

An overview of local government in Scotland 2009



Prepared for the Accounts Commission
February 2010

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 44 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Commission findings



The Accounts Commission welcomes evidence of improvement. The future budget position is expected to be substantially more difficult and an urgent response is required.



Each year the Accounts Commission asks the Controller of Audit to produce an overview report on issues arising from local authority audits. The Commission has considered the report for 2009.

The Commission notes the relatively stable financial position in 2008/09 and the commitment which has gone into significant trading operations to make more of them profitable. We welcome evidence of sound accounting performance, with almost all councils achieving clean audit certificates on their financial statements. The Commission also acknowledges and welcomes the substantial commitment that councils have made in responding to their Best Value duty to secure continuous improvement.

The Commission welcomes evidence of areas in which councils are providing good quality outcomes for citizens – for example, in targeting care services more effectively to meet needs, and in working well with local partners to deliver aspects of addiction services. We also welcome the serious consideration of shared services development in a significant number of councils.

These are positive developments. Councils, however, must focus on the scale of the challenge ahead. More progress is still needed on many of the findings the Commission made on the 2008 overview report. Councils need to improve the way they assess how they are contributing to outcomes that meet the distinct needs of their communities. The Commission acknowledges the investment in developing single outcome agreements, although this has served to re-emphasise the need for significant improvement in performance management and reporting.

The impact of the recession – reduced income and increased demand for some council services

– has already started to materialise in the period covered by this year's report. But, as councils are aware, the future budget position is expected to be substantially more difficult and an urgent response is required.

Projections made at the time of the last UK budget in April 2009 show real terms reductions in the Scottish budget of between seven and 13 per cent between 2009/10 and 2013/14. While definitive figures must await future spending review outcomes, subsequent estimates indicate that the outlook may, if anything, be even more difficult. Councils, therefore, need to prepare now to deal with the extremely challenging combination of increased demand and reduced resources. Incremental approaches to achieving savings and efficiencies cannot be expected to be sufficient to address this.

The scale of the budget challenge demands radical thinking about service design. Councils need to continue to think, urgently and radically, about services – what they are delivering, how they are meeting needs and what are the most effective and efficient ways to deliver them. Elected members and senior officers have difficult decisions to make on the allocation of resources. At the heart of this decision-making should be robust options appraisal and effective scrutiny. This means that members and officers must have accurate and relevant information.

Councils, therefore, urgently need to ensure that they have comprehensive baseline data on service outcomes and costs and are able to integrate this within performance management systems. In doing so, we urge councils to examine and draw on evidence of service improvement and good practice. More effective workforce planning and management, and further progress on asset management and procurement, are also essential.

This year's report also shows that there is still considerable room to standardise, simplify and streamline services. There is scope for progress on shared services, but equally for simplifying and standardising common processes within and across the 32 councils so that they can demonstrate to their taxpayers that they are delivering value for money.

We look forward to working with the local government community to take forward the issues in these findings.

Part 1. Controller of Audit's foreword



Councils face significant challenges including significant pressures on budgets – the emphasis must be on improved outcomes and value for money.



Controller's foreword

I am pleased to present my annual overview report, which draws on the local government audit work carried out in 2009 and other performance information published during the year.

In 2009, we completed the first phase of Best Value audits covering all 32 councils, and the key messages are summarised in *Making an impact: an overview of the audits of Best Value and Community Planning 2004–09*.¹ Councils have responded positively to their Best Value duties and are better placed to deliver good quality services as a result. There is still, however, some way to go, including the need for much better performance management and public reporting, and more robust scrutiny and challenge aimed at improving the outcomes that councils achieve for their communities.

Local government faces significant challenges over the next few years. The significant pressures facing public finances have been well documented recently. The Auditor General's report, *Scotland's public finances*², published in November 2009, projects reductions of between seven and 13 per cent in real terms for 2013/14 public sector budgets, compared to 2009/10. After years of sustained growth in central government financial support for local government, in December 2009 the Scottish Government announced funding of £12 billion for 2010/11, representing a decrease in real terms on the previous year. This includes provision for a further freeze in council tax.

The recession is likely to make it more difficult to collect cash due from council tax and business rates, and less income will be achieved from asset sales and from services such as planning and development. At the same time, councils' operating and employee costs, including

employers' pension contributions, are increasing, and higher demand is predicted for homelessness and other welfare support services. In addition, equal pay settlements could further affect reserves and there are local financial pressures associated with major transport projects and unanticipated events such as bad weather and flooding.

The difficult financial outlook is set against a backdrop of increasing demands on council services. Taxpayers, service users and citizens have increasing expectations of the quality and availability of services, and the ageing population needs more and better social care. This is leading to particular pressures on social work services. Councils are also expected to contribute to the delivery of national policy priorities and to meet new legislative requirements associated with, for example, waste management, liquor licensing and reducing carbon emissions.

Elected members face increasingly difficult choices in setting budgets that are sustainable over time and provide an effective balance between national and local priorities. To do this they require good intelligence about the needs of their local communities, and how council services make an impact. They also need to establish clear policy priorities and effective joint working with partners to ensure that the best use is made of all available resources.

The emphasis must be on improved outcomes which provide value for money, with a focus on understanding and managing costs, longer-term resource planning and seeking the most effective ways of delivering vital public services. To support this there needs to be a stronger focus on risk management, which involves being aware of the risks associated with change and ensuring that those risks are managed properly.

Elected member leadership and direction is essential if councils are to meet the challenges they face; Appendix 1 sets out the key questions councillors should be asking. Better-performing councils demonstrate effective leadership by councillors and senior managers. Last year we highlighted the importance of structured approaches to development and training for elected members. In 2009, some progress was made but nearly two-thirds of councils have yet to agree personal development plans for all of their elected members.

Audit has an important role in supporting local authorities to fulfil their Best Value duties and helping them improve. We are working hard with our partners to make our work more risk-based and proportionate and to reduce the overall level of scrutiny of local government. Councils have an essential contribution to the success of this, by carrying out rigorous self-evaluation as part of effective day-to-day performance management, and demonstrating improving outcomes to local people and communities. Further details are available at www.audit-scotland.gov.uk/scrutiny

In the remainder of this report I summarise how effectively local authorities managed their resources in 2008/09, together with the general improvements in outcomes they achieved for communities as a result. I also highlight key matters for attention during 2010.



Caroline Gardner
Controller of Audit

¹ *Making an impact: an overview of the audits of Best Value and Community Planning 2004–09*, Accounts Commission, October 2009.
² *Scotland's public finances: preparing for the future*, Auditor General for Scotland, November 2009

Part 2. Using resources



The full impact of the recession on councils' finances will become clearer in future years. The emphasis now is on strong financial management and efficiency.



Finance

- The audited accounts for 2008/09 showed a relatively stable position in councils. However, the overall level of reserves fell for the first time in recent years and some councils are using capital reserves to support service expenditure. The full impact of the recession on councils' finances will become clearer over the next few years.
- The pressure on finances is increasing the emphasis on strong financial management and efficiency. Councils still have some way to go in developing medium to long-term financial strategies which are based on good information about service costs and value for money.

Income and expenditure

1. Exhibit 1 summarises council income and expenditure in the financial year to 31 March 2009.
2. Local authority income from government funding, council tax, service charges, housing rents and other sources amounted to £17.4 billion, an increase of around 3.7 per cent on 2007/08. Overall government funding was £12.9 billion, representing 74 per cent of total income. The proportion of this provided through 'ring-fenced' grants (funds that can only be used for specified purposes) halved in 2008/09 to around eight per cent (approximately £840 million), giving councils greater discretion over how money is spent.
3. Income from council tax totalled £2.25 billion (around 13 per cent of total income). The average amount of council tax collected within the year it was due improved slightly from 94.2 to 94.3 per cent. Although half of all councils reported reduced collection rates during the year, Glasgow City improved its collection rate from 88 per cent to 90 per cent. This meant that all councils reported in-year collection rates above 90 per cent for the first time. Details are available at www.audit-scotland.gov.uk/performance
4. The recession may have an impact on council tax collection and many councils are already experiencing less growth in their base as the number of new housing properties declines. For example, in previous years Aberdeen City assumed an increase in its council tax base of around 600 new properties each year, but it has budgeted for no increase in 2009/10.

Exhibit 1

Income and expenditure – year to 31 March 2009

	£ billion	£ billion
Where the money came from:		
General revenue funding from Scottish Government	8.27	
Service fees, charges, other government grants and rents	4.81	
Council tax	2.25	
Non-domestic rates	1.96	
Transfers from reserves	0.10	
Total		17.39
How the money was spent:		
Education	5.46	
Social work	3.52	
Housing	3.37	
Roads, environment, culture and planning	3.45	
Police and Fire	1.01	
Other services, including corporate costs	1.06	
Other operating expenses	0.51	
Adjustments for capital charges, depreciation and pensions	(1.04)	
Total		17.34
2008/09 surplus		0.05

Source: Audit Scotland

5. Councils spent £17.9 billion in providing public services³, around five per cent more than in 2007/08. Overall spending across the main services were broadly similar to previous years (Exhibit 2), although the pattern of net expenditure varied among councils (Exhibit 3).

6. Providing vital care services for older and vulnerable people and funding residential placements for looked after children are the most common areas where budgets come under pressure, reflecting the demand-led nature of these services. There were also some early indications of the impact of the recession in the 2008/09 accounts, for example in planning where the income from planning applications reduced.

