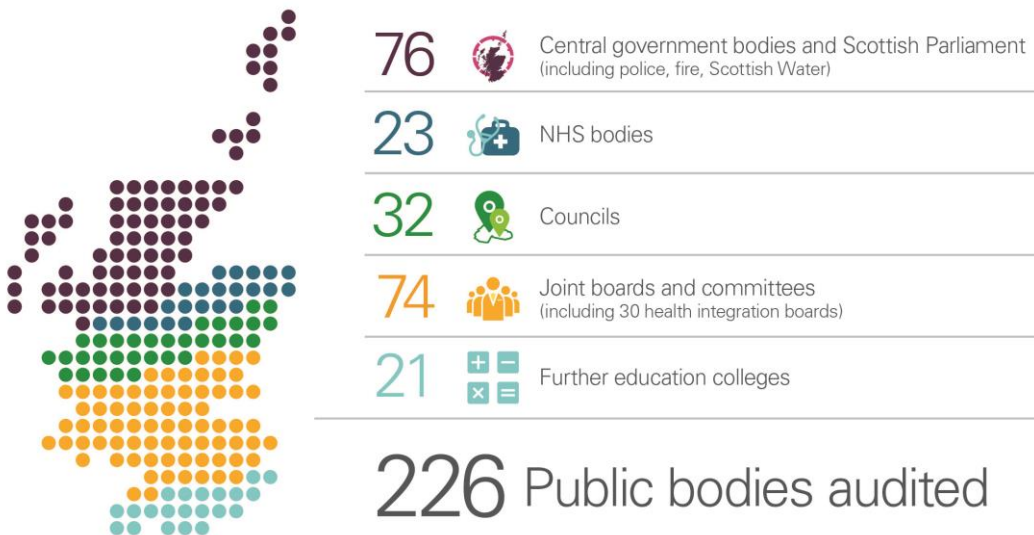
## Income and expenditure 2016/17 (£ millions)



## Who we audit

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. We do this by carrying out financial, performance and Best Value audits across the public sector in Scotland. In carrying out this work we seek to be transparent in our governance and operations and to produce consistent, high-quality audits.

Public audit in Scotland covered 226 [public organisations](#) in 2015/16 and includes the Scottish Government, the NHS in Scotland and local authorities. These organisations spend over £40 billion of public money every year. The Auditor General audits or appoints the external auditor of most public bodies in Scotland, except for local authorities and integration joint boards where the Accounts Commission is responsible for securing audits.



# Audit quality

## Annual report 2016/17

This report is available in PDF and RTF formats, along with a podcast summary at:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500

or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

ISBN 978 1 911494 29 4

**MEETING: 10 AUGUST 2017**

**REPORT BY: SECRETARY TO THE COMMISSION**

**AUDIT OF BEST VALUE: RENFREWSHIRE COUNCIL**

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### **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 Renfrewshire Council.

### **Background**

2. This is the second 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.
3. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report on each council at least once during the five-year audit appointment and by Best Value being a feature of annual audit reports.

### **The Controller of Audit report**

4. The attached Best Value Assurance Report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
5. 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.
6. 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.
7. 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**

8. 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.
9. 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.
  10. 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.
  11. 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 Controller of Audit's Best Value Assurance Report on Renfrewshire Council; and
  - b) decide in private how it wishes to proceed.

**Paul Reilly**  
**Secretary to the Commission**  
**1 August 2017**

# Renfrewshire Council

## Best Value Assurance Report



Prepared for the Accounts Commission by the Controller of Audit

August 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.

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

Our work includes:

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

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



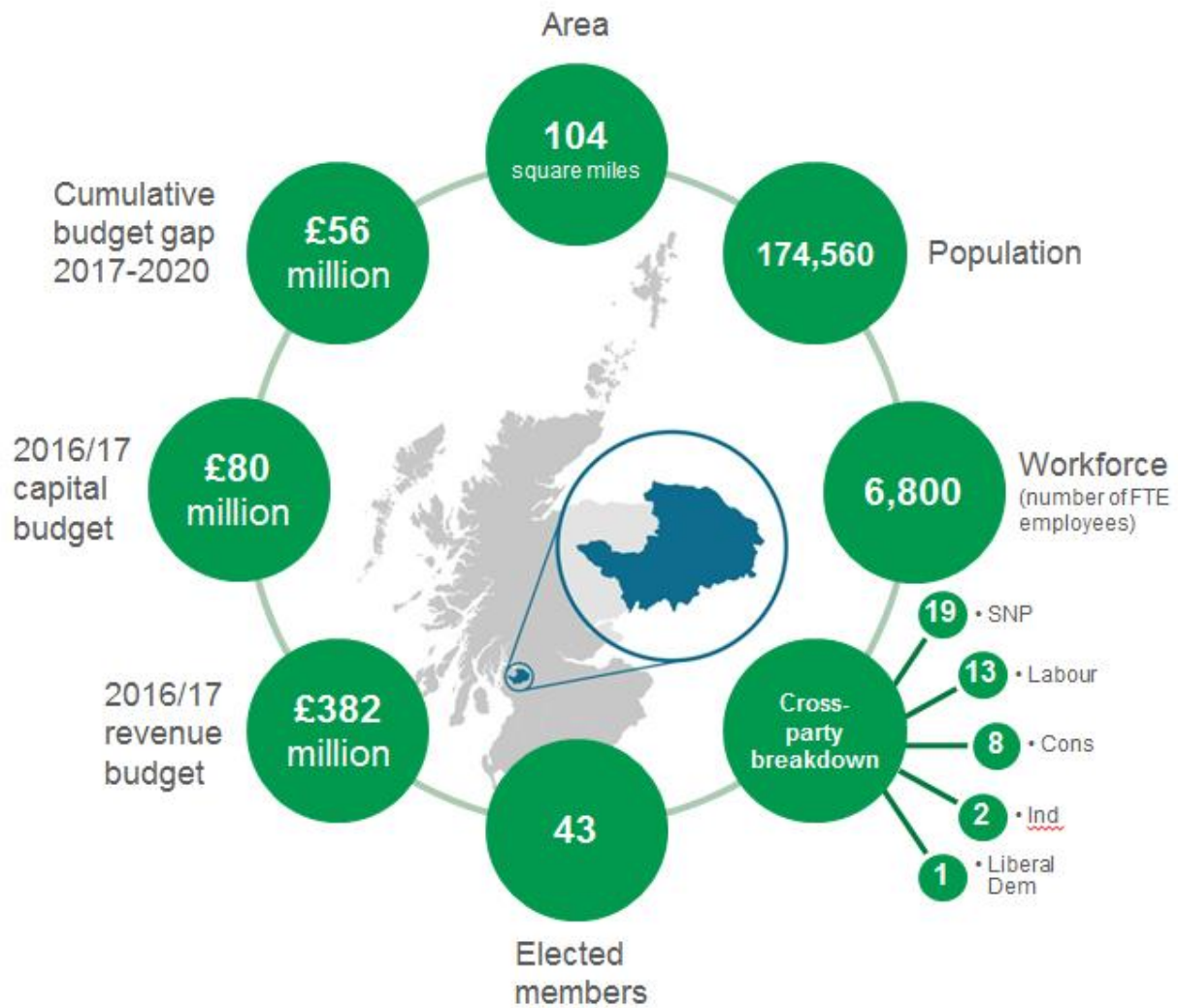
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# Key facts



Note: Following the local elections in May 2017 the council is run by an SNP minority administration.

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# Audit approach

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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 Renfrewshire Council, under the revised arrangements. Appendix 1 summarises the findings from the previous Best Value report 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 their 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: it reflects 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 carried out 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 Renfrewshire Council.

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## Exhibit 1

### Key areas of focus for our audit

- The council's vision
- Performance and outcomes
- Change and improvement plans including:
  - the City Deal
  - digitalisation of services, such as providing more services online
  - difficult decisions and protected services
- Process and results of self-evaluation
- Financial management and financial planning
- Workforce planning
- Community and citizen engagement so that people have their voices heard in how services are planned and provided
- Arm's-length external organisations' (ALEOs') governance arrangements
- Transformational change and service redesign such as developing new and more effective ways in which to provide local services.

5. The audit work for this report took place between January and June 2017. Most of the work was concluded prior to the Local Government elections of May 2017, although we have included some more recent changes. Our audit work included:

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

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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.

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# Key messages

- 1.** The council has a clear and ambitious vision for Renfrewshire to revitalise the area's economy and address poverty and inequality. It recognises that this vision can only be achieved over a long period of time. The council's partners share this vision and the Council Plan, management structures and performance management arrangements are well aligned with it.
- 2.** Since the 2006 Best Value report, Renfrewshire Council has maintained a steady pace of change, supported by effective leadership that has allowed it to improve the way it plans, manages and delivers its business. It has made these improvements while dealing with financial constraints and challenging socio-economic issues such as high levels of economic deprivation, low population growth and an increasing elderly population.
- 3.** The council has continued to make progress since the 2006 Best Value report to improve governance arrangements, although there have been difficult working relationships between the main political parties and limited cross party working. Councillors have not made the most of the training and development opportunities available to them.
- 4.** In the past, the operation and performance of the Audit, Scrutiny and Petitions Board has been weak and has put at risk the overall effectiveness of scrutiny within the council. Following the 2017 local elections, the council has reviewed and revised the remits of its committees and established the Audit, Risk and Scrutiny Board.
- 5.** Since 2006, the council has steadily improved how its services perform. Renfrewshire's overall performance is improving and is comparable to similar councils within its family group. The council has implemented initiatives which have been delivered with partners and are focused on making a difference at a local level.
- 6.** The council has effective financial management and a sound medium-term financial strategy. It has built up its reserves over a number of years which are earmarked for specific purposes and aligned to the council's strategic objectives. The level of reserves is significant for the size of council. Like many councils, Renfrewshire faces a significant funding gap in the medium term.
- 7.** The council and its partners are good at working with, and involving, communities and will need to continue to work together on joint priorities and to strengthen partnership working. Given the likely funding gaps in future budgets, the council will need to work with people who use council services to inform decisions about how those services will be delivered. This will provide a positive base for them to go further and fully implement the provisions of the Community Empowerment Act.
- 8.** The council has a good record of delivering services differently. It works well with partners and has developed a number of new approaches to how it delivers services. To meet future challenges, it needs to agree a medium and long term workforce strategy and implement its organisational development strategy. This will be critical to managing how future services are delivered.

# Part 1

## Does the council have clear strategic direction?



### **The council has a clear and ambitious vision for Renfrewshire that is shared with its partners.**

Leadership in the council is effective and there is a good working relationship within the Corporate Management Team.

The council operates in a challenging political environment with difficult working relationships between the main political parties and limited cross party working. Following the elections in May 2017 the council is run by an SNP minority administration. It will be important for councillors to work together to continue to progress the agreed priority objectives.

The council's plans, structures, systems and partnership arrangements share a common purpose that is helping to deliver its vision.

The council has sound governance arrangements for how it conducts business but councillors need to scrutinise and challenge reports more thoroughly. Councillors have not made the most of the training and development opportunities available to them.

In the past, the operation and performance of the Audit, Scrutiny and Petitions Board was weak and put at risk the overall effectiveness of scrutiny within the council. The council has reviewed the remits of its committees and established the Audit, Risk and Scrutiny Board.

The council could improve performance reporting arrangements for Renfrewshire Leisure Limited.

### **The council has a clear and ambitious vision that is shared by community planning partners**

8. Renfrewshire's Council Plan (2014-2017) sets out a clear, ambitious vision that reflects a good understanding of the area and local needs. The plan is structured around three themes of place, people and council supported by ten priorities. The vision is reflected in all council plans including annual service improvement plans ([Exhibit 2](#)). The Corporate Management Team (CMT) monitors progress quarterly and reports to the council's leadership board every six months. The council has effective systems and structures that help it deliver its vision. Leadership in the council is effective and there is a good working relationship within the CMT. The council's partners, such as the police, NHS and fire service, share the council's vision and priorities and have a common understanding of its ambitions and activity and how these services will be delivered.

## Exhibit 2

### Renfrewshire Council's vision and priorities

Renfrewshire Council and its partners have a clearly identified vision with plans and strategies in place to deliver the outcomes identified under the priorities.