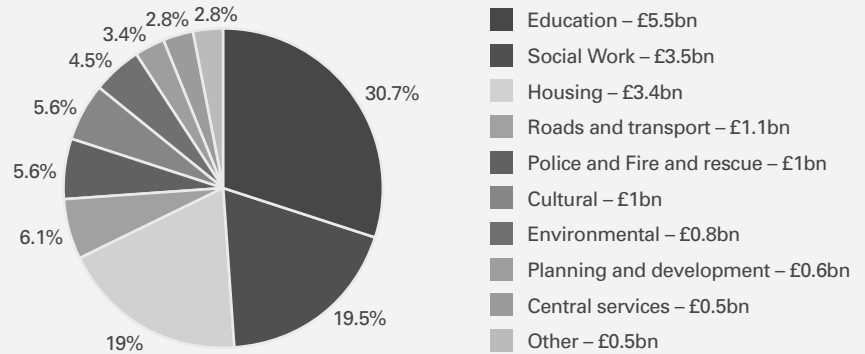
7. During 2008/09, several councils were required to make provisions for bad debt as a result of investments in failed Icelandic banks totalling £46.5 million (Exhibit 4). Councils expect to recover around 95 per cent of the deposits and accrued interest.

8. Despite spending pressures, most councils reported a better than anticipated financial position at 31 March 2009 due to underspends in areas such as financing charges and delays in implementing single status agreements. However, the full impact of the recession on councils' finances will only become clearer in future years' financial statements.

Pensions

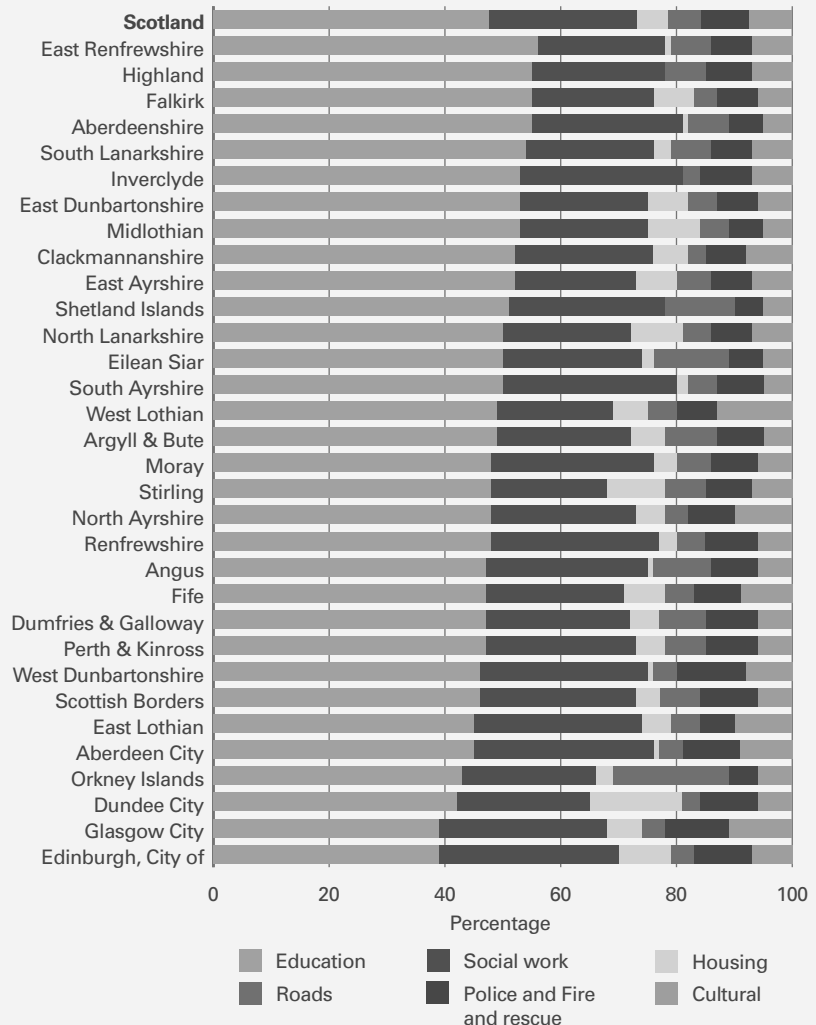
9. The short-term performance of local government pension funds has been affected by the world-wide financial climate. Falling investment values and income for the 11 local government pension funds in Scotland saw the gap between assets and pension liabilities rise by 128 per cent between April 2008 and March 2009 to nearly £3.1 billion. This is based on a snapshot of the position at 31 March 2009 and subsequent movements in the stock market will have affected the value of pension fund investments.

Exhibit 2
Percentage expenditure by service 2008/09



Source: Audit Scotland

Exhibit 3
Proportion of expenditure in six key service areas 2008/09



Source: Audit Scotland

3 Excludes operating expenses and accounting adjustments for capital charges, depreciation and pensions.

10. During 2008/09, councils' pension contributions increased by around £43 million to £610 million. The longer-term financial position of the funds is affected by longer life expectancies and the decreasing number of employees contributing to the schemes. To address this, the latest triennial reviews of councils' pension funds recommend that contribution rates increase on average from around 17.5 to 19.3 per cent of employees' salaries over the next three years. In April 2009, there was also a major change to the way that employees contribute to their pensions, with flat rate employee contributions of six per cent being replaced by a new tiered contribution system ranging from 5.5 to 12 per cent of earnings.

Capital expenditure

11. Capital expenditure has risen steadily over the past nine years (Exhibit 5). In 2008/09, capital expenditure rose again by ten per cent to £2.2 billion, of which £0.5 billion was housing-related. Agreed capital budgets for 2009/10 show further planned growth to £2.4 billion.

12. To support economic recovery, the government brought forward funding of £100 million for capital expenditure from 2010/11 to 2008/09 and 2009/10. Councils also agreed to release £20 million from capital budgets in both 2008/09 and 2009/10 to support affordable housing.

13. Despite the growth in capital expenditure, slippage in delivering capital programmes is a recurring issue. The average underspend against budgets was around four per cent in 2008/09, with slippage often attributed to reduced capital receipts from lower asset sales.

14. The value of capital receipts fell from £459 million in 2007/08 to £226 million in 2008/09, while the amount of borrowing to finance capital expenditure increased from £656 million to £1.2 billion. The

Exhibit 4

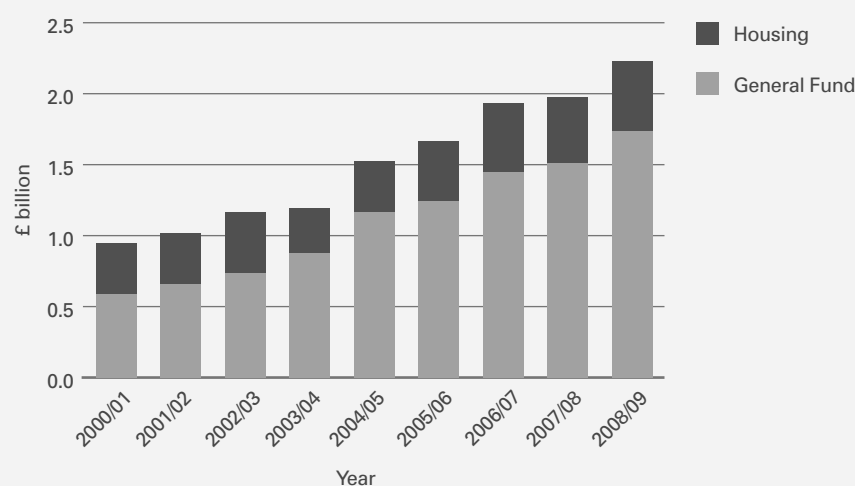
Value of investment in Icelandic Banks

Council	Value
East Ayrshire	£5m (£3m Heritable, £2m Kaupthing)
East Renfrewshire	£1m (Heritable)
Moray	£2m (Landsbanki)
North Ayrshire	£15m (£5m in Landsbanki, £10m in Glitnir)
Perth & Kinross	£1m (Glitnir)
Scottish Borders	£10m (£5m Landsbanki, £5m Heritable)
South Ayrshire	£5m (Landsbanki)
South Lanarkshire	£7.5m (£5m in Landsbanki, £2.5m Heritable)
Total	£46.5m

Source: Audit Scotland

Exhibit 5

Capital expenditure 2000/01 to 2008/09



Source: Audit Scotland

proportion of capital expenditure that each of these represents is set out in Exhibit 6, overleaf.

Reserves and balances

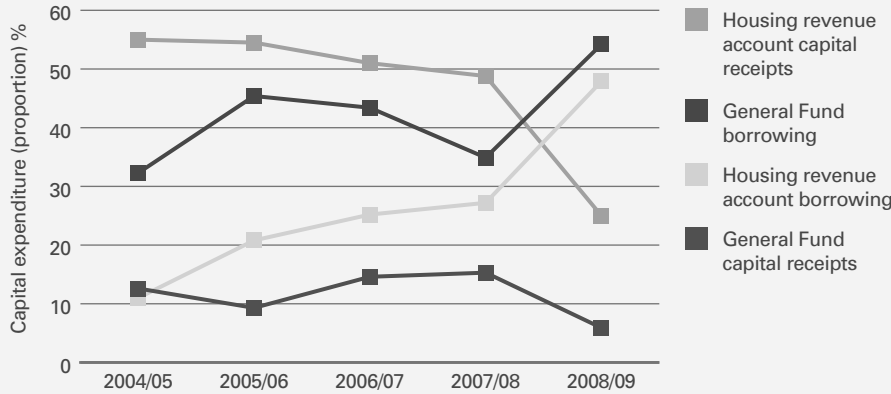
15. Councils hold reserves to ensure stability in cash flow, to build up funds for known and predicted costs, and

as a contingency for unforeseen expenditure. The overall level of council reserves at 31 March 2009 was £1.24 billion⁴, £45 million less than in 2008 and the first fall in recent years (Exhibit 7, overleaf). Further details are shown in Appendix 2.

4 Excluding substantial funds held by Orkney Islands and Shetland Islands from harbour and other oil-related activities.

Exhibit 6

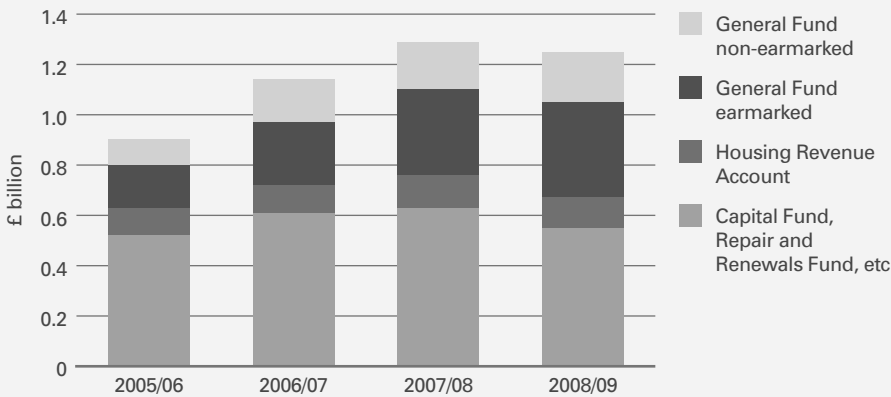
Capital expenditure financing sources



Source: Audit Scotland

Exhibit 7

Reserves and balances



Source: Audit Scotland

16. Within overall reserves, general funds increased by £50 million (around 9.5 per cent) to £579 million. Of this, £380 million (66 per cent) was earmarked to meet known commitments such as PPP/PFI payments, single status and equal pay claims. The remaining unallocated general fund balances of £199 million, equivalent to 1.7 per cent of the net cost of services, are broadly the same as in previous years. Unallocated balances within individual councils

vary from zero to 3.7 per cent (Exhibit 8).

Efficiency

17. Councils need to do more to demonstrate cost effectiveness, efficiency and competitiveness across their services. Improvement plans for 23 of the 32 Best Value audits included action to improve how they demonstrate value for money and the competitiveness of service costs when compared to other councils and alternative providers.

18. Councils publish specific accounts for their significant trading operations (STOs) such as catering services or building maintenance services. These operations are required to break even over a rolling three-year period and demonstrate good commercial performance. During 2008/09, 84 per cent of STOs met this requirement.

19. Reviews by councils have resulted in the amalgamation of trading organisations, the combination of trading activities and client departments, and outsourcing activity to the private sector. As a result, the number of STOs is now around half that in 2004/05.

20. In 2008/09, there were 89 STOs across 30 councils (Orkney Islands and Perth & Kinross have no STOs). Most of these are profitable, suggesting that councils are improving the efficiency of STOs or dispensing with loss-making STOs in favour of other arrangements. Further details are available in Appendix 2. It is for councils to determine STO and other arrangements, but the over-riding best value requirement to demonstrate competitiveness continues.

21. Local government's contribution to the national Efficient Government Programme required efficiency savings of two per cent or £175 million in 2008/09. Councils were able to retain these amounts for reinvestment in services. In the event, local authorities reported efficiency savings totalling £258 million.⁵ Of this amount, £238 million was reported as recurring savings and £20 million as non-recurring savings, such as sales of surplus assets.

22. The Auditor General's report on public finances highlights the high proportion of fixed costs in most budgets and that it is not clear whether the public sector can continue to deliver two per cent efficiency savings on a cumulative basis beyond 2011 without a

5 Efficiency savings reported by councils have not been audited.

fundamental shift in how services are delivered. Our report on *The Efficient Government Programme 2008–2011*, due for publication later this month, considers the position in further detail.

23. Efficiencies that are relatively easy to achieve are now likely to have been realised and councils are looking at other options for delivering services.

24. In previous years we have reported that progress in realising efficiencies through shared services has been slow. More recently there has been some progress in integrating and sharing services, for example through co-location of services and the national recruitment portal, and councils recognise the potential to realise greater efficiency through wider collaboration. This is reflected in a renewed focus on investigating the potential from shared services (Exhibit 9, overleaf).

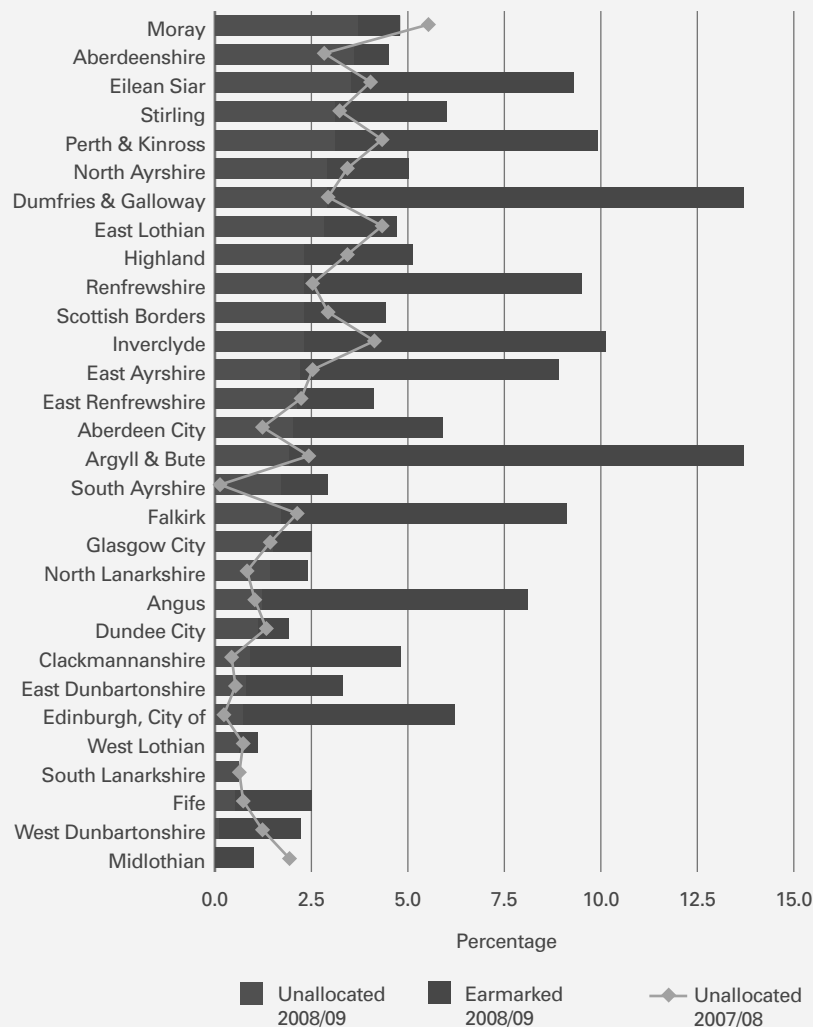
25. The National Fraud Initiative (NFI) matches data from a wide range of public bodies to help identify fraud and error. The data includes information about benefit applicants, employees, disabled 'blue badge' holders, tenants and public sector pensioners. During 2008/09, councils, police and fire and rescue authorities, and other public bodies have been completing matches from the 2006/07 NFI exercise and progressing 2008/09 NFI matches from February 2009.

26. Since publication of our last report on the NFI in May 2008⁶, local authority matches had generated a further £14 million of savings from identified overpayments due to error or fraud by the end of 2009, including £4.3 million relating to the 2006/07 NFI exercise (Exhibit 10, overleaf). We will report more detail about the 2008/09 NFI in May 2010.

Financial reporting and management

27. Councils consistently meet the statutory requirement to prepare accounts by 30 June, but there is

Exhibit 8
General fund balances as a percentage of net cost of services



Source: Audit Scotland

scope to improve how the year-end financial position is reported to elected members who have a key role in scrutinising financial performance.

28. Some auditors are concerned that the annual accounts may be viewed as purely a technical exercise by officers and that the central role of the annual accounts in financial governance may not be understood, with some councils not submitting them to the full council. It is important that senior management provide elected members with clear and accessible information on the financial

position of the council to support effective decision-making and public accountability.