Council Plan 2014-2017	Community Plan	Supporting plans and strategies
<p><b>Vision: A fair and inclusive place where all our people, communities and businesses thrive</b></p>	<p><b>Vision: Working together to make Renfrewshire a fairer, more inclusive place where all our people, communities and businesses thrive</b></p>	
<p><b>Better Future: Place</b>            Priority 1: Driving Physical and Economic Regeneration            Priority 2: Building on our Culture and Heritage            Priority 3: Protecting the Public            Priority 4: Creating a Sustainable Renfrewshire</p> <p><b>Better Future: People</b>            Priority 5: Reducing the Level and Impact of Poverty            Priority 6: Raising Attainment and Closing the Attainment Gap            Priority 7: Supporting and Sustaining People into Employment            Priority 8: Improving Care, Health and Wellbeing</p> <p><b>Better Future: Council</b>            Priority 9: Supporting our Employees            Priority 10: Continuing to be a Well Run Council</p> <p>—</p>	<ul style="list-style-type: none"> <li>• Jobs and the economy</li> <li>• Children and young people</li> <li>• Community care, health and well-being</li> <li>• A safer and stronger Renfrewshire</li> <li>• A greener Renfrewshire</li> <li>• Empowering Communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Paisley Town Centre Action Plan</li> <li>• Glasgow and Clyde Valley City Deal</li> <li>• Strategic Housing Investment Plan</li> <li>• Invest in Business - the council's business development programme</li> <li>• Local Development plan</li> <li>• Paisley Town Centre Heritage Asset Strategy</li> <li>• Renfrewshire Tourism Framework</li> <li>• Renfrewshire Health and Social Care Partnership, Strategic Plan</li> <li>• City Region Economic Strategy</li> <li>• Renfrewshire Economic Framework</li> <li>• Tackling Poverty Strategy 2015-17</li> <li>• Waste Strategy 2016-18</li> <li>• The Digital Strategy 2016-19</li> <li>• Invest in Renfrewshire Employability Programmes</li> <li>• Council's Organisational Development Strategy 2016-19</li> <li>• Corporate Asset Strategy</li> <li>• Corporate Procurement Strategy 2016-17 to 2017-18</li> <li>• Children's Services partnership plan</li> <li>• Community Justice Plans</li> <li>• Service Improvement Plans</li> <li>• Strategic partnership Agreements</li> <li>• Corporate Marketing and Communication Plan</li> </ul>

Note: Outcomes are the changes as a result of the intended work that is done to support the vision and priorities.

Source: Audit Scotland and Renfrewshire Council

9. In July 2017 the Department of Digital, Culture, Media and Sport announced that Paisley has been shortlisted to host UK City of Culture 2021. Paisley is bidding for the title as part of its ambitions to use the town's cultural and heritage assets to transform its economy and reduce inequalities. The council and its partners have identified that winning the UK City of Culture 2021 title will have significant economic benefits for Paisley and the wider Renfrewshire area. The bid is

overseen by the Paisley 2021 Partnership Board, which draws together the resources and commitment of partners from civic, cultural, educational, business and community backgrounds. The Board will submit a second stage bid to the Department of Digital, Culture, Media and Sport in September 2017, with the winner announced at the end of the year.

10. A programme of social, cultural and economic regeneration is being progressed, supported by community engagement and partnership working. The council has allocated funding of £1 million which local community groups and organisations can bid for to support cultural events and development work.

11. In 2014, Renfrewshire's Tackling Poverty Commission was set up to:

- assess the nature, causes and impact of child poverty in Renfrewshire,
- make recommendations for introducing a strategic approach for Renfrewshire Community Planning Partnership.

12. The Commission was the first of its kind in Scotland. It proposed a series of recommendations to be delivered in partnership and focused on making a difference at a local level.

13. Following the Commissions' recommendations, Renfrewshire Community Planning Partnership developed a Strategy and Action Plan for Renfrewshire. The Tackling Poverty Programme is an ambitious partnership programme which seeks to change the lives of those living in poverty in Renfrewshire. Tackling Poverty is a priority for Renfrewshire Council and it agreed a £6 million investment, with a supporting Action Plan ([Case study 1, Page 20](#))

14. The £1.13 billion Glasgow City Region City Deal is an agreement between the UK Government, the Scottish Government and eight local authorities across the Glasgow City Region. Renfrewshire is to benefit from three of the biggest infrastructure investments; the Airport Access Project, the Clyde Waterfront and Renfrew Riverside project and the Glasgow Airport Investment Area. Together it is anticipated that these projects will transform local and regional transport links providing better access and resulting in job opportunities through business growth and inward investment.

## Renfrewshire faces a number of challenges

15. Renfrewshire is the tenth largest Scottish council in terms of population but one of the smallest in terms of area (24 out of 32). It faces a number of challenges and has plans in place to address these through the priorities outlined within the Council Plan including:

- **a relatively static population-** council priorities to address this include driving physical and economic regeneration and creating a sustainable Renfrewshire
- **high levels of economic deprivation-** council priorities to address this include driving physical and economic regeneration, reducing the level and impact of poverty, raising attainment and closing the attainment gap and supporting and sustaining people into employment
- **poor health outcomes-** council priorities to address this include improving care, health and wellbeing.

16. A key focus for the council and its community planning partners is encouraging more people to come and live in Renfrewshire. It is estimated the population will remain relatively static over the period to 2039 compared to an increase of nearly 7 per cent across the whole of Scotland. The number of people of working age in Renfrewshire is expected to fall by 7 per cent and the number of children by almost 3 per cent. This compares with increases for both these age groups at a national

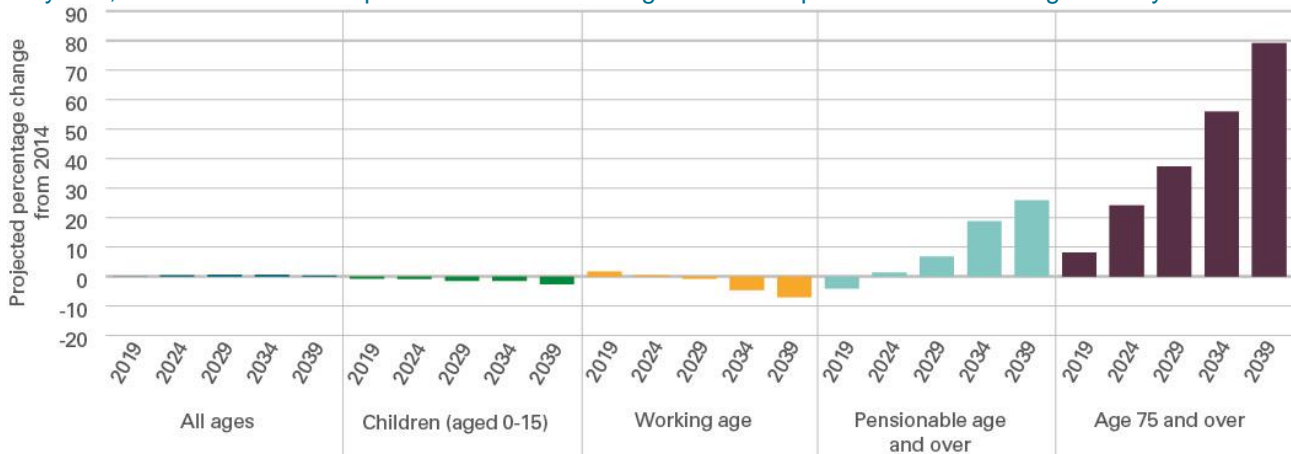


scale. The number of people living in Renfrewshire of pensionable age is expected to increase by over a quarter, with those older than 75 years set to increase by 79 per cent by 2039 (Exhibit 3). These population changes have future implications for the area. These include a lack of local workforce making the area less attractive to some businesses. They also include the challenge of meeting the demand for services such as health and social care, for example care for people at home, at a time when demand is likely to increase.

### Exhibit 3

#### Projected population changes in Renfrewshire by age group until 2039

The numbers of children and people of working age living in Renfrewshire are expected to fall over the next 20 years, while the number of pensioners and those aged 75+ is expected to increase significantly.



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

17. Reducing inequalities within Renfrewshire is another aspiration for the council and is reflected under **People** within the Council Plan with a focus on reducing poverty, raising attainment, helping people into permanent employment and improving care, health and well being. The main inequalities are:

- Male life expectancy in Ferguslie is 68.9 years while in Bishopton, it is 83.7 years
- There were 604 child protection concerns in Ferguslie in 2015/16, while there were 68 in Bishopton
- The average tariff score for S4 pupils in Ferguslie was 131 and 218 in Bishopton.

#### The council has a history of a challenging political environment with difficult working relationships between councillors

18. The Accounts Commission's report [Roles and working Relationships: are you getting it right? August 2010](#), noted that in successful councils, there are "...professional and constructive relationships between councillors".

19. In Renfrewshire Council working relationships between officers and councillors are good, respectful and constructive. However, the council operates in a challenging political environment and there have been difficult working relationships between the main political parties. As in other councils, relationships between political groups are under increased pressure from the need to take tough decisions on future spending and how best to deliver services.

20. Council meetings have been highly politicised at times and increasingly conducted through motions and amendments to normal business. While this has not prevented the council conducting its business or progressing its agreed priorities and objectives it can distract from constructively scrutinising how services are performing and from delivering outcomes.

21. The duty of Best Value falls on the council, not the administration. Cross-party working, which has taken place in the past, has been limited. To continue to progress the council priorities it is essential that:

- the council creates a culture and structure that helps to develop shared values among all councillors
- councillors demonstrate these in the way they conduct council business.

22. This will provide stability and continuity in delivering the council priorities in the longer term. Furthermore, the council should ensure that its values and culture support scrutiny and particularly constructive challenge. This is important to good governance, in particular to ensuring all councillors play their role in accountable decision-making, policy making and scrutiny.

### **The council has sound governance arrangements in place for how it conducts business but there has been a lack of scrutiny and challenge at policy boards**

23. This audit was carried out prior to the Local Government elections of May 2017 and describes the arrangements at that time.

24. The council has sound governance arrangements in place. It conducts its main business through the council meeting, Leadership Board, a number of policy boards and the Audit, Scrutiny and Petitions Board. All boards have members from the different political parties in proportion to the council's political make up. The convenors of all policy Boards are members of the administration.

25. The council has five local area committees whose aim is to involve and consult local communities. The committees are used as an opportunity for local communities to hear from the council and its community planning partners. They also have budgets to fund local initiatives and support local projects.

26. The council regularly reviews its governance arrangements to take account of changes to the way that services operate and of new partnership arrangements such as the integrated Health and Social Care Joint Board.

27. The council webcasts its main council meetings and all agenda papers and minutes are on the council's website and made available in the public gallery and its reception. Our review of minutes and observation of meetings found that there was limited scrutiny and challenge with many reports being noted rather than being actively considered.

28. The council has recently taken steps to improve weaknesses in how its former Audit, Scrutiny and Petitions Board operated and performed. Internal and external audit are important elements of the system of accountability in any public body. In councils, audits help councillors scrutinise how services are performing. Until May 2017 the Audit, Scrutiny and Petitions Board acted as the council's Audit Committee. Its work focused largely on petitions from members of the public, with a lack of focus on scrutinising and considering audit reports.

29. While we recognise that petitions provide an important means of connecting the community and council, combining this with audit and scrutiny has not been effective.

30. In March 2017 the council's internal audit function received an external assessment report conducted by West Lothian Council: Audit, Risk and Counter Fraud Unit. A number of recommendations were made including the following:

- More detailed information should be provided to the board, particularly where the Chief Auditor concludes that the assurance level is limited
- Reporting details of the specific outstanding recommendations to the board, particularly those ranked "A", the highest category of importance.

31. The convener of the previous Audit Scrutiny and Petitions Board was a member the administration. Good practice recommends that the convener should be from the opposition or, in some instances, independent of the council. This arrangement had been in place for several years despite being reported in previous Audit Scotland annual audit reports as an area of non-compliance.

32. Following the 2017 elections, the council has reviewed its committees' remits. It has established an Audit, Risk and Scrutiny Board and operates a separate petitions committee. This Audit, Risk and Scrutiny board is chaired by a councillor from the Conservative Group.

### **The council could improve performance reporting arrangements for Renfrewshire Leisure Limited**

33. The council has a controlling interest in one ALEO, Renfrewshire Leisure Limited (RLL). In 2014 Renfrewshire Leisure became a company limited by guarantee with the council as the sole member. In 2015 cultural services were transferred from the council to Renfrewshire Leisure.