29. Clean audit certificates were issued on the 2008/09 accounts for all councils except Shetland Islands, where the auditor reported concerns relating to group accounting and the accounting treatment of the council's financial assets. The Controller of Audit has reported to the Accounts Commission on these matters. Having considered this and other matters arising from the auditor's annual audit report, the Commission has requested

Exhibit 9

Shared services developments

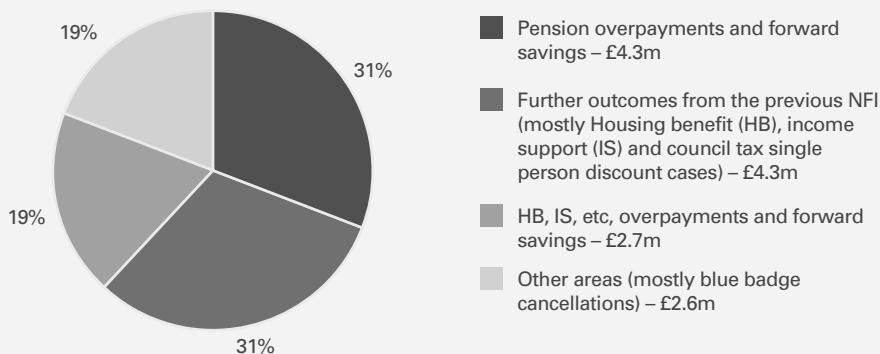
In November 2009, Sir John Arbuthnott reported on his independent review of the potential for shared services across eight councils in the Clyde Valley area. His report includes proposals to merge health and social care services and calls for joint transport, waste management and property ownership to be introduced, and some education services to be provided across council boundaries.

Six neighbouring local authorities in the Edinburgh, Lothians, Borders and Fife Forum have identified significant potential from joint activities around payroll, purchasing, road maintenance and options for more flexible and mobile working. The Forum intends to consider detailed proposals early in 2010 on how real benefits can be delivered.

Source: Audit Scotland

Exhibit 10

NFI savings



Source: Audit Scotland

the Controller to undertake further work and to report back.

30. The accounts for half of the police and fire and rescue boards were also qualified as a result of pension-related issues specific to these services. An intended change in funding for police and fire pensions from 1 April 2010 will resolve this for future years.

31. Auditors in East Ayrshire were unable to form an opinion on whether the council's Building and Works service met its financial objectives in 2008/09, due to a lack of reliable evidence supporting the trading

accounts. They also reported that a thorough investigation carried out by East Ayrshire into its Building and Works service had identified failures in both governance and in internal control and that the council has taken action quickly to address these issues.

32. Local government will apply International Financial Reporting Standards (IFRS) in full with effect from 2010/11. We expect the transition to be fairly smooth, since some aspects have already been adopted, but it is important that councils continue to prepare.

33. The pressure on finances is bringing an increased emphasis on strong financial management. Elected members need good quality financial information to make informed decisions about which services to provide and at what level. For example, the auditors of Clackmannanshire reported that there had been significant movements in the financial position reported to elected members during the year, and highlighted the potential for improved budgetary control and financial reporting.

34. The 2008/09 audits also identified early signs of the impact of the recession on financial management of arm's length service delivery arrangements involving companies and trusts. For example, the auditors referred to the considerable impact on City of Edinburgh of the downturn in the property market, falling investment values and restrictions in bank lending capacity. The most noticeable impact was on the council's group development companies, EDI Group, Waterfront Edinburgh Limited and Shawfair Development Limited, which all experienced financial difficulties. The council has taken action and has concluded that governance arrangements could be improved by consolidating company and joint venture activity.

35. Councils have some way to go in developing medium to long-term financial strategies which are based on good information about service costs and value for money and which provide a framework to compare the financial effects of different policy options. We will publish a report examining the understanding and management of service cost information later this year.

36. The role of the chief financial officer in local authorities (section 95 officer) is increasingly important in the current financial environment. In recent years management restructuring has resulted in changes

to the status of section 95 officers within some councils. This has the potential to diminish their role and to conflict with principles in the Chartered Institute of Public Finance and Accountancy's (CIPFA) draft statement on the role of the chief financial officer in local government.⁷ This proposes that the chief financial officer reports directly to the chief executive and is a member of the senior management team. It is important that arrangements are retained that allow the section 95 officer to apply his or her professional expertise and responsibilities for monitoring and influencing financial management. We will explore this further in a report we will publish later this year on working relationships in local government.

Workforce

- The number of staff employed by local authorities is gradually declining, and further significant reductions are predicted as councils respond to financial pressures.
- Councils have made some progress in agreeing and implementing workforce strategies and plans but more needs to be done.

37. In June 2009, local authorities (including police and fire and rescue) employed around 252,600 full-time equivalent (FTE) employees, representing just over half of Scotland's public sector workforce and around 12 per cent of total employment. Within this figure were 17,278 FTE police officers, the highest recorded level and an increase of 940 since June 2008.

38. The overall local authority workforce declined by around 4,000 FTE (1.6 per cent) in 2009 (Exhibit 11). Over this period Glasgow City's workforce numbers fell by around 5,800, reflecting its decision to transfer staff providing care and community services and facilities management services to Cordia, an arms length external organisation, on 1 April 2009.

39. At least a third of councils have yet fully to develop workforce planning processes, but around half made progress in agreeing and implementing workforce strategies and plans during 2009. Around a quarter of councils have yet to fully implement employee appraisal and development schemes. At around £7 billion, employee costs account for the largest single element of councils' expenditure. With the financial

pressures faced by local government, the need for more effective workforce planning and management becomes increasingly important.

40. Since 2007 there has been a significant turnover of senior staff in councils, including 14 new chief executives. Experience in 2009 highlighted the continuing importance of applying best practice when early retirements are considered; for example, the auditors of Dumfries & Galloway reviewed the governance arrangements for early retirements of senior officers including the former chief executive, and concluded that these were inadequate and fell short of the best practice highlighted in the Accounts Commission's *Bye now, pay later?* report.⁸

41. Sickness absence continues to be a significant cost to local authorities. Absence rates in 2008/09 were on average, 7.4 days for teachers, 12.5 days for other council staff, and 8.4 days for fire-fighters. Sickness absence for police officers (which is calculated on a different basis) was 4.3 per cent of working days.⁹ Councils are increasingly adopting strategies, policies and processes that reduce the impact of sickness absence for the individuals concerned and the organisation as a whole.

Exhibit 11

Local authority workforce, including police and fire and rescue (full-time equivalents)

Year (June)	Local government	Police	Fire and rescue services	Total
2005	231,900	22,700	5,500	260,100
2006	232,600	23,500	5,600	261,700
2007	229,100	23,200	5,600	257,900
2008	228,600	22,500	5,600	256,700
2009	223,000	23,900	5,700	252,600

Source: Joint staffing watch survey

7 CIPFA issued a draft statement on the role of the chief financial officer in local government for consultation in December 2009.

8 *Bye now, pay later: The management of early retirement in local government*, Accounts Commission, December 1997 and *Bye now, pay later: A follow-up review of the management of early retirement*, Accounts Commission, June 2003.

9 Absence data for police forces is reported on a different basis through the Scottish Police Performance Framework (SPPF).

42. Councils' progress in implementing single status¹⁰ and addressing equal pay was the subject of an inquiry by the Scottish Parliament's Local Government and Communities Committee during 2009. There has been significant progress during the year, with City of Edinburgh and Clackmannanshire now the only councils yet to implement single status agreements. The implementation of single status is estimated to have added an average of 2.7 per cent (around £191 million in 2008/09) to annual council wage bills.

43. Councils also made payments to employees of £64 million in 2008/09 to settle equal pay claims. Around 35,000 claims have still to be considered by employment tribunals and councils have made provision of £162 million in anticipation of future equal pay costs. The Scottish Government has been working with COSLA to prepare a scheme where councils may be able to apply for consents to borrow to help meet the costs of settling equal pay related back-pay claims.

Assets

- More progress is needed by councils to develop asset management strategies.
- The condition of council properties improved in 2008/09 but there is still a substantial maintenance backlog.

44. Councils manage operational assets such as offices, schools and plant and equipment worth around £24.3 billion. These are essential to the effective delivery of services and it is vital that these assets are managed well and maintained in good condition.

45. During 2009, our national report *Asset management in local government*¹¹ identified that more than half of councils had yet to adopt a corporate strategy for managing assets and that more could be done to share and jointly manage assets with community planning partners. Our initial assessment suggests nine councils have drawn up action plans in response to the report's recommendations. As a significant element of expenditure, it is critical that all councils improve their management of assets in securing value for money. We will look again at how councils have responded to the report in 2010.

46. The suitability and condition of council buildings improved in 2008/09. The proportion suitable for their current use increased from 69.7 to 72.1 per cent. The proportion in a satisfactory condition also rose from 67.6 to 76.9 per cent.

47. Bringing all operational properties up to satisfactory condition will be a substantial undertaking. The 23 councils that provided information

for our national report identified a property maintenance backlog totalling £1.4 billion; £376 million of this is considered by councils to be required urgently (Exhibit 12).

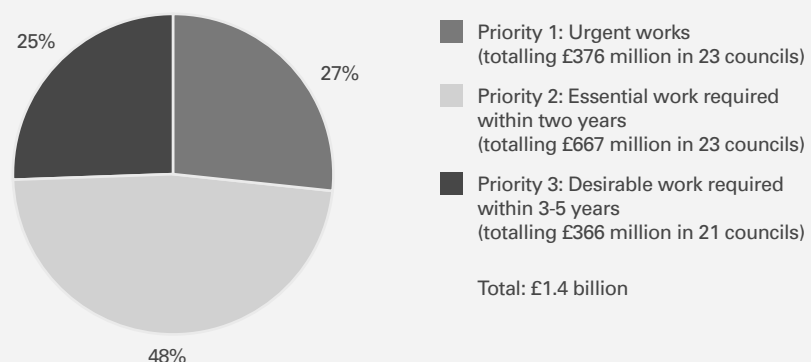
48. In addition to the backlog of property maintenance work, councils may also have maintenance backlogs in other areas; for example we reported a £1.7 billion backlog for roads maintenance in our 2004 study *Maintaining Scotland's roads*.¹² In dealing with backlogs across a range of services, councils need to prioritise the resources available at a corporate level to achieve the best long-term outcomes across all council assets.

Common good

49. By March 2009, councils were required to comply with accounting guidance and to establish a common good asset register. Councils have generally taken reasonable steps to comply with the guidance, but auditors have highlighted concerns about whether some of the registers in place represent a complete record of common good assets.

Exhibit 12

Property maintenance backlog within 23 councils



Source: Audit Scotland

¹⁰ The single status agreement was signed in 1999 with an intended implementation date of April 2002. It aims to harmonise the terms and conditions of employment of manual and administrative, professional, technical and clerical workers.

¹¹ *Asset management in local government*, Accounts Commission, May 2009.

¹² *Maintaining Scotland's roads*, Auditor General for Scotland and Accounts Commission, November 2004.

50. Carrying out searches of all land and buildings to identify common good assets can be time-consuming and expensive. Some councils are adopting a practice of checking title deeds at the point of sale, disposal or change in use of their assets and are introducing a rolling programme of title deeds review.

Procurement

- Councils report that improved procurement practices led to £32 million efficiency savings in 2008/09.
- There is scope for further improvement including the development of procurement strategies and making more use of established contracts.

51. Scottish councils and fire and rescue and police boards annually spend around £4 billion on procuring goods and services, just over half the public sector total. In 2008/09, this ranged from around £30 million by Orkney Islands to £400 million by Glasgow City.

52. *Improving public sector purchasing*¹³ reviewed progress against the government's Procurement Reform Programme. It highlighted that better procurement in local government had resulted in reported efficiency savings of £30 million in 2006/07 and £59 million in 2007/08 but further savings were possible. In 2008/09, local government reported a further £32 million of efficiency savings from improved procurement.

53. The Scottish Government's eProcurement Scotland (ePS) programme provides the potential to generate greater efficiency in procurement processes through e-sourcing (electronic tendering and auctions) and electronic purchasing and payment. For example, North Lanarkshire estimates that the development of electronic purchasing has led to a 40 per cent reduction in the cost of processing individual transactions.

54. Local reviews also showed substantial scope for councils to improve purchasing information. For example, ten councils have no plan to meet the target of 'superior performance' as defined in the McClelland report¹⁴ and only 14 have sufficient information to identify spending on different types of contract. Most councils have relatively high-levels of expenditure that are not part of established contracts and this raises questions about whether they are securing the supply of goods and services at the best quality and price.

55. In July 2009, the Scottish Government published an improvement tool for public sector purchasing, the *Procurement Capability Assessment (PCA)*.¹⁵ Since then, Scotland Excel – the centre of procurement expertise for local government – has worked with Scottish councils to create and deliver a Procurement Improvement Programme, starting with a PCA for each council. All councils are participating in the programme and by the end of 2009, 29 councils had completed PCAs. Scotland Excel is working with the remaining councils to complete PCAs early in 2010.

56. Increasing the level of purchasing through collaborative contracts should generate more savings. By November 2009, Scotland Excel had introduced 18 new collaborative contracts for use by councils, with an estimated annual value of £83 million. These contracts range from catering supplies to cars and light commercial vehicles and may save councils around £6 million each year, although the level of savings depends on take-up under each contract. Scotland Excel is working with councils to develop additional collaborative contracts and make additional savings.

¹³ *Improving public sector purchasing*, Auditor General for Scotland and Accounts Commission, July 2009.

¹⁴ *Review of Public Procurement in Scotland, Report and Recommendations*, John F McClelland, Scottish Executive, 2006.

¹⁵ The PCA guidance states that its objective is 'to assist organisations to improve their structure, capability, processes and ultimately performance... (using) common criteria and standards... (It) will allow public bodies... to identify where best practice already exists, where there are gaps and where continuous improvements and efficiencies can be implemented.'

Part 3. Outcomes for communities



There is evidence of good quality service outcomes but there is still a need for significant improvement in performance management and reporting.



Delivering outcomes in partnership

- Councils work well with local partners in delivering specific projects and services.
- Joint working needs to be better coordinated and Community Planning Partnerships (CPPs) need a clearer focus on outcomes for local people.

57. Our *Overview of the audits of Best Value and Community Planning 2004–09*¹⁶ highlighted that councils work well with local partners in delivering regeneration projects and specific aspects of services such as addiction services, and employment and training services. However, more needs to be done to coordinate and measure the effectiveness of joint working.

58. The audits showed many CPPs to be overly bureaucratic and not focused enough on outcomes for local people. The performance management and monitoring processes of partnerships are not well developed and there is a clear need to improve the way they report performance to the public.

59. Councils increasingly use a variety of complex and changing partnership relationships, including arm's length organisations such as companies and trusts, to deliver a range of services such as leisure, transport and local development. During 2009, for example, Glasgow City transferred the delivery of homecare, catering, cleaning and other facilities management services to Cordia. Where councils decide to provide services through arm's length arrangements it is important to establish and maintain good governance and clear accountabilities, in relation to both finance and performance.

Performance management and reporting

- Partnership Single Outcome Agreements (SOAs) introduced in 2009 have provided councils and their partners with an opportunity to plan and manage the delivery of local outcomes in an integrated and more effective way.
- The development of SOAs has re-emphasised the need for improvements in performance management and reporting.

60. All 32 SOAs for 2009–11 were developed jointly by CPPs, establishing joint local priorities and desired outcomes for all partners. The SOAs have highlighted the need for good performance management and monitoring in order to achieve outcomes. Work is still needed to focus SOAs on a manageable and meaningful number of high-level outcomes and their supporting indicators to make it easier for local people to hold their council and its partners to account for performance.

61. The need for better performance management arrangements has been highlighted in our Best Value audits and has been a recurring feature in annual overview reports. Many councils continue to have difficulty in designing and implementing a comprehensive corporate performance management regime that supports continuous improvement.

62. Public performance reporting is an essential part of local accountability. Councils generally need to improve their public performance reporting to ensure that it is clear and balanced, and presents easily understandable information that meets the needs of diverse communities. Although this has featured consistently in Best Value audit reports and improvement plans, there is still a considerable amount of work needed across councils to produce meaningful

information about outcomes for local people and communities.

63. During 2009, councils reported progress towards outcomes in the first SOAs that were agreed in 2008. The outcome targets are long-term and complex, and a key challenge for councils is to support their delivery, making sure that resources and efforts are directed to key areas. There is also a need for clearer links between SOA priorities and partners' individual service plans and budgets.

The views of citizens

- Public satisfaction with the quality of the key local services such as schools, public transport and health services is increasing, but many believe that councils can make better use of the money available and provide better services to meet the needs of local people.
- Councils need to do more to understand local views and engage more effectively with communities.

64. Best Value requires councils to be responsive to the needs and views of their service users and citizens. Public services that are available and accessible to all, and that users value, are central to the government's aim of achieving a wealthier and fairer Scotland. Scottish Household Survey (SHS) data published in August 2009 shows that 59.3 per cent of the public are very or fairly satisfied with all key local services (health services, schools and public transport), an increase of five per cent over the previous year.

65. The concordat between central and local government includes an ambition that public services are 'high-quality, continually improving, efficient and responsive to local people's needs'. However, the SHS shows that only around four in ten people agree their council is providing high-quality services (41 per cent), and only around

a third believe the council is doing its best with the available money (36 per cent). Just over one in five agree that their council is good at listening (21 per cent), indicating significant scope for councils to better engage with local people in setting council priorities and reporting on performance results.

66. Best Value also requires councils to find effective ways of involving local communities and developing a genuine understanding of what local people need and expect from the council. Best Value audits have consistently found that consultation and involvement activity takes place with a variety of communities and interest groups, but that community engagement is not being done in the most efficient and effective way and its benefits are not being realised. Councils can also better demonstrate the impact of consultation and engagement on changes to their services.

Enhancing the life of individuals

- Levels of educational attainment continue to show gradual improvement, although the gap between average attainment and that of the bottom 20 per cent of pupils has increased over the last ten years.
- Councils are providing good quality care services and targeting care services more effectively to meet needs. Expenditure on care, particularly for older people and for children in residential placements, is substantial and a growing burden for councils. The effectiveness of services to protect children varies significantly across Scotland.
- Councils and their partners still face significant challenges in addressing mental health problems and drug and alcohol-related issues, both of which are relatively high in Scotland when compared with the rest of the UK.

- Councils need to get better at assessing and monitoring the extent to which they are contributing to outcomes that meet the distinct needs of their diverse communities.

Education and learning

67. Overall attainment in Scottish schools in 2009 continued to show gradual improvement but attainment data shows the performance gap between the bottom 20 per cent of pupils and all other pupils has been widening over the last ten years.