34. One consequence of using more complex structures involving ALEOs in delivering services is that the public may be less clear about who is responsible for services. Maintaining transparency by having arrangements in place that are easy for people to get access to and understand is a key objective in good governance. This is detailed in the Accounts Commission's ['ALEOs: are you getting it right?'](#) report.

35. It is good practice that councils should monitor how ALEOs perform against both financial and service expectations. The council's service level agreement, setting out the level of services it expects from RLL, is not publicly available. The performance report to the Leadership Board in November 2016 did not provide enough performance information to confirm that RLL was achieving the targets set in the service level agreement.

36. Renfrewshire Council should be more transparent in the information that is publicly available about its support for RLL. The Annual Business Plan for RLL is an exempt paper which is considered at the Leadership Board. An exempt paper means the press and public are excluded, preventing public debate or challenge.

37. Two councillors of the Leadership Board are also RLL members and it is not clear how the council and its Leadership Board perform their scrutiny responsibilities effectively.

38. The Accounts Commission's ['ALEOs: are you getting it right?'](#) report identifies an example of good practice from a council that, 'no officer should hold a trustee or directorship position with any of the ALEOs the council engages with.' This was

based on the potential for conflicts of interest to arise between an officer's responsibilities to the council as an employer and that officer's responsibilities and personal liability when appointed to an outside body. Renfrewshire Council has appointed the Head of Corporate Finance and the Director of Development and Housing Services as board members of RLL.

39. The Chief Executive of RLL is currently leading on the delivery of all leisure capital programmes for the council and is seconded to the council two days a week to manage and sign off these projects.

40. The council should review its governance arrangements to ensure they provide for a relationship with RLL that is clear, independent, and more easily understood by the public.

### **Councillors have not made the most of the training and development opportunities available to them**

41. Councillors must ensure they have the skills and knowledge to perform their role. In Renfrewshire Council, attendance overall at training sessions for councillors has been poor. Immediately after the elections in 2012, there was good attendance at welcome and induction sessions for new councillors. Attendance was good at a training session on policing and community planning but poor at other sessions. For example, a session run by the Standards Commission had only one attendee and three councillors attended a session run by the Improvement Service. Most other sessions had fewer than ten attendees (fewer than a quarter of councillors).

42. During 2015/16, there were 20 events on the councillors' training register. The highest attended was the session on self-directed support with 14 attendees. There were 13 attendees at a session on the Syrian Refugee Crisis and 12 for a session on the regeneration of Paisley museum. No councillors attended the session revisions to the guidance on the Code of Conduct.

43. Following the local government election in May 2017, the council has a comprehensive training and induction programme prepared for new councillors. A range of introductory meetings and training events have been set up on various topics including the following:

- Orientation for new members including sessions on 'getting connected' with information and communications technology, introduction to communications, marketing and media protocols and social media, a strategic overview of the council, standards and ethics and councillors' roles and responsibilities.
- Event opportunities for all councillors include sessions on meeting council partners, equalities and an introduction to services. They also cover details of City Deal public consultation events that are taking place.
- Events and opportunities for board members. These are for councillors appointed to specific policy boards and for members of joint boards and outside bodies.

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# Part 2

## How well is the council performing?

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**Renfrewshire's overall performance is improving and is comparable to similar councils within its family group.**

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The council has performed well against local and national indicators and outcomes are continuing to improve steadily for people in Renfrewshire.

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The council's services have received positive inspection reports from Education Scotland and the Care Inspectorate.

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The council has implemented a number of initiatives with partners which are focused on making a difference at a local level.

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The council regularly monitors and reports progress against planned actions and has a range of ways to report performance to the public.

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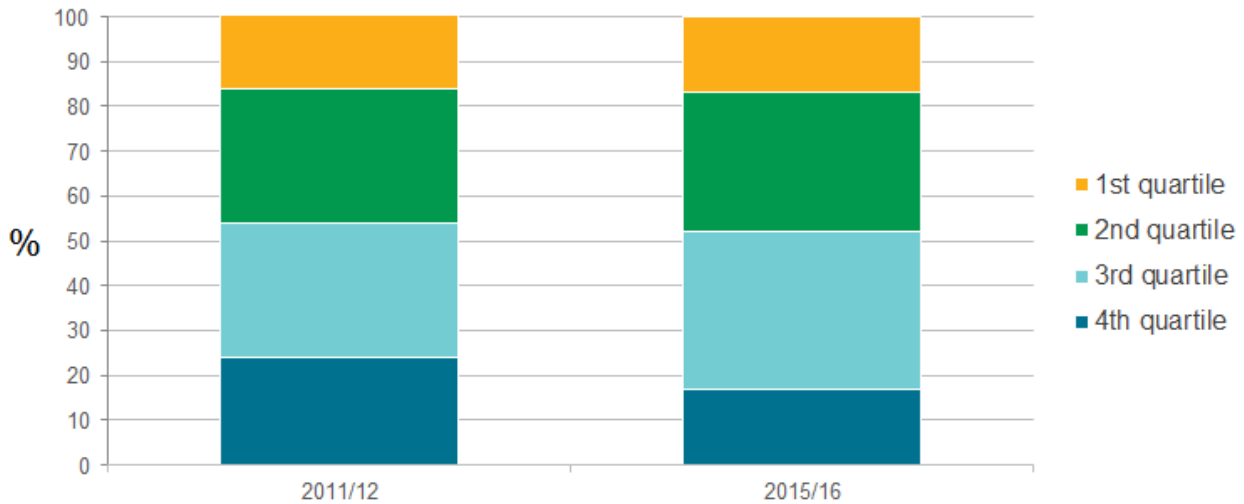
### **Renfrewshire Council's overall performance has improved in recent years**

44. Renfrewshire Council's performance improved slightly between 2011/12 and 2015/16. In 2015/16, just under half (48 per cent) of its performance indicators were in the upper two quartiles. The council also reduced the number of indicators that were in the bottom quartile between 2011/12 and 2015/16 ([Exhibit 4](#)).

## Exhibit 4

### Comparing Renfrewshire Council's performance over time

The percentage of Renfrewshire Council's comparable performance indicators in the top two quartiles improved slightly from 47 per cent in 2011/12 to 48 per cent in 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.

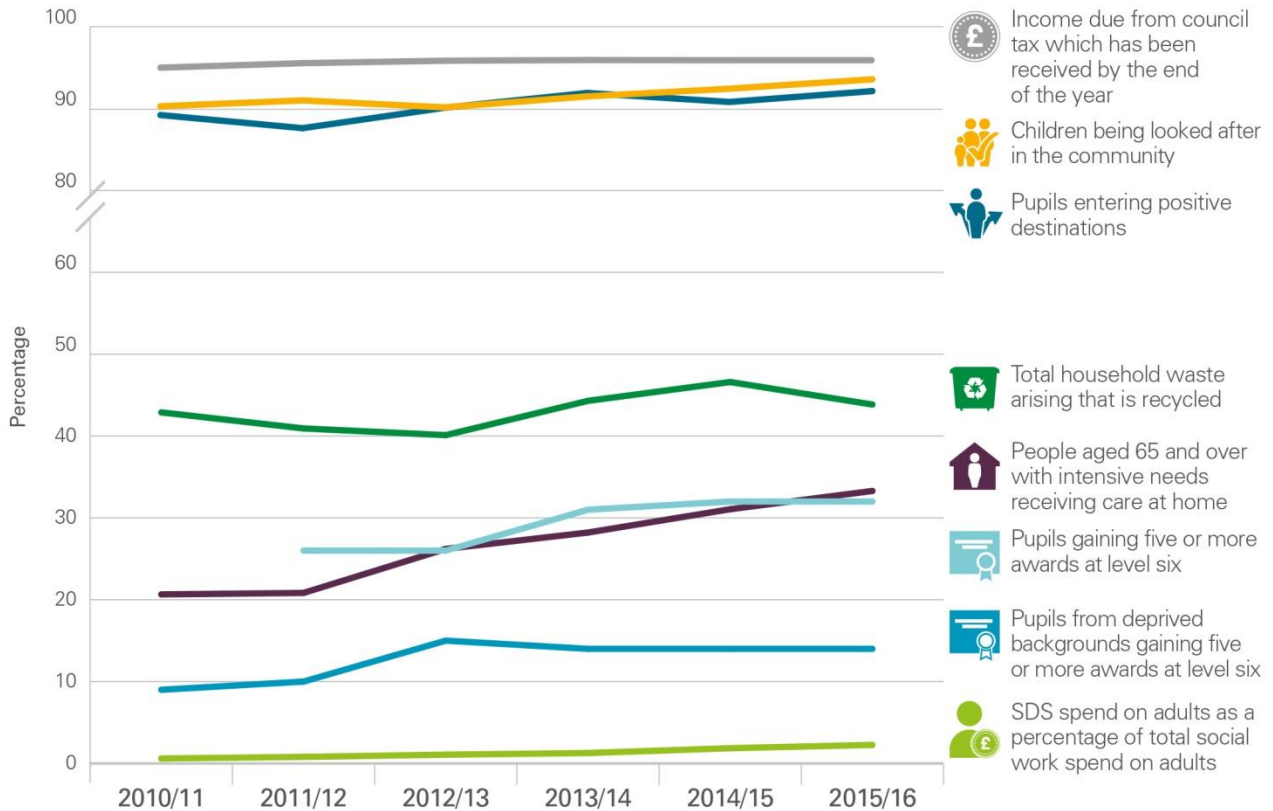
Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

45. The Accounts Commission's recent report, [Local government in Scotland: Performances and Challenges 2017](#) noted that councils' performance over the last five years has been maintained or improved. Renfrewshire Council's performance mirrors this trend, showing improvements across the majority of the indicators ([Exhibit 5](#)).

## Exhibit 5

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

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



Note 1: Data is not available for all indicators for 2010/11 to 2015/16.

Note 2: Renfrewshire social work services for children continue to have more looked after children than the Scottish average. The level of deprivation is one of the reasons for this. One of the council's objectives in the Community Plan is to reduce the overall numbers of looked after children and reduces the number of children who are looked after in a residential unit.

Note 3: The total number of children being looked after in the community refers to the total number of children in the care of their local authority. This includes: children within residential care facilities; children within a community setting and children who are 'looked after' but remain within their home.

Note 4: We have not included measures of public satisfaction or cost indicators in this analysis.

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

46. The Local Government Benchmarking Framework allows councils to compare themselves to the Scottish average. It also groups councils with similar profiles into family groups based on factors such as population density and levels of deprivation. This allows similar councils to compare and benchmark performance. Compared with the Scottish average for 2015/16, Renfrewshire Council performs close to the average for the majority of selected indicators ([Exhibit 6](#)). Relative to its family group, Renfrewshire tends to sit in the middle ground for performance. In comparison with Scotland as a whole, there has been a mixed picture in terms of the rate of relative improvement between 2010/11 and 2015/16 ([Exhibit 6](#)).



**Exhibit 6**

Renfrewshire Council's performance relative to the Scottish average and family group, 2015/16

Indicator	Renfrewshire	Scotland	Family group	% point change (2010/11-2015/16)
Percentage of Pupils Gaining 5+ Awards at Level 6 or higher *	32%	33%	Performance ranges from 26% to 37%	Renfrewshire 6% Scotland 7% Family group ranges from 5% to 13%
Percentage of Pupils from Deprived Areas Gaining 5+ Awards at Level 6 or higher*	14%	15%	Performance ranges from 10% to 21 %	Renfrewshire 5% Scotland 5% Family group ranges from 1% to 11%
SDS spend on adults 18+ as a percentage of total social work spend on adults 18+	2%	7%	Performance ranges from 1% to 5%	Renfrewshire 2% Scotland 5% Family group ranges from 0% to 4%
Percentage of people 65+ with intensive needs receiving care at home	33%	35%	Performance ranges from 23% to 48%	Renfrewshire 13% Scotland 3% Family group ranges from -8% to 13%
Percentage of income due from Council Tax received by the end of the year	96%	96%	Performance ranges from 94% to 98%	Renfrewshire 1% Scotland 1% Family group ranges from 0% to 2%
The percentage of total household waste that is recycled	44%	44%	Performance ranges from 44% to 59%	Renfrewshire 1% Scotland 6% Family group ranges from -2% to 23%
Children being looked after in the community	94%	90%	Performance ranges from 87% to 94%	Renfrewshire 4% Scotland -1% Family group ranges from -4% to 4%
Pupils entering positive destinations	92%	93%	Performance ranges from 90% to 95%	Renfrewshire 3% Scotland 4% Family group ranges from 1% to 7%

Note 1: \*2011/12 to 2015/16

Note 2: Renfrewshire is in one family group for children, social care and housing indicators. These groupings are based on deprivation. Groupings for indicators based on environmental, culture and leisure, corporate and economic development differ as they are based on population density.