68. Her Majesty's Inspectorate of Education (HMIE) scrutinises the quality of education provided by councils. The core education services of three councils were inspected during 2009. Against HMIE's ten quality indicators: Eilean Siar was rated as 'good' in nine and 'satisfactory' in one; North Ayrshire was rated as 'very good' in seven, 'good' in two and 'satisfactory' in one; and West Dunbartonshire was rated as 'very good' in three and 'good' in seven. Relative strengths varied across the councils. None had any areas of unsatisfactory or weak performance.

69. Three follow-up reports also showed that inspections are having a positive impact, with councils making good progress in addressing previous recommendations. HMIE's reports are available at www.hmie.gov.uk

70. HMIE has identified that across Scotland early education continues to be strong and that primary and secondary schools offer a broad curriculum. A number of challenges still exist in delivering the national strategic objectives of children having the best start in life and being ready to succeed, and improving the life chances for children, young people and families at risk. Particular challenges include raising education standards across the board, providing better support for those from vulnerable and disadvantaged groups,

and promoting diversity, equality and fairness through the curriculum and the broader life and work of schools.

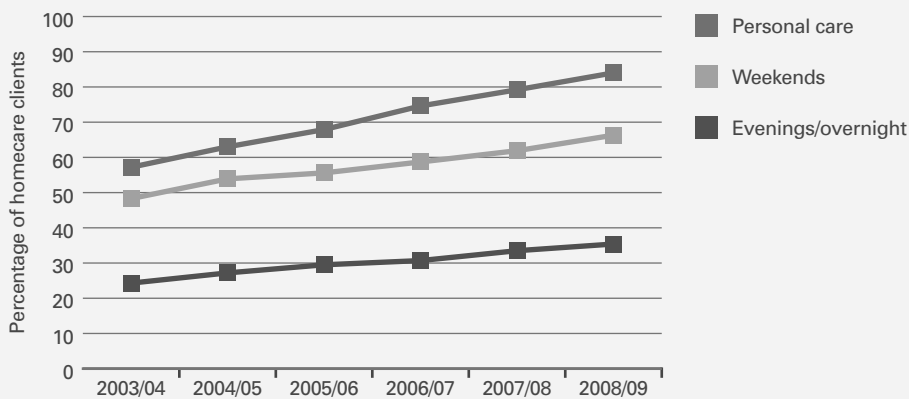
Responding to people's health and care needs

71. During 2009, councils reported that the number of older people (aged 65 and over) increased by around 40,000 to 845,600. Forecasts show that over the 25-year period 2008 to 2033, the number of older people in Scotland is projected to rise by 31 per cent from 1.02 million to 1.34 million, with a significant increase (84 per cent) in people aged 75 and over. These changes will increase the demand for health and social care services, placing pressure on their long-term affordability.

72. Among older people receiving homecare services during 2008/09, councils reported a higher proportion received services during the evening/overnight (35.4 per cent) and there was a noticeable increase in those receiving services at weekends (66.3 per cent) and personal care (84.0 per cent). This continues a trend in recent years (Exhibit 13) and suggests that councils are better targeting services towards need and towards times when they are most needed.

73. It is widely recognised that the projected growth in demand, along with increasing costs and reducing financial resources, mean that current patterns of care for older people are not sustainable. In May 2009, the Scottish Government, NHS Scotland and COSLA launched a review of care and support services for older people. Its aim is to ensure that redesigned services are both affordable and sustainable and enable older people to stay at home, with maximum independence, for as long as possible.

74. In 2008/09 the Care Commission carried out graded inspections of 91 per cent of the adult and 49 per cent of the children's services and facilities provided by councils. The

Exhibit 13**Percentage of homecare clients receiving personal, evenings/overnight or weekend services**

Source: Audit Scotland

Care Commission's inspection reports are available at www.carecommission.com. In summary, the Care Commission concluded:

- the quality of care and support in 86 per cent of the services concerned was good or better
- the quality of the environment in 84 per cent of services was good or better
- the quality of staffing in 82 per cent of services was good or better
- the quality of management in 77 per cent of services was good or better.

75. The overall quality of social work services is scrutinised by the Social Work Inspection Agency (SWIA). During 2009, SWIA inspected seven councils. In Scottish Borders, North Lanarkshire, West Dunbartonshire and Renfrewshire councils all or nearly all aspects of social work services were assessed as 'very good' or 'good'. Of those inspected, only Stirling had any aspects of service assessed as being weak. 11 follow-up inspections

during 2009 found that councils are responding positively in addressing SWIA's recommendations. SWIA's reports are available at www.swia.gov.uk

76. There are around 15,000 children formally 'looked after' by local authorities in Scotland. Around 11 per cent are in residential placements in units run by councils or the private and voluntary sectors. The weekly cost of looking after a child in a residential placement varies between £1,500 and £5,000 and is increasing at a rate significantly above inflation. Scottish councils currently spend over £200 million annually on this type of residential care. Councils find it increasingly difficult to budget for, and manage, residential provision in a way that ensures the best outcomes for the children as well as achieving value for money.

77. We are currently carrying out a national study about how councils ensure the quality of provision and good outcomes for children, and how they evaluate and manage the costs of different types of residential provision, both in-house and purchased from the private and

voluntary sectors. We expect to publish our report in mid-2010.

78. Drug and alcohol-related death rates and rates of suicide in Scotland are among the highest in Europe.¹⁷ People with drug, alcohol and mental health problems require services from a range of different organisations, and councils play a key role through social work, education, leisure, housing and employment services. It is important that councils and their partners have a good understanding of what services they need to deliver based on local need and that they regularly evaluate their impact and value for money.

Equality of outcomes for individuals

79. Councils need to do more to assess and monitor the impact of their activity on the needs of different groups within their communities. Demonstrating equality in service delivery can be complex and Best Value audits have consistently shown councils are generally not as well advanced in doing this as they are in demonstrating their equality duties as employers.

80. Comparative data to demonstrate the equality of services is very limited. 2008/09 SPI data shows some progress in increasing the proportion of council buildings suitable and accessible to disabled people from 62.2 to 64.6 per cent.

81. The UK Government introduced an Equality Bill in April 2009 to strengthen, simplify and harmonise equality legislation. In September 2009, the Scottish Government began consultation on how this should apply in Scotland. The outcome of this will be reported in 2010.

82. The Equality Bill strengthens the need for public bodies to show that their services and policies are equitable and fair, and be more open and transparent, so that service users and wider communities can hold public authorities to account on progress on equality. It also proposes

¹⁷ As reported in *Overview of mental health services*, Auditor General for Scotland and Accounts Commission, May 2009 and *Drug and alcohol services in Scotland*, Auditor General for Scotland and Accounts Commission, March 2009.

a new single general equality duty for public sector bodies from 2011 to bring together existing duties on race, disability and gender and extend coverage to sexual orientation, age, religion or belief, pregnancy and maternity, and gender reassignment.

83. During 2010, we will be assessing the impact of our 2008 report on *The impact of the race equality duty on council services*.¹⁸ We made recommendations on improving councils' understanding of the needs of minority ethnic communities, mainstreaming race equality in routine management arrangements and giving more priority to race equality in delivering services.

Protecting children

84. During 2009, the education inspectorate, HMIE, published reports on the inspection of multi-agency services to protect children in ten council areas. Inspections have identified significant variation in the effectiveness of child protection practice across Scotland. This ranges from high-quality of services provided by partners in Inverclyde and Perth & Kinross to concerns that children at risk of harm, abuse or neglect, and in need of protection, were not receiving the support they needed in Moray, Dundee and Fife. Follow-up reports on a further ten councils published in 2009 identify that councils and their partners are generally responding positively to recommendations and improving their child protection arrangements.

85. In its 2008/09 annual report, the Scottish Children's Reporter Administration (SCRA) reported an increase in both the number of children with Child Protection Orders (from 504 in 2007/08 to 661 in 2008/09) and supervision requirements (up from 13,219 in 2007/08 to 13,523 in 2008/09). The SCRA expressed concern that this change suggests that continually more children in Scotland each year

require compulsory measures for their protection.

Protecting communities

- Reported crime continues to fall, but the number of people killed or injured in road accidents across Scotland increased last year.
- Accidental house fires reduced, but Scotland continues to have a disproportionately high number of fire incidents and related deaths and casualties compared with the rest of the UK.
- Councils and their partners can strengthen joint emergency planning arrangements for dealing with major disruptions and events.

Community safety

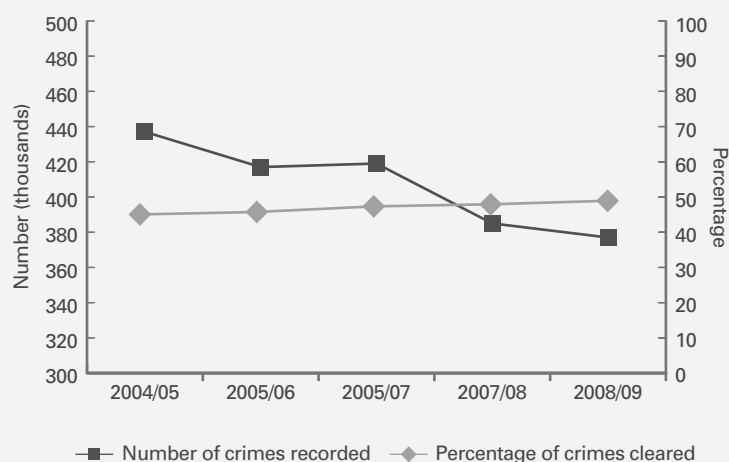
86. Data from the Scottish Policing Performance Framework (SPPF) shows a continuing downward trend in the number of reported crimes and a steady increase in the proportion of crimes cleared up (Exhibit 14).