Note 3: Self directed support (SDS) enables individuals to buy health and social care services, such as services to enable them to remain in their own homes.



## Recent inspection reports by scrutiny bodies have been positive about the council

47. Education Scotland carried out a validated self-evaluation of the council's Education Psychology Service in July 2016. It concluded that the leadership and organisational structure of Children's Services provided a clear vision for change and that councillors provided effective support and challenge.<sup>1</sup>

48. Education Scotland carried out ten primary school inspections between March 2013 and June 2016. All reported positively. Over the same period, two positive secondary school inspections took place. One special school inspected in February 2014 has had a follow up inspection and Education Scotland is monitoring its performance as it merges with others to create a new campus. Since August 2014 to date, eight early years settings, such as nurseries, have been inspected. Almost all have been positive with one setting having a further inspection.

49. In December 2015, the Care Inspectorate published a joint inspection with Education Scotland, Healthcare Improvement Scotland and Her Majesty's Inspectorate of Constabulary for Scotland, of services for children and young people in Renfrewshire. The report highlighted that performance in improving outcomes for children and young people was very good. Community planning partners were improving trends by:

- identifying problems in areas such as youth offending, house fires and road accidents involving children
- taking actions to lessen the impact of potential problems or prevent them altogether. It highlighted the council's Street Stuff programme ([see Case Study 1, page 20](#)) as a means of improving outcomes for children and young people by involving them activities in areas where low-level offending and anti-social behaviour were common<sup>2</sup>.

50. Street Stuff, along with other initiatives in Children's Services, has contributed to a 75% reduction in youth related anti social behaviour across Renfrewshire in the five years since the project was established in 2009.

51. In recent years, however, incidents of youth disorder appear to have increased. Renfrewshire Member Officer Group says this is due to improvements in the gathering and recording of data and dealing with complaints of this type. It attributes this improvement to Renfrewshire's Community Safety Partnership, and in particular the Community Safety Service, Wardens and the Youth Team.

52. To respond more effectively, the team adapted its shift pattern and now operates at hours where youth disorder has been identified as a problem. This approach together with improved sharing and dissemination of information has helped to identify more incidents and offenders. Reported anti social behaviour for 2016/2017 has reduced by 65 per cent, compared to 2009/2010.

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<sup>1</sup>Quality and improvement in Scottish Education 2012-2016

<sup>2</sup>Services for children and young people in Renfrewshire 11 December 2015 Report of a joint inspection

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## Case study 1

### The Tackling Poverty Programme

In 2014, Renfrewshire's Tackling Poverty Commission was set up to assess the nature, causes and impact of child poverty in Renfrewshire. The Commission was the first of its kind in Scotland and it proposed several recommendations focusing on making a difference at a local level.

Tackling Poverty is a key priority for Renfrewshire Council and it agreed a £6 million investment programme, with a supporting Action Plan. The council has allocated a further £1.5 million in the 2017/18 budget.

#### ***'We want a Renfrewshire where no child lives in poverty'***

Highlights from the programme's one year on evaluation, Our Journey So Far, include:

- Renfrewshire Council becoming an accredited Living Wage provider
- reductions in youth unemployment, anti-social behaviour and sanction rates at local job centres
- creating a Sports Coach Academy paid traineeship programme for 16-21 year olds who are not in further education, employment or training
- launching the School Day Fund which gives schools a budget to cover expenses such as, the cost of school uniforms, trips and equipment for pupils from low-income households
- joint working between the Literacy Development Programme and Strathclyde University to provide extensive professional development to teachers
- providing Street Stuff, which provides activities for children and young people, with two new buses and expanding it to new locations
- Families First being used as national best practice. Families First is a free, confidential advice and information service for families.

The larger Tackling Poverty Programmes are externally assessed. The most notable of these is the Families First project which has a budget of £1 million and was evaluated by Glasgow University in 2015. The evaluation reported on the success of the first stage of the programme and the findings were very positive. The feedback received from some individuals outlined that the programme had a profound impact on their lives and the results could be seen almost immediately.

The Tackling Poverty Programmes involve working closely with local communities. The council works with third sector organisations, such as charities and voluntary groups, to enable officers to talk directly to recipients of Tackling Poverty Programmes. For example, one consultation involved asking people what differences they could see the projects making to the areas they lived in and asked individuals how they would like the council to report progress back to the community. The council also produces information about the programme in various formats to raise awareness and make information easier for people to get. One example of this has been joint working with a local youth arts group, Create Paisley, to co-produce videos about the programme and share successes with the wider community.

Source: Audit Scotland and Renfrewshire Council

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## The council regularly monitors and reports progress against strategies and plans to councillors

53. Progress against the Council Plan is reported to the Leadership Board every six months. There are Service Improvement Plans (SIPs) for all key service areas. They contain detailed action plans which link to the priorities in the Council Plan. They are also closely linked to other relevant plans, including Renfrewshire's Community Plan and Local Outcome Improvement Plan. Progress against SIP indicators is reported to relevant policy boards every six months. These are the forums where councillors can challenge how services are performing. However, as

noted at paragraph 27, in practice the level of scrutiny and challenge at policy boards is often limited.

### **The council reports performance to the public in a range of ways**

54. The council reports information on its performance through its website. It also prepares an annual performance report, *It's all about you*, based on its statutory performance indicators. The council recently sought feedback on its performance reporting to the public. As a result, the council has refreshed how it presents this, to make it easier to find and read. It is also available in multiple languages and formats.

55. *It's all about you* focuses on a select number of indicators which it considers the public most wants to know about. The council reports performance against the full set of 68 indicators in the Local Government Benchmarking Framework to the Audit, Scrutiny and Petitions Board. While this more detailed information is in the public domain through board reports and service improvement outturn reports it is not easy for people to find.

56. The council should consider how it can make details of its performance as well as other public reports including *It's all about you* easier for people to find, through better signposting on its website.

57. The council produces a magazine which goes out four times a year to over 80,000 households. This generally features an article containing information about service performance and achievements. The latest report notes that 70 per cent of customers are satisfied with the services the council provides.

### **The council has involved the community in prioritising and planning its services**

58. The council regularly asks for local communities' views on a range of issues. It routinely uses its public services panel to seek opinions on how council services perform. It also has five local area committees whose business arrangements are designed to consult and inform the public about local services.

59. The council provides the opportunity for citizens to give their views to the council to try and change things through its petitions process. Petitions allow people to raise concerns with the council either as individuals or on behalf of an organisation.

60. The council keeps in touch with its 21 community councils on a regular basis. Its housing service uses a wide range of ways to involve and inform tenants and residents about how the service is performing. The council also has links with local communities through its partnership arrangements and works closely with Engage Renfrewshire ([see part 4](#)).

61. Children's services in Renfrewshire have adopted an approach of prevention, described as, 'stop a problem before it develops' and early intervention, described as, 'getting in at the first sight of a problem with the right service'.

62. The approach was developed following a review of policy and statutory responsibilities, the effectiveness of a range of services and approaches and using the information from almost 13,000 children and young people who took part in a wellbeing survey.

## Case study 2

### Renfrewshire's Child Wellbeing Survey

The Achieving Step Change (ASC) programme, established in Renfrewshire in 2010, is funded by the Big Lottery and matched by funding from the council. The programme's main aim is to ensure that Renfrewshire's plans for children's services focus on improving outcomes for children and incorporates their views in the process.

The ASC programme achieved extensive engagement with children by using an on-line questionnaire (the Wellbeing Survey). The questionnaire was developed in partnership with the Dartington Social Research Unit, a charity focused on improving children's lives.

All children aged 9 to 17 in Renfrewshire and in education were invited to complete the questionnaire between September and November 2011. Out of around 15,000 children invited to take part almost 13,000 replied. A sample of 500 parents with children under the age of 8 was also carried out. Dartington Social Research Unit analysed the data from the surveys and shared this with the council's Corporate Management Team and senior officers from a range of partners at a four day workshop.

The output from the workshop influenced the content of the council's Integrated Children's Services Plan for 2013-16. The main issues to be addressed were:

- maintaining the strong health and development of the majority of children
- supporting children in their local communities and with their families, where safe and appropriate
- improving behaviour, physical health and emotional wellbeing
- improving the developmental outcomes for children entering primary school.

The ASC project team secured external funding of over £1 million to develop a range of evidence-based programmes to help improved outcomes for children. The programmes and their impact include;

- Triple P - Positive Parenting Programme helps parents develop the skills they need to support their children as they grow up. Since it was launched in 2011 almost 2,000 parents have taken part. Feedback received has reported high levels of satisfaction, using positive parenting practices, more confident as parents, a reduction in stress levels and a positive impact on children's behaviour.
- Incredible Years - is a programme to target disruptive behaviour problems. To date 15 groups have run in ten centres with almost 300 parents taking part in the programme and over 60% completing the 18 week course. Feedback confirms lower levels of aggression by their children, better child to child as well as child to parent relationships and increased problem solving ability.
- Family Nurse Partnership (FNP) is a prenatal and infancy nurse home visiting programme for young first time mothers (under the age of 19). The FNP service is in the early stages in Renfrewshire however there are signs of positive impact. There have been 72 young women who have taken part and are showing positive approaches to being a parent with increased likelihood of breast feeding and a reduction in the number who are smoking.
- Promoting Alternative Thinking Strategies (PATHS) is a social and emotional learning programme for primary school children. The project aims to improve co-operation, sharing skills, peer relations, mental health and reduce aggression, the impact of mental health problems, anxiety, depression and bullying. The council is working with Barnardo's, who obtained Big Lottery Funding to implement the programme in 10 schools with full training, resource and support at no cost. The initial feedback is that the programme is having a positive impact on the young people taking part. Barnardo's, working with the Programme developer, has reviewed the PATHS delivery across the United Kingdom. An award of model school was made to eight schools across the UK. Three of these schools are in Renfrewshire.
- Functional Family Therapy (FFT) aims to improve outcomes for young people aged between 11 and 18 years old. Renfrewshire is the first local authority in Scotland to provide FFT. So far over 100 families have taken part and have fed back that there has been a positive change in behaviours. In Renfrewshire, one of the aims of FFT was to help young people at risk of being accommodated by the local authority. Twenty five young people deemed to be at high risk of being accommodated have

been supported to remain at home. Over the last 2 years this has saved approximately £1.5million in accommodation costs. FFT is evaluated by the Programme developers and the Renfrewshire service has been evaluated as the best performing FFT team in Europe.

- Families and Schools Together (FAST) programme makes use of supportive relationships between and within families, the child's school and the local community and is delivered on a group basis for a number of families in a primary school. The first FAST programme in Glencoats primary school in Renfrewshire was attended by 23 families with 20 taking part in at least 6 sessions. The retention rate was 87 per cent which is above the target rate of 80 per cent. The evaluation found a positive impact for the children, their parents, the school and the wider community. Glencoats has embarked on their second programme with 10 other schools in Renfrewshire now involved in the delivery of FAST
- Children Experiencing Domestic Abuse Recovery (CEDAR) is a 12 week programme for children aged 4-16 years old affected by domestic abuse. Children attend 12 group sessions and a mothers group runs alongside this to provide support as they help their children recover from domestic abuse. Since it started 6 CEDAR groups have been delivered and have made a positive change for almost all of the participants with over 80 per cent of participants reporting positive changes and 94 per cent of children reporting they now know how to keep safe and talk to their mother about their feelings.

Dartington Social Research Unit has drawn on lessons learned from Renfrewshire to develop the survey and extend it to other areas. Four other councils in Scotland have undertaken surveys: Angus, Dundee, North Ayrshire and Perth and Kinross. Renfrewshire is working with these councils and Dartington Social Research Unit to ensure that learning is shared to improve services and that children are involved effectively.

In 2016, Renfrewshire was the first local authority in the UK to repeat the children's wellbeing survey, inviting 11,800 children and young people aged 9 to 16 and in education to participate. Just under 10,500 children and young people responded. The council and its Community Planning Partnership are using the survey data to develop the priorities for agencies delivering services for children, young people and their families.

Renfrewshire Children's Services is delivering a comprehensive range of events, including workshops for school leaders, community planning partners, the voluntary sector and most importantly children and young people to explore the data from the survey. The output from these will help to develop the next Renfrewshire Children's Services Plan.