87. Youth offending through assault, breach of the peace and vandalism also continues to decline. In 2008/09, 11,805 children between eight and 17 years of age were referred to the Children's Reporter for offences, a drop of 18.6 per cent on the previous year. This indicates that changes in referral practices to address an overloading in the Children's Hearings System are having a positive impact.

88. In 2008/09, 2,723 people were killed or injured in road accidents across Scotland. This was an overall rise of 181 people compared to the previous year. The number of people slightly injured, which accounts for a far greater proportion of overall injuries in road accidents, has continued to decline (Exhibit 15).

89. The number of accidental house fires fell slightly during 2008/09, but Scotland continues to have a disproportionately high number of fire incidents and related deaths and casualties when compared with the rest of the UK. A study examining fire deaths and injuries in Scotland,¹⁹ published in November 2009, has made recommendations for addressing this problem.

Exhibit 14
Crime clear-up rates



Source: Audit Scotland

¹⁸ *The impact of the race equality duty on council services*, Accounts Commission, November 2008.

¹⁹ *Scotland together: a study examining fire deaths and injuries in Scotland*, Brian Sweeney, Chief Officer Strathclyde Fire and Rescue, November 2009.

Civil contingencies

90. The terrorist attack at Glasgow Airport, flooding and most recently the H1N1 virus ('swine flu') pandemic all highlight the importance of effective emergency planning and response systems.

91. Our report in 2009 on *Improving civil contingencies planning*²⁰ found that while organisations generally work well together, arrangements for dealing with incidents that cross organisational boundaries or borders are often untested, and agreements for sharing mutual aid across Scotland during emergencies are often too informal. More can be done to share the lessons learned from actual emergencies and improve communication with local communities.

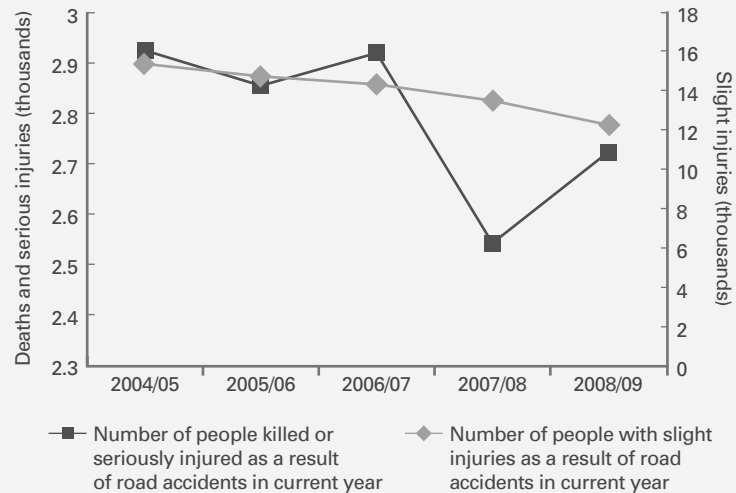
Enhancing local neighbourhoods

- Satisfaction with local neighbourhoods is generally high. Around a third of council houses currently meet the Scottish Housing Quality Standard (SHQS) target for 2015, highlighting scope for further improving local neighbourhoods through better quality council housing.
- The recession is affecting local neighbourhoods, with a slowdown in applications for new developments and more households becoming homeless and building up serious rent arrears.

Neighbourhood satisfaction

92. The SHS shows that, overall, people rate their neighbourhoods highly, with 92 per cent of residents rating their neighbourhood as a 'very' or 'fairly' good place to live. People in remote rural areas are more satisfied with their neighbourhood than people living in urban areas, with local variation in neighbourhood satisfaction linked to levels of deprivation.

Exhibit 15
Road accidents



Source: Scottish Policing Performance Framework (SPPF)

93. Sixty-one per cent of people feel neighbourhood quality has remained much the same, and marginally more people believe neighbourhoods to have deteriorated rather than improved. Keep Scotland Beautiful's average cleanliness rating for Scotland remained unchanged during 2008/09.

Housing

94. The current economic conditions are leading to an increase in demand for social housing and homelessness services. However, the supply of social housing has reduced over the last 10 years through sales under Right to Buy (RTB) legislation. At March 2009 there were 325,600 council houses in Scotland, one per cent less than in the previous year.

95. To safeguard social housing in future the Scottish Government consulted on a draft housing bill during 2009, setting out proposals to reform the RTB for social housing tenants. This includes proposals for extending the suspension of RTB in pressurised areas and devolving decisions on pressured areas to councils. The bill was introduced to the Scottish Parliament in January 2010.

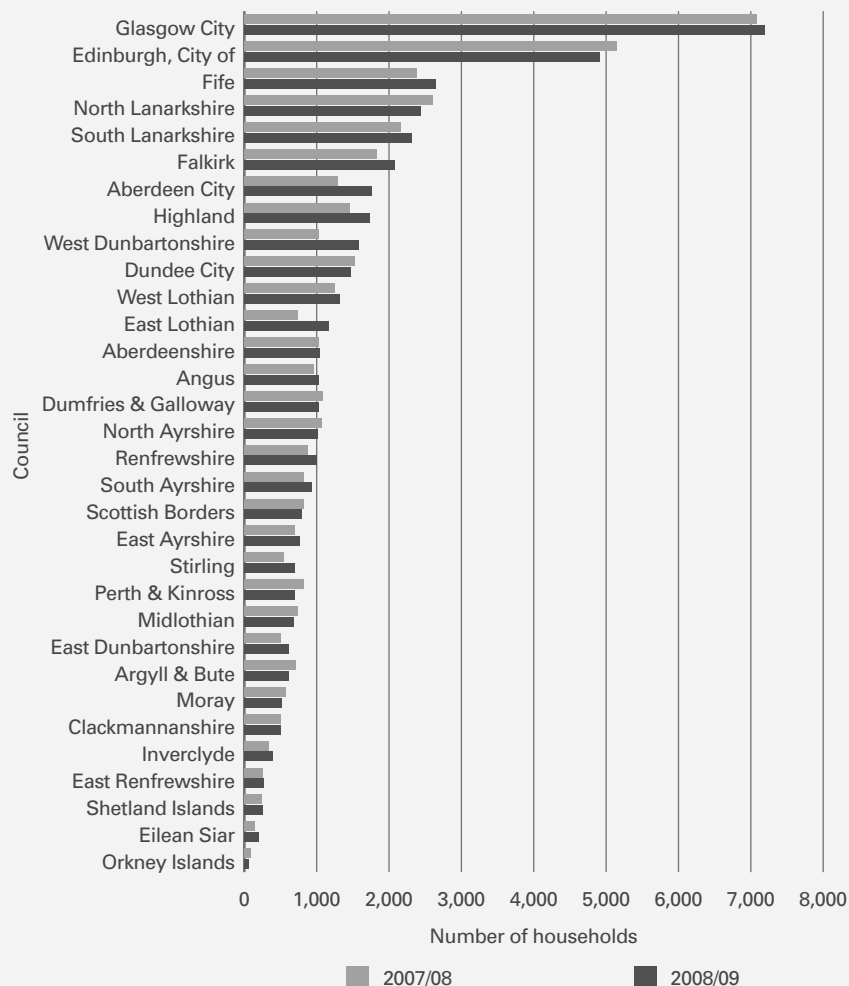
96. In addition, the building of new council houses is also helping address shortages in supply in some areas. In the year to September 2009 this showed significant growth, with 402 new homes completed and the building of another 379 under way.

97. Around 44,000 households were assessed as homeless during 2008/09, an increase of 5.9 per cent. This reverses a trend of decreasing homelessness over the previous two years. Despite the overall rise, more than a third (12) of councils experienced lower levels of homelessness, highlighting hotspots across the country (Exhibit 16, overleaf).

98. Only 36 per cent of council houses currently meet all the requirements of the SHQS. There is a target for all council houses to meet the standard by 2015. Progress against elements of the SHQS shows that almost two-thirds meet tolerable standards and are free from serious disrepair (60 per cent); just over half have modern facilities and services (54 per cent); and just under half are energy efficient (43 per cent).

Exhibit 16

Homelessness in council areas



Source: Audit Scotland

99. Scottish Housing Regulator (SHR) inspection reports on the housing services at four councils in 2009, show that they all provide only fair services for homeless people.²¹ Aberdeenshire and Moray were assessed as having strengths in providing housing management and asset management and repairs respectively. In contrast, Dundee was assessed as poor for both these aspects of service. SHR reports are available at www.scottishhousingregulator.gov.uk

Roads

100. In 2008/09, around a third of Scotland's road network was considered to be in need of maintenance treatment. This varied from 28 per cent of A roads to 37 per cent of unclassified roads. The highest proportions of road network in acceptable condition (over 75 per cent) were found in Aberdeen City, Aberdeenshire, Dundee, Moray and the Orkney Islands. The improvement in road quality from additional spending on roads in the past couple of years is not clear from 2008/09 data.

101. Councils' winter maintenance budgets are under pressure because of the severe winter weather. In addition, damage to the carriageway caused by freezing and thawing may lead to additional maintenance requirements in the future. These two factors will put additional pressures on roads budgets in 2010, further increasing the importance of finding opportunities to minimise costs and improve efficiency.