Source: Renfrewshire Council

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63. The council plans to develop further the way it engages with local people. It is carrying out a survey of the most effective ways for people to give their views and work with the council. In doing so the council should consider how it can work with partners to streamline and coordinate how they seek the views and work closely with the local communities that they all have in common.

64. The council has policy and procedures in place for responding to aspects of the Community Empowerment (Scotland) Act 2015. It has agreed procedures for dealing with asset transfer requests and participation requests.

65. There have been occasions when the council could have done more to consult and involve local communities in decisions about service delivery. For example, the council's initial decision to close household waste disposal centres was not informed by consultation with users. When this decision was overturned there was recognition that the changes were having a greater impact on usage than anticipated. In 2012/13 the council's decision to close Elderslie and Johnstone swimming facilities led to nine petitions, one of which requested public consultation. The council should continue to review how it consults with service users to inform decisions on future service delivery.

# Part 3

## Is the council using its resources effectively?



**Renfrewshire Council has effective financial planning and management arrangements in place. Budgets are clearly linked to strategic priorities.**

The council faces a significant funding gap in the medium term. It is developing the next phase of its Better Council Change Programme to deliver the savings required.

The council has a history of delivering within budget which it has achieved through debt smoothing and workforce reductions resulting from the Better Council Change programme. The council has high levels of reserves and low levels of long term debt. A large proportion of reserves are earmarked for specific purposes and aligned to the council's strategic objectives.

The council recognises that in order to manage future budget pressures it will need to make significant changes in how it delivers services.

No detailed medium or long-term strategic workforce plan is in place. The council approved a new three-year organisational development strategy in 2015 but is still in the early stages of implementing it. The council recognises that it needs to develop better workforce planning; this will be critical to managing future service changes.

### The council manages its finances effectively

66. The council has well established processes for setting and monitoring budgets. Budgets are developed by the Director of Finance and Resources and set by the council at its statutory meeting. Each directorate produces income and expenditure estimates based on the Service Improvement Plans (SIPs). SIPs outline the activities of each directorate and how these support the priorities and delivery of the Council Plan. This creates a clear link between budget setting and the council's objectives.

67. The council has underspent against its revenue budget, covering day-to-day spending, over the last four years (see [Exhibit 7](#)). The underspends have arisen due to effective budget management and the higher levels of council tax collection over these periods.

68. The council agreed its revenue budget for 2016/17 in March 2016 and it forecast a breakeven position. The latest budget monitoring report at 7 June forecasts a slight year-end underspend of £4,000.



## Exhibit 7: Underspend and variance to planned underspend

The council has underspent against its revenue budget for the last four years

Year	Total under/(over) spend (£m)	Budgeted under/(over) spend (£m)	Variance to plan (£m)	Underspend % of net expenditure
2012/13	5.5	0.7	4.8 Favourable	1.4%
2013/14	2.0	1.1	0.9 Favourable	0.5%
2014/15	5.9	5.1	0.8 Favourable	1.6%
2015/16	2.5	0.6	1.9 Favourable	0.7%

The budgeted underspend represents the figure that the council had set as its proposed position at the end of the financial year.

The variance to plan figure represents the additional underspend over and above what the council had anticipated when it originally set its budget.

Source: Audited financial statements

## The council has a high level of usable reserves

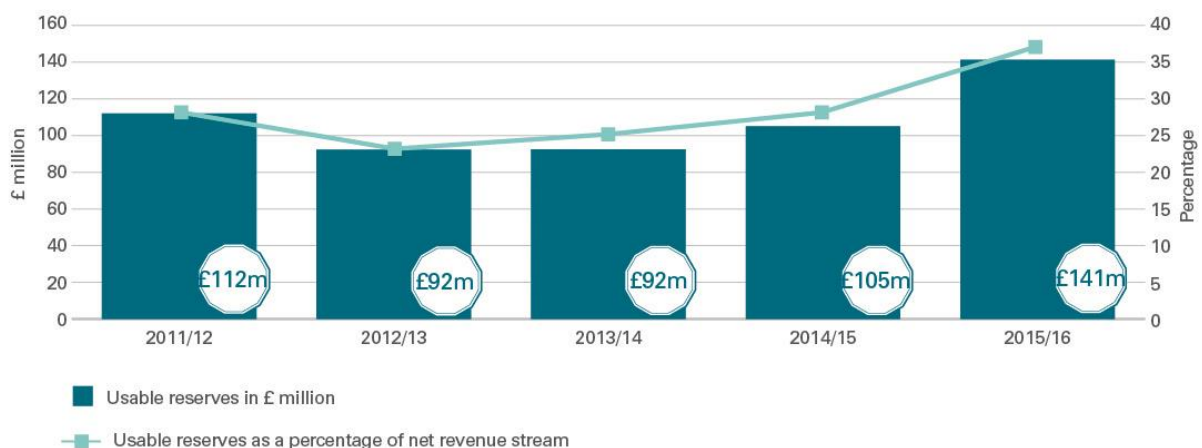
69. The council has made effective use of reserves to support its medium-term financial planning objectives and in managing its capital and revenue spending commitments.

70. The council's level of usable reserves as a percentage of net revenue has increased from 28 per cent in 2011/12 to 37 per cent in 2015/16 (see [Exhibit 8](#)), the highest percentage in Scotland. Between 2011/12 and 2015/16 usable reserves have increased by almost £30 million to £141 million (see [Exhibit 9](#)). The largest increases have been in the last two years. In 2014/15 the usable reserves increased by £13 million and in 2015/16 by £36 million. In 2015/16 the council had the second highest level of usable reserves, relative to its size, of all mainland councils.

71. The main increase in reserves in 2015/16 is due to a £34 million transfer from the general fund and housing revenue account to the capital statutory funds. This transfer is significantly higher than for any other mainland council.

## Exhibit 8: Usable reserves as a percentage of net revenue

The level of usable reserves has increased significantly since 2011/12.



Source: Audited financial statements

72. Of the £141 million total reserves in 2015/16 ([Exhibit 9](#)), around £130 million are statutory reserves or have been ring-fenced for future spending plans. The general fund balance includes ring-fenced elements totalling £54 million. This includes the Waste Management Strategy fund (£7 million), Paisley Town Centre Heritage Asset Strategy Fund (£8 million), Service Modernisation and Reform Fund (£6 million) and Tackling Poverty Fund (£4 million).

73. Some of the General Fund reserves have been in place for a number of years while others are relatively new and result from recent developments such as the City Deal. From the available information it is difficult to distinguish whether the council will use some of these reserves for capital or revenue expenditure.

## Exhibit 9: Usable reserves

Description	31 March 2016 £ million	31 March 2015 £ million
General fund	61.378	58.854
Housing revenue reserve	10.239	10.645
Revenue Statutory Funds	2.855	2.853
Capital Receipts Reserve	4.116	3.760
Capital Statutory Funds	62.788	29.006
Total usable reserves	141.376	105.118

Source: Renfrewshire Council 2015/16 financial statements

74. The council's reserve strategy in the Medium to Longer Term Financial Strategy requires it to maintain a minimum unallocated general fund reserve as a protection against unexpected costs or reductions in income. The reserves strategy requires it to maintain unallocated usable reserves at around 2 per cent of net expenditure. The level of unallocated reserves has historically been 1 per cent to 2 per cent of net expenditure with a minimum level of £7 million. In 2015/16 the level of unallocated reserves was £7.013 million which was 1.9 per cent of net expenditure.

## Investing in assets has been a strategic priority

75. The council has invested significantly in its capital infrastructure. Since 2013/14 capital expenditure has totalled over £185 million.

76. The council approved its Corporate Asset Strategy 2015-18 in August 2015. The strategy sets a high-level framework for managing the council's assets. The strategy links to the Council Plan, Community Plan, Single Outcome Agreement (SOA) and the Better Council Change Programme (BCCP). The SOA is an agreement between community planning partnerships and the Scottish Government setting out local improvement and priorities. The strategy aligns the council's asset management to its savings programme.

77. The strategy outlines the council's main investment programmes which include the following:

- Schools estate programme covering school buildings and land: spend of £29 million for 2016/17, and proposed investment of £15.6 million for 2017/18 and £4.5 million for 2018/19



- Street lighting investment strategy: investment of £9.8 million in 2016/17
- City Deal: spend of £7 million in 2016/17 and proposed investment of £9.3million in 2017/18 and a further £33.2 million in 2018/19
- Paisley Town Centre regeneration: proposed investment of £41 million
- Completion of a £138 million housing investment Delivery Plan for the Scottish Housing Quality Standard programme to bring council houses up to the required standard.

### The council has a low level of borrowing

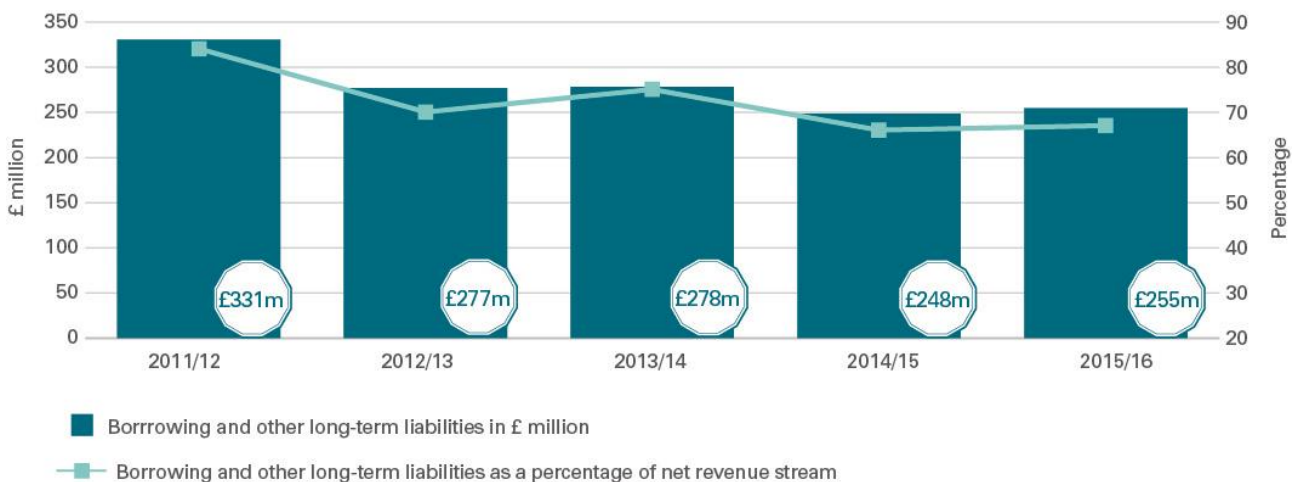
78. At 31 March 2016 the council's total long term borrowing was £255 million, including long-term liabilities relating to a schools public private partnership (PPP) finance lease of £80 million. The council's overall borrowing (excluding PPP) consists of loans of £169 million from the Public Works Loan Board (PWLB), which provides loans to local authorities and market loans of £55 million.

79. The council has a policy to limit variable rate borrowing to a maximum 25 per cent of all borrowing. In 2015/16, 76 per cent of the council's debt was at a fixed rate. During 2015/16 the council operated within the prudential indicators for the year as set out in its Treasury Policy Statement.

80. [Exhibit 10](#) shows the level of long-term borrowing and external debt over the last five years. There has been an overall decrease in borrowing since 2011/12. The council has achieved this through the Debt Smoothing Strategy, to minimise the cost of servicing debt, which is part of the BCCP. The council has proportionally lower levels of long-term borrowing in comparison to other councils. Long-term debt and other long-term liabilities as a percentage of net revenue has shown an overall decrease over the last five years and is the fifth lowest in Scotland (excluding Orkney and Shetland).

### Exhibit 10: Borrowing and long-term liabilities as a percentage of net revenue

The council has relatively low borrowing and debt compared to other councils



Source - Audited financial statements

## The council has developed savings plans

81. The council has a strong focus on financial planning and ensuring its financial position remains strong over the medium and longer term. The annual budgets produced are detailed and set out pressures and demands that could affect future finances.

82. It also prepares detailed medium-term plans. These set out the local and national context within which the council operates and how these will affect future finances. It also outlines pressures on Renfrewshire and the strategies the council uses to mitigate these, including the medium-term reserves strategy, to ensure the council is aware of future budget demands.

83. The medium-term plans also incorporate scenario planning, which highlights the best and worst case outcomes for the council. The Financial Outlook Report 2017/18 - 2019/20 highlights that savings in the region of £16 million to £27 million a year will be required in the period to 2020. This means the council will need to save around £56 million over the period 2017-2020. This is a mid-range estimate. Optimistic and pessimistic scenarios are £46 million and £80 million respectively.

84. In recent years the council has achieved most of its savings through its Debt Smoothing Strategy, staff leaving through voluntary redundancies and early retirements arising from the BCCP (see part 5).

85. The council recognises that in order to manage future budget pressures it will need to make significant changes in how it delivers services.

## The council needs to implement the Organisational Development Strategy

86. The council's Organisational Development Strategy 2016-19 was approved in December 2015 but is only in the early stages of implementation. This strategy sets out how the council will provide the skills and money it needs to develop as an organisation. The strategy focuses specifically on improving how the council will:

- manage and develop its performance
- plan its workforce needs
- ensure its workforce has the right skills, are motivated, feel part of the organisation and are adaptive.

## The council needs to develop its approach to strategic workforce planning

87. 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 workforce information should be in line with other long-term plans such as financial plans.

88. Between 2010/11 and 2015/16 the council reduced staff numbers by 1,150. This was part of the council's BCCP through voluntary early retirement and voluntary redundancy. The council has also redesigned services, that is, changing how services are provided and integrated. These changes have had a substantial impact on some services with a reduction of 369 staff within Community Resources.

89. The council's previous approach of voluntary redundancy and early retirement was effective in supporting the delivery of change projects to generate the financial savings required, although it has reduced capacity in some services.

90. The council does not have a strategic workforce plan in place. Services are in the early stages of developing workforce plans. At present, these plans are short term and only consider workforce needs for the current year, 2017/18. The council intends these plans to be three year rolling plans and to embed actions in Service Improvement Plans. The council recognises that it will need to fully develop this workforce planning approach over a longer term.

### **Sickness absence rates have increased slightly**

91. In 2015/16 teachers sickness absence was 6.4 days, and 10.4 days for other council employees. This had slightly increased from the previous year when the rates were 6.0 for teachers and 9.9 for other council employees. The figure is above the Scottish average of 6.1 days for teachers and slightly below the Scottish average of 10.6 days for other employees.

### **The council is reviewing how it communicates with its workforce**

92. The council surveys employees every three years. The latest survey was in 2016 and reported to CMT in May 2017. The response rate was ten per cent, a reduction from 2013 when there was a response rate of 23 per cent. The reduction in the response rate was directly attributed to the timescale for completing the survey. The CMT agreed this would be addressed for the next staff survey

93. From those who responded to the 2017 staff survey the following emerged:

- Almost 73 per cent of employees said they are aware to some extent or fully aware of the council's vision and values. This is slightly down from 2013 when over 75 per cent of employees agreed or strongly agreed that they understood the council's values and vision.
- Only ten per cent of staff felt fully informed about what is happening in the council with almost 50 per cent feeling informed to some extent. Less than 4 per cent of respondents were fully aware of the BCCP with almost 50 per cent saying that they were slightly or significantly more aware than the previous year.

94. The council has improved staff understanding of its vision and values and how it communicates with its workforce. It could do more to gather views to ensure staff are on board with the changes the council is making. The council could also do more to inform staff of the progress updates to the BCCP.

95. In October 2016 the council launched the Staff Recognition Awards Scheme, designed to improve teamwork and partnership working. The awards focus on teams and individuals who 'have gone the extra mile to deliver services that make a lasting and positive difference to the lives of local people and stay true to the Council's vision'.

96. We held focus groups with staff from across grades and council services. Staff told us:

- they have been and continue to be involved in reviewing and redesigning services at various stages of the process
- there has been a significant improvement in the level of information that senior managers, especially the Chief Executive, make available to staff to help them understand what changes are happening in the council

- there were improved opportunities for young people and career progression
- the council environment is both challenging and rewarding and staff have an increased sense of belonging.

### **The council has effective arrangements in place for procurement**

97. The council has effective arrangements in place for procurement and is performing well in comparison to other councils. The council's procurement team won the 2016/17 Government Opportunities Scotland Excellence in Public Procurement Awards. A 2016 assessment by Scotland Excel scored the council's overall performance at 83 per cent for leadership and governance, development and tendering, contract and purchasing processes. Scotland Excel is Scotland's centre of procurement expertise for local authorities. Its score was the highest of the 16 councils reviewed to date and well above the average of 65 per cent.

98. Scotland Excel rated the council's procurement practices and procedures as "superior performance", the first council in Scotland to achieve this. The council also won a Government Opportunities (GO) Awards Scotland in 2016 for Procurement Team of the Year – Local Government and highly commended for the Procurement People of Today and Tomorrow Award.

99. The council incorporates community benefit clauses and requirements into all its contracts. This is formalised in the council's Sustainable Procurement Strategy and Community Benefit Strategy. These clauses aim to deliver the following activities:

- Targeted Employment and Training Initiative
- Educational Support Initiative
- Supply Chain Development Activities
- Vocational Training
- Community, Corporate Social Responsibility (CSR) and Environmental Initiatives
- Supported Business, Third Sector and Voluntary Sector Initiative
- Equality and Diversity Initiative
- Creating a Sustainable Renfrewshire.

# Part 4

## Is the council working well with its partners?



### The council is working well with its main partners and its communities.

The council is working closely with its partners to improve local outcomes with a clear focus on intervening early to identify and address potential problems.

The council and its partners have effective arrangements for sharing information to improve how services are provided within the community.

Close working with NHS Greater Glasgow and Clyde ensured the council was well prepared for introducing the new integration joint board (IJB). Challenges remain in the areas of budget setting and how services are provided.

The council is an active partner in the Glasgow City Region City Deal and outline business plans have been completed.

The council and its partners are good at working with, and involving, communities. This provides a positive base for them to go further and fully implement the provisions of the Community Empowerment Act.

CPP partners need to continue to work together on joint priorities and to strengthen partnership working. They need to plan their budgets and finances to provide a clearer picture of the overall resources available.

### The council works closely with its partners to improve local outcomes and focuses on early intervention

100. The council is part of Renfrewshire's Community Planning Partnership (CPP), and contributes to delivering the Community Plan 2013-23 and the SOA. 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 CPPs and there are 32 CPPs covering each council area.

101. The Community Plan sets out six key themes ([Exhibit 2](#)). Renfrewshire's CPP board oversees and directs six community planning thematic boards, each of which reflects one of the key themes.

102. Renfrewshire's performance across the indicators tends to mirror national trends and outcomes are generally improving for local people. Despite improvements in a number of areas, Renfrewshire's performance generally remains below the national average. Exhibit 11 shows the following:

- The rate of Primary 1 children who have a healthy body mass index weight in Renfrewshire increased by 0.7 percentage points compared to an increase of 1.6 percentage points across Scotland.
- The number of those receiving out of work benefits (aged 16-64) in Renfrewshire decreased by 1.3 percentage points, compared to a national decrease of 2.1 percentage points.
- Child poverty in Renfrewshire decreased by 4.2 percentage points compared to a national decrease of 4.9 percentage points across Scotland.
- Emergency admissions for those aged 65 and over per 100,000 of the population increased by over 15 per cent in Renfrewshire, which is more than double the rate of increase across Scotland (seven per cent).
- Emergency department attendance rates per 100,000 people decreased by 6.4 per cent, compared to a national decrease of 3.3 per cent. Renfrewshire still has a significantly higher proportion of emergency department attendance rates per 100,000 people than the national average.
- Early mortality rates in Renfrewshire decreased by almost 20 per cent, compared to a national decrease of 14 per cent. Renfrewshire still has a higher rate of early mortality compared to the Scottish average.
- S4 average tariff score in Renfrewshire increased by over 11 per cent, compared to a national increase of over 15 per cent.
- Total crimes per 10,000 of the population decreased by 42 per cent in Renfrewshire, compared to a national decrease of over 44 per cent. Despite this improvement, the incidence of crime continues to be higher in Renfrewshire when compared to the national average.

### **Renfrewshire community planning partners continue to face significant challenges**

103. As demonstrated in [Exhibit 11](#), outcomes in Renfrewshire are generally improving. But the area continues to face significant challenges in improving some outcomes relating to its history of economic deprivation and poor health. The CPP's latest progress report to the board in September 2016 highlighted a number of challenges that partners continue to face in addressing deep-rooted inequalities:

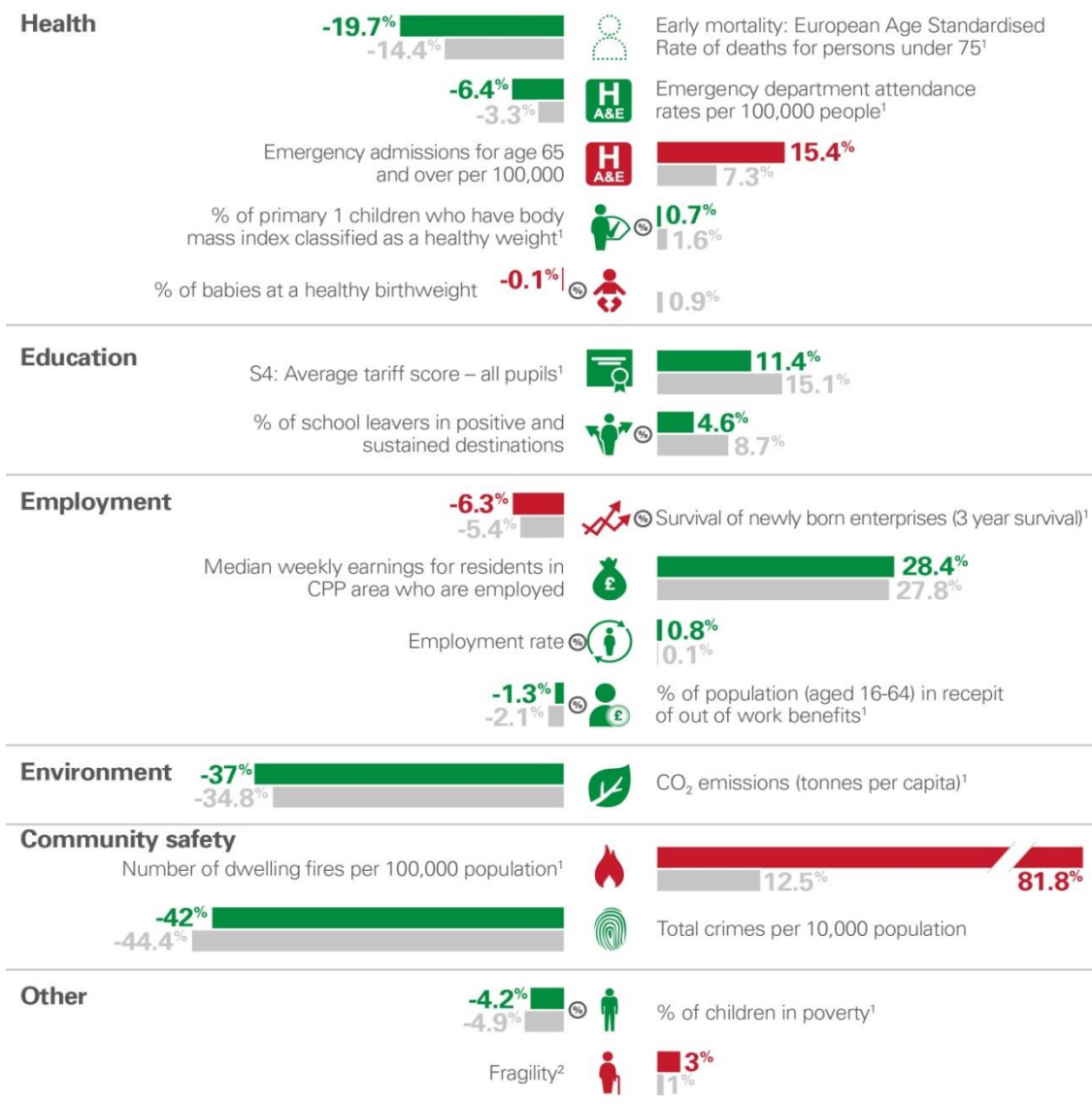
- Alcohol-related hospital admissions and drug-related hospital discharges are above the baseline figure and the targets set by the CPP.
- The percentage of children on the Child Protection Register affected by parental substance abuse remains above target. The percentage of babies with a low birth weight and the number of children at 6-8 weeks exclusively breastfed both show slight deterioration since 2011/12.
- The level of obesity in Primary 1 children is higher than the baseline level and the percentage of looked after young people in positive destinations, such as further study, training or employment, remains slightly below target.
- Estimates show a slight decrease in the resident population of Renfrewshire from the 2011 census figure. Vacant retail space has reduced by 16 per cent between 2012 and 2015/16, which is below the target of 20 per cent.
- Fewer people are satisfied with their neighbourhood as a place to live and the number of complaints about vandalism and youth disorder has increased. However, as noted in part 2, this may be as a result of the increased ability of Renfrewshire's Community Safety Partnership to gather and record data about, and deal with, complaints.



- The number of public service panel respondents indicating satisfaction with local public services has decreased slightly from 68 per cent to 67 per cent. The number of panel respondents using the internet to contact local public services decreased from 33 per cent in 2014 to 29 per cent in 2016.
- Renfrewshire CPP remains behind target for increasing the level of household waste recycled, reducing the level of CO2 emissions from the council's vehicle fleet and reducing the amount of car journeys to schools.

## Exhibit 11: Change in performance for Renfrewshire outcomes, 2004/5 - 2014/15

Outcomes for Renfrewshire's communities are generally improving, with 11 out of 16 indicators showing improvement



■ Renfrewshire ■ Scotland

⊖ Percentage point change – raw data is not available therefore absolute changes are shown.

Note 1: Imputed and projected data has been calculated using different methodologies for different measures where raw data is not yet available  
 Note 2: Fragility is a weighted combination of three indicators: de-population, rural de-population & old age dependency ratio  
 Note 3: Primary 1 BMI figures are based on a three year rolling average.

## The council and its partners have effective arrangements for sharing information that improves how services are provided

104. We found that partners have effective arrangements in place for sharing information that can lead to improving how services are provided. The Renfrewshire Community Safety Partnership works together to protect vulnerable individuals and tackle persistent offenders, using the skill base of partners. The approach is based on getting the correct professionals involved at an early stage to ensure that a preventative approach is adopted ([Case study 3](#)).

### Case Study 3

#### Renfrewshire Community Safety Partnership: daily tasking

Partnership daily tasking takes place each day within the Community Safety Partnership Hub to review relevant incidents over the previous 24 hours. The information is then given to the most appropriate service to look at an earlier intervention approach to resolve the issue before it escalates. The outcomes of each incident are monitored to identify any patterns of persistent behaviour. This means that resources, including people and money, are deployed based on evidence.

Group Membership	
Community Resources (Chair)	Development & Housing Services
Police Scotland	Registered Social Landlords (as appropriate)
Scottish Fire and Rescue	Renfrewshire Health & Social Care Partnership
Adult Services	Third Sector representatives
Children's Services	Victim Support

The areas of focus that the Daily Tasking group seeks to exchange and share information about include: child, adult, public and environmental protection, offender management and community safety.

This approach has improved local communities' perception of Renfrewshire as a safe place to live. It has reduced incidents of anti-social behaviour, the number of crimes of violence and complaints of vandalism and youth disorder. In turn, the partnership has revisited and increased the intended improvement targets in its Local Outcome Improvement Plan as follows:

- Increase in people who think Renfrewshire is a safe place to live - current performance 80 per cent (2014/15), Year 3 target revised from 45 per cent to 83 per cent, Year 10 target revised from 66 per cent to 87 per cent.
- Reduction in reported incidents of anti-social behaviour - current performance, 12,177(2014/15), Year 3 target revised from 16,277 to 11,489, Year 10 target revised from 13,404 to 9,575.
- Reduction in the number of crimes of violence - current performance, 255 (2014/15), Year 3 target revised from 375 to 252, Year 10 target revised from 333 to 208.
- Reduction in complaints about vandalism and youth disorder - current performance, 2,627 (2014/15), Year 3 target revised from 2,921 to 2,614, Year 10 target revised from 2,767 to 2,306.

Note: Case study includes combined data from Renfrewshire Police and Renfrewshire Community Safety Partnership and as a result progress against some indicators may vary to those listed in part 2 which are either council specific or based on Improvement Service outcomes in the Local Government Benchmarking Framework and Community Planning Outcomes Profile.



## The council and its partners have developed a good base to formally integrate health and social care although ongoing challenges remain

105. Renfrewshire Integration Joint Board (IJB), which provides health and social care services, has been fully operational since April 2016. The IJB approved its Strategic Plan 2016-19 in March 2016, setting out its objectives and priorities over the three-year period.

106. Renfrewshire was the first council to have an integration scheme in place with NHS Greater Glasgow and Clyde (NHSGGC). Governance arrangements, such as systems for managing, monitoring and scrutinising the IJB's business and finances are well developed. Processes are in place to allow the Chief Officer and the Chief Financial Officer to discuss significant issues with partners and the senior management of partner organisations.

107. At its meeting on 10 March 2017, the IJB approved the 2017/18 council adult social care budget allocation but rejected NHSGGC's proposed 2017/18 health budget allocation on the basis that it did not meet the Scottish Government direction that the level of budget to be allocated is maintained at 2016/17 cash levels. This was in common with the other IJB's within the Health Board's area.

108. It is anticipated that the public sector in Scotland will continue to face a challenging medium term financial outlook. This will potentially have significant implications for Renfrewshire IJB's parent organisations and therefore the delegated Health and Adult Social Care budgets.

## The council is working with partners to progress the City Deal projects

109. City Deals provide city regions with the opportunity to deliver infrastructure, innovation and employment projects to improve the economic performance of the city region. The UK and Scottish Governments both provide funding with councils contributing additional funding. Renfrewshire Council became part of the £1.13 billion Glasgow City Region City Deal, with seven other councils, in 2014. The council is an equal partner and plays an active role in the governance structure for managing, monitoring and scrutinising the delivery of projects. It is represented on all eight policy portfolios and takes the lead on the Glasgow City Region policy portfolio focusing on enterprise.

110. Three City Deal infrastructure projects are being developed in Renfrewshire, with funding of £274 million. Progress continues to be made on developing the projects and outline business cases (OBCs) are complete for the three projects.

- The **Glasgow Airport Investment Area Project (GAIA)** will improve roads, enabling new business sites to be built near the airport. The project will include improvements to walking and cycling links.
- The **Clyde Waterfront and Renfrew Riverside Project (CWRR)** includes a new opening bridge over the River Clyde between Renfrew and Yoker / Clydebank, and building the Renfrew North Development Road. Following approval of the OBCs, work will continue on developing the preferred options and progressing through the statutory processes with the aim of starting construction in spring 2018.

- The **Airport Access Project (AAP)**, due to its importance to the overall Infrastructure Fund Programme, is designated as one of only two 'regional' projects in the programme. The project is being jointly delivered by Renfrewshire Council and Glasgow City Council. The project aims to deliver a new direct rail link between Glasgow Airport and Glasgow Central Station, stopping at Paisley Gilmour Street station. Due to the technical complexities of this project, the AAP has a significantly longer development process. Construction is currently scheduled to start in 2022 and, the project is expected to be finished and running by 2025.

## **Community planning arrangements in Renfrewshire encourage involvement by local communities**

111. There are many positive examples where the council and its partners have engaged well with service users.

112. Engage Renfrewshire is an important partner for the council and other public bodies, the organisation brings together local community groups, charities and community based organisations. It helps in establishing links between third sector organisations and communities with the council, NHS and other partners. Its aim is to promote the views of local people. The Chief Executive of Engage Renfrewshire chairs the Renfrewshire Forum for Empowering Communities. This is one of the six community planning thematic Boards and has been operating since May 2013. It is made up of senior third sector managers operating in Renfrewshire. The Forum receives updates at its meetings from Engage Renfrewshire representatives who sit on each of the thematic boards.

113. Engage Renfrewshire and the Forum for Empowering Communities are leading on the council and its partner's preparation for aspects of the Community Empowerment Act. This act aims to give communities greater influence or control over things that matter to them. As well as the Community Planning Conference, it has held workshops with local community groups and is preparing a localised toolkit to raise awareness of the provisions of the Community Empowerment Act among local community groups.

## **Partnership working in Renfrewshire is strong and the CPP continues to strengthen the way it works.**

114. In December 2016, Renfrewshire CPP Board agreed a new governance structure for managing, monitoring and scrutinising the partnership's business. This takes account of new partnership arrangements such as the IJB. It also reflects other priorities in the area such as partnership working in relation to the Tackling Poverty Programme, the bid for UK City of Culture 2021 and the Glasgow City Region City Deal.

115. CPP partners recognise that an area for improvement is how partners plan budgets and finances to provide a clearer overall picture of the funds available to the CPP. The partnership has taken early action to outline each partner's approach to financial planning and budgeting. This identified similarities and differences in partners' approaches to financial planning. With budgets not known until different times in the year, it is difficult to determine what money and staffing resources are available over the year and to fully understand the resources available to the CPP.

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# Part 5

## Is the council demonstrating continuous improvement?

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**The council has a good record of service delivery. But officers recognise that the new council will need to substantially review how future services are provided.**

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Since the last Best Value audit, the council has continued to demonstrate a high level of ambition in a challenging political environment.

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The council has demonstrated a commitment to develop different ways in which services are delivered but more wide-ranging change and transformation is required.

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The council continues to develop how it uses self-evaluation and service reviews to improve how services are delivered

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### **The council has improved since the last Best Value audit but the political environment remains challenging**

116. Renfrewshire Council's Best Value audit timeline is set out in [Appendix 1](#). The council has continued to improve the way it manages services since its previous Best Value review in 2006. However there are ongoing concerns around cross party working relationships. [Exhibit 12](#) highlights some of the main changes.

## Exhibit 12: Comparing selected Best Value judgements, 2006 and 2017

The difference in Controller of Audit judgements between 2006 and 2017 shows progress made by Renfrewshire Council

2006 Controller of Audit judgement	2017 Controller of Audit judgement
Overall, the council demonstrates a strong commitment to delivering continuous improvement and is embedding the appropriate corporate systems to support this.	The council is dealing with the challenges through a shared ownership of a clear and ambitious vision. There is effective alignment of systems and structures with organisational priorities.
Elected members and senior officers provide strong and effective leadership in Renfrewshire.	Leadership in the council is effective and there is a good working relationship within the Corporate Management Team and between officers and councillors.
This relationship has been critical in bringing greater stability to the historically volatile political culture in the council	The council has a challenging political environment with difficult working relationships between the administration and the main opposition party.
The council has established a well integrated strategic planning framework based on the area's broader community planning objectives and the council's arrangements overall represent a firm foundation from which to build improvement.	The council's vision demonstrates a high level of ambition. Priorities reflect local need and seek to improve the area. Structures are aligned to support organisational priorities.
The council has reviewed its political structures for policy and decision-making twice, firstly in 2001 with further refinement in 2002. While these arrangements are broadly effective, there remains scope for improvement, particularly around the council's scrutiny arrangement.	The operation and performance of the Audit, Scrutiny and Petitions Board has been weak. The level of scrutiny and challenge at policy boards could be improved.
The council is focused on the people it serves and has invested in improving its approach to customer care. It works well with partners at a strategic level but could work better with the voluntary sector.	The council is improving access to its services through increased use of digital solutions. MyAccount provides Renfrewshire citizens with an easy to access online self-service facility. Initial sign up is encouraging with 20,000 households (23 per cent) uptake in the first 14 months.

Source: Audit Scotland, Renfrewshire Council: The Audit of Best Value and Community Planning, Accounts Commission, July 2006.

## The Better Council Change Programme has helped deliver savings and redesign how services are provided

117. In February 2014 the council established the Better Council Change Programme (BCCP). The objectives of the programme, outlined at [Exhibit 13](#), cover the period 2015/16 to 2017/18. The aim of the programme was to enable the council to become more efficient while continuing to be financially sustainable, that is, providing for its financial needs over the medium to long-term. This built on the council's previous initiative, Transforming Renfrewshire, that saw the council achieve savings of £12 million by modernising its customer services, providing more online systems and introducing flexible working for employees.

118. The BCCP and Transforming Renfrewshire has helped the council achieve savings of £117 million since 2011/12 through a number of initiatives including:

- the creation of a Corporate Business Support Service with the aim of providing improved and more efficient use of support staff across all services

- spend to save projects in energy efficiency and ICT systems
- redesigning service delivery to manage cost and demand growth in care provision
- workforce planning changes to create a more flexible workforce within Community Resources.

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## Exhibit 13

### Better Council Change Programme

#### The aims of the Better Council Change Programme

- To put our customers and communities at the centre of all we do, forecasting their needs to inform service design with our partners and promoting the concept of a co-operative council
- To enable our people to have the right skills and leadership to deliver in a challenging, changing work environment
- To exploit the potential of technology to support better information management, to provide the right information in a timely fashion to employees, citizens and customers, and to help deliver better outcome based services
- To ensure that all assets - buildings, land, transport, equipment and technology - are aligned to delivering council priorities.

Source: Renfrewshire Council, February 2014

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119. Since 2014/15, the BCCP has been developed on a rolling two year basis, with phase 1 targeting savings for the period 2015 to 2017 and phase 2 for 2016 to 2018. Phase 1 projects delivered annual recurring (as opposed to one-off) savings of £15.1 million against an original target of £14.4 million by the end of 2016/17. Phase 2 projects are expected to achieve annual recurring savings of £5.5 million by the end of 2017/18.

#### **The council is improving access to its services by using more digital technology to provide access to services**

120. The council's Digital Strategy 2016-19 is linked closely to the Tackling Poverty Strategy with the aim of improving outcomes. It focuses on improving access for local citizens to online services to help improve their quality of life and opportunities. The strategy focuses activities around the council's priorities and has four work-streams: digital participation, connectivity, digital public services and economy.

121. The council's Digital Inclusion Strategy aims to deliver additional support to residents with limited access to, or experience of, using digital technologies to ensure that they can get access to online services.

122. The council has improved the range of access it provides to online services. It launched its Customer Portal in March 2016 with the aim of making more online services available through the council website and to increase the volume of customer transactions completed online. The council's 'MyAccount' allows residents to sign up and securely:

- apply for housing benefit and upload proof online
- apply for council tax reduction, discount or exemption
- view their rent and council tax accounts, balances and payments

- update a change in address, household details or circumstances
- set up or change direct debit for council tax
- make a payment
- view a record of requests.

123. An independent assessment of the council's digital accessibility concluded that the council's changes had made improvements. At the time of our audit it had been shortlisted for a Digital Council of the Year Award.

124. Another major improvement area has been the council's Enterprise Resource Planning (ERP) project. This will replace the council's existing finance, HR, payroll and procurement systems with a single on-line, fully integrated software application. The project started in July 2016 and it was intended to go live April 2017. There have been some delays in the implementation phase and the revised go live date is November 2017.

### **The council has used self-evaluation in the past and is looking to further develop its approach**

125. Renfrewshire Council has previously used self-evaluation to better understand its business and contribute to developing the corporate improvement plan. Between 2008 and 2015 the council used the Public Service Improvement Framework (PSIF). This is a self-assessment tool that the council uses to measure:

- how well it is delivering customer service
- how well its staff are performing, if they are well trained and if they are motivated
- if its service planning is effective.

126. The council completed two cycles of self assessment, using PSIF. Thirty five services carried out self-evaluation and in the first cycle 23 services in the second.

127. Following each cycle services identified areas for improvement which fed into their SIPs. A summary of the main themes from all services were reported to the CMT in January 2015. One area for improvement identified was staff communication. Based on feedback from the focus groups there is a recognition that this has improved significantly. Other areas identified for improvement continue to feature in the current corporate improvement plan and include workforce planning, particularly in respect of succession planning and capacity building.

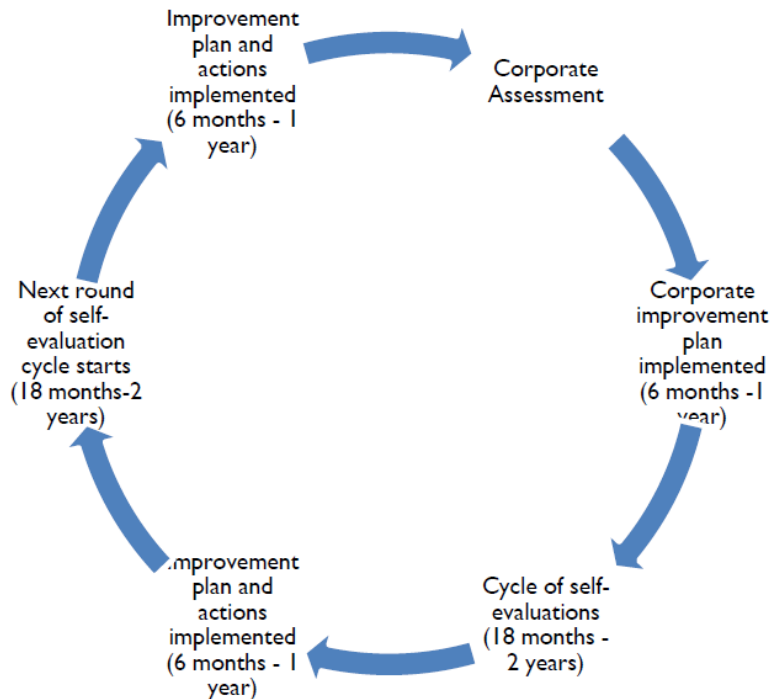
128. As well as PSIF, individual service departments within the council use a range of other self-assessment tools, such as 'How Good is Our School'. Other services, for example, criminal justice services, and community learning and development services use self-assessment tools that are supported by other scrutiny bodies through 'validated self-evaluations'.

129. In 2015/16 the council decided not to undertake a PSIF self assessment exercise for a number of reasons, including the level of restructuring across corporate services, wider policy changes such as health and social care integration and ongoing work on council priorities.

130. The council is re-establishing its approach to self-evaluation as outlined in [Exhibit 14](#).

## Exhibit 14

### Renfrewshire Council's proposed self evaluation approach



Source: Renfrewshire Council

131. The council piloted a self-evaluation exercise in summer 2016 which has resulted in a Corporate Improvement Plan. This lists 17 areas for improvement that link to the Council Plan priorities, 'supporting our employees' and 'continuing to be a well-run council'.

132. The council plans to roll out its new approach to self-evaluation across each service department.

### The council recognises the need to continue to develop new approaches in the way services are delivered

133. The council has shown a commitment to review and develop different ways in which services are delivered.

134. The council's culture services transferred to RLL in 2015. The aim is that more people will use cultural facilities, to help meet the council's social objectives. Other projects the council has developed to make savings include the reduction from three works depots to one.

135. Phase 3 of the BCCP will consider new change projects to help deliver the forecast recurring annual revenue savings requirements for the two year period 2018/19 and 2019/20. Work is currently underway to develop options to include in the BCCP looking at council functions that affect several services. These will be appraised and shortlisted for developing outline business cases and the CMT will regularly review them to ensure that the options being developed are appropriate to tackle the ongoing financial pressures on the council.



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# Recommendations

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**Councillors should improve cross-party working, given the financial challenges that exist and the important decisions that will need to be made in future.**

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**Councillors should take advantage of the training and development opportunities that the council provides to ensure they have the necessary skills and knowledge to perform their role effectively.**

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**The council should review its governance arrangements to ensure they provide for a relationship with Renfrewshire Leisure Limited (RLL) that is clear, independent, and more easily understood by the public.**

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**The council should develop a detailed medium and long-term workforce strategy and plan and implement its organisational development strategy. Implementing both the workforce and organisational development strategies will be critical to managing how future services are provided.**

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**The council is continuing to review how it will achieve the savings required within the medium-term financial strategy. The council should prioritise how services need to be provided in future to meet these savings.**

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**Community Planning partners need to plan their budgets and finances together to provide a clearer picture of the overall resources available.**

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**The council and its partners need to continue to involve communities and work together on joint priorities and to strengthen partnership working. This will provide a positive base to ensure the Community Empowerment (Scotland) Act 2015 is fully implemented.**

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# Next steps

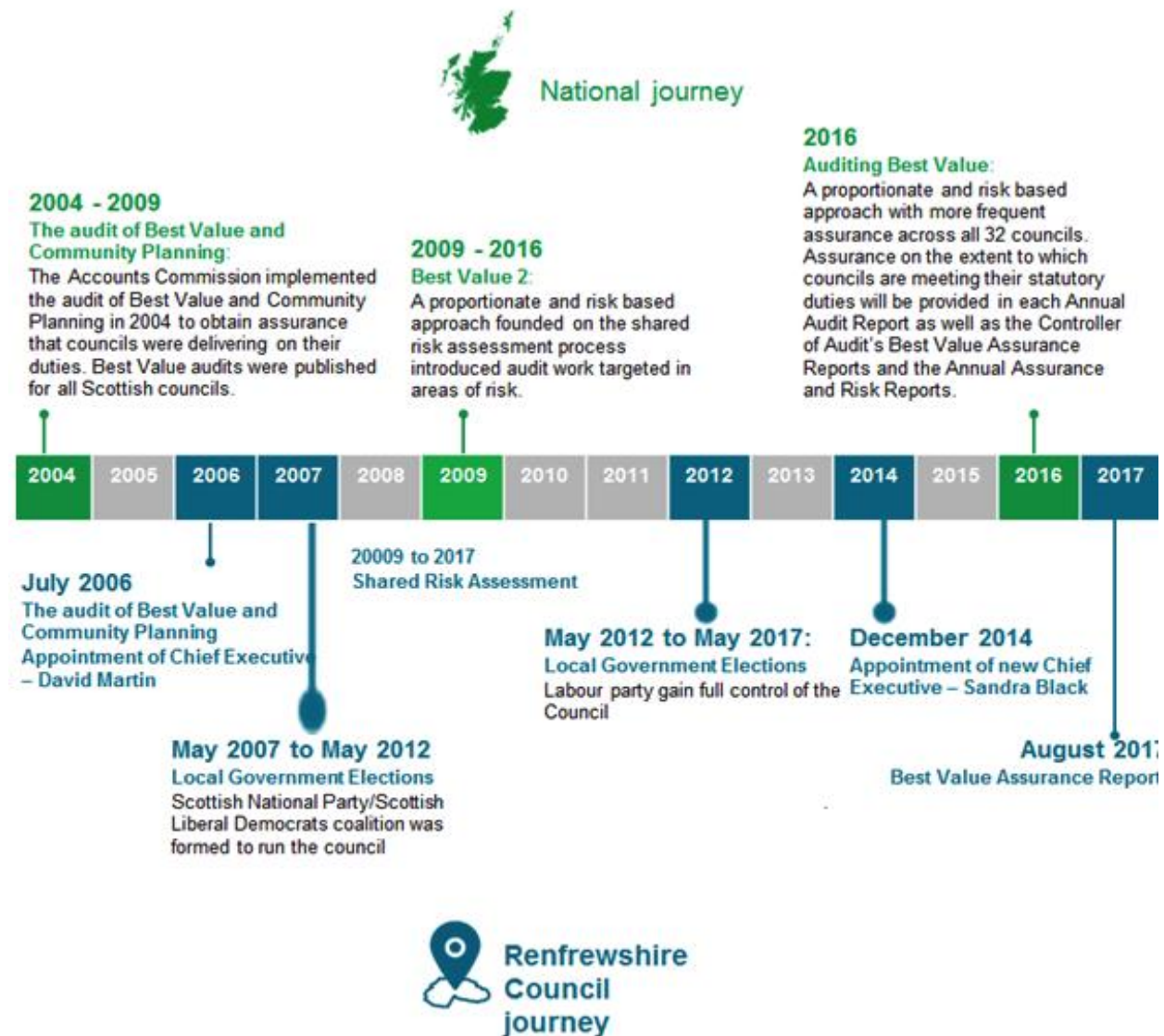
## Future audit work

136. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Audit conclusions will be reported each year through the Annual Audit Report. As part of our work in 2017/18 we will follow up the progress the council is making to implement the recommendations outlined above.

137. Our audit work will continue to be shaped by the Shared Risk Assessment. This is a joint approach agreed by Audit Scotland and other scrutiny partners such as Education Scotland and the Care Inspectorate, using information about local government to plan scrutiny activity that is proportionate and based on risk. This approach will contribute to the audit intelligence and help us decide about the timing of audits and the focus of audit work at individual councils.

# Appendix 1

## Best Value audit timeline



### July 2006 – The audit of Best Value and Community Planning:

The council has adopted a modernising agenda to ensure it is in a good position to meet the changing demands on public services. The council has strong and effective leadership. It needs to ensure its political and managerial structures continue to support its business needs.

### August 2017 – Best Value Assurance Report:

The Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five year audit appointment for each council. This is the second Best Value Assurance Report to be published reflecting this new approach. 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.

# Renfrewshire Council

## Best Value Assurance Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)