102. Tayside Contracts is an example where councils currently work together in maintaining roads. Sir John Arbuthnott's *Clyde Valley Review 2009*²² also recommended roads maintenance and repair as a service that can be shared relatively quickly across other councils, with considerable benefits, including: reduced costs through more efficient use of capital, plant and labour; enhanced forward planning and programming of works and services; and an improved understanding of road maintenance and construction costs, and improved strategic decision-making.

103. The review also suggests scope for the government to provide support and national solutions to service areas such as roads maintenance and repair which affect not just the Clyde Valley but Scotland as a whole.

Physical planning and development

104. Councils have seen reducing income from new development with planning applications declining in the past two years as a result of the recession. Both householder and non-householder planning applications decreased in 2008/09 (16 and nine per cent respectively), reaching their lowest levels since 2002.

105. Performance in processing planning applications improved slightly over the past year. The proportion of householder applications processed within two months increased from 76.3 to 77.5 per cent in 2008/09, and for non-householder applications

21 The inspection report on Glasgow City Council (July 2009) looked at homelessness services only, as the council transferred its housing stock to Glasgow Housing Association in 2003.

22 *Clyde Valley Review 2009*, Sir John Arbuthnott, November 2009

from 43.6 to 46.4 per cent. Average processing times for Scotland remain considerably below the Scottish Government's 90 per cent target.

106. New legislation to modernise the planning system came into force during 2009.²³ This provides for planning decisions to be speeded up, allows quicker investment decisions, strengthens the involvement of communities and reflects local views better in planning decisions.

107. Under this legislation, councils are producing new strategic development plans that address land use issues across council boundaries. Within these plans the Climate Change (Scotland) Act 2009 now requires all new buildings to have specified targets for lower greenhouse gas emissions.

Economy

- The recession is affecting local economies in many ways.
- Unemployment has increased significantly, as has the demand for councils' money advice services.

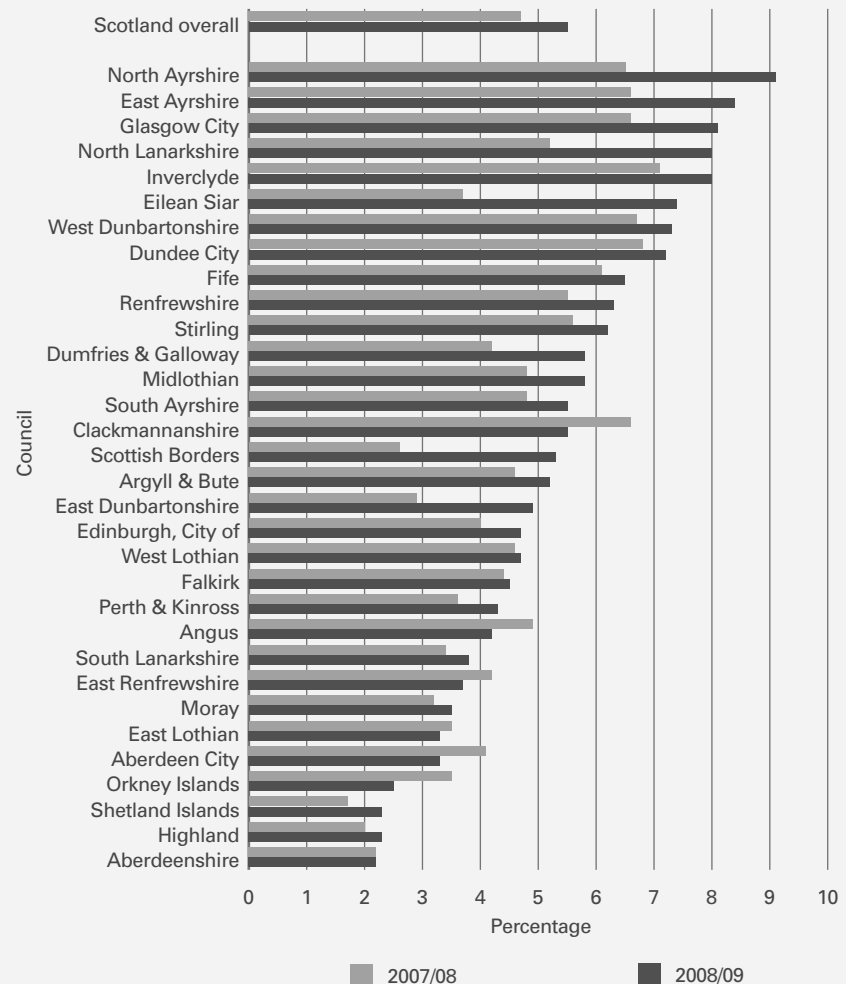
108 Due to the recession, unemployment in Scotland has been increasing. Changes in unemployment rates across councils during 2008/09 are shown in Exhibit 17. More recent data shows that Scotland's unemployment rate between July and September 2009 was 7.2 per cent, up 2.5 per cent on the same period a year earlier.²⁴

109. Local government has an important part to play in economic recovery plans, particularly through major capital spending programmes. Examples of councils' actions to support the economy are shown in Exhibit 18 (overleaf).

110. Annual audit reports have highlighted an increased demand for

Exhibit 17

Estimated rates of unemployment for the working age population



Source: Office of National Statistics

councils' benefits, housing, debt and business advice services as more residents and businesses are affected by the recession. The recession is affecting the supply of new affordable housing and resulting in an increase in housing benefit claims and homelessness. For example, City of Edinburgh's advice shop experienced a 65 per cent increase in the first four months of 2009/10 compared to the same period in 2008/09. People considering business start-up options attending its business gateway service have increased by 60 per cent.

Improving the environment

- Councils have met the 2010 European target for waste sent to landfill, but they face a much greater challenge in meeting future targets after 2010.
- Air quality in Scotland is generally very good, but there are areas where it is at risk of failing to meet European and Scottish targets.

23 There was commencement of parts of the Planning (Scotland) etc. Act 2006.

24 Labour market statistics, Office of National Statistics, November 2009.

111. Our recent report on *Protecting and improving Scotland's environment*,²⁵ provides an overview of the Scottish public sector's performance in meeting targets for four areas of the environment – air quality, the water environment, biodiversity and waste management. Councils play a key role in protecting and improving the environment, in particular in relation to air quality and waste management.

112. Air quality in Scotland is generally very good, but in 21 locations across 12 council areas air quality is poor and at risk of not meeting European and Scottish targets. In almost all of these locations, improvements in air quality are dependent on reducing transport pollution, which requires better integration of national and local environmental and transport policies.

113. Over the last decade Scotland has made significant progress in improving recycling rates. In 2008/09, Scotland recycled 34 per cent of its municipal waste, compared to four per cent in 1998.²⁶ Recycling rates in Scotland increased by 2.6 per cent between 2007/08 and 2008/09.²⁷ If levels of recycling continue to increase at a similar rate, Scotland may not meet its target for recycling 40 per cent of municipal waste by 2010.

114. Half of the municipal waste in Scotland is produced by a quarter of councils.²⁸ Current recycling and composting rates vary across councils in Scotland, from 45 per cent in Clackmannanshire to 19 per cent in Eilean Siar (Exhibit 19). In 2008/09, eight councils recycled and composted over 40 per cent of waste (compared to one in 2005/06).²⁹ Only two councils now recycle and compost less than 20 per cent of waste (compared to ten in 2005/06).³⁰

Exhibit 18

Examples of council actions to support the economy

Renfrewshire commissioned an economic impact study to improve its intelligence on the impact on local businesses, training and employment and population trends. This information will help support future external funding bids.

The **City of Edinburgh** has developed an economic resilience action plan in October 2008 and has since established an Economic Action Resilience Network (EARN) with local partners.

Glasgow City has established an Economic Advisory Board to provide additional financial management advice.

The leader and chief executive of **Perth & Kinross** held an economic summit with senior business leaders and agreed a number of immediate actions, including encouraging more public sector spending to support the local economy, providing more advice and financial support for struggling businesses, and increasing efforts to help people who are made redundant.

Source: Various (COSLA, Audit Scotland and Scottish Parliament's Local Government and Communities Committee)

115. Councils have significantly improved waste management and have met the 2010 European target for the amount of waste sent to landfill. By improving recycling and composting, councils have succeeded in reducing the total amount of municipal waste sent to landfill by a third, from three million tonnes in 1998 to two million tonnes in 2008/09.

116. Meeting targets for landfill and recycling beyond 2010 will be challenging and will require councils to invest in waste management facilities and encourage further changes in public behaviour. Collectively, current targets across the 32 SOAs are unlikely to be sufficient to meet European targets for the amount of waste that is sent to landfill beyond 2010.

25 *Protecting and improving Scotland's environment*, Auditor General for Scotland and Accounts Commission, January 2010.

26 *Waste Data Digest 1*, Scottish Environment Protection Agency, 2001.

27 *Landfill Allowance Scheme Reports*, Scottish Environment Protection Agency.

28 These eight councils are: Glasgow City (10.5 per cent), Fife (7.5 per cent), Edinburgh (7.5 per cent), North Lanarkshire (7 per cent), South Lanarkshire (6 per cent), Highland (5 per cent), Aberdeenshire (4.5 per cent) and Aberdeen City (4 per cent).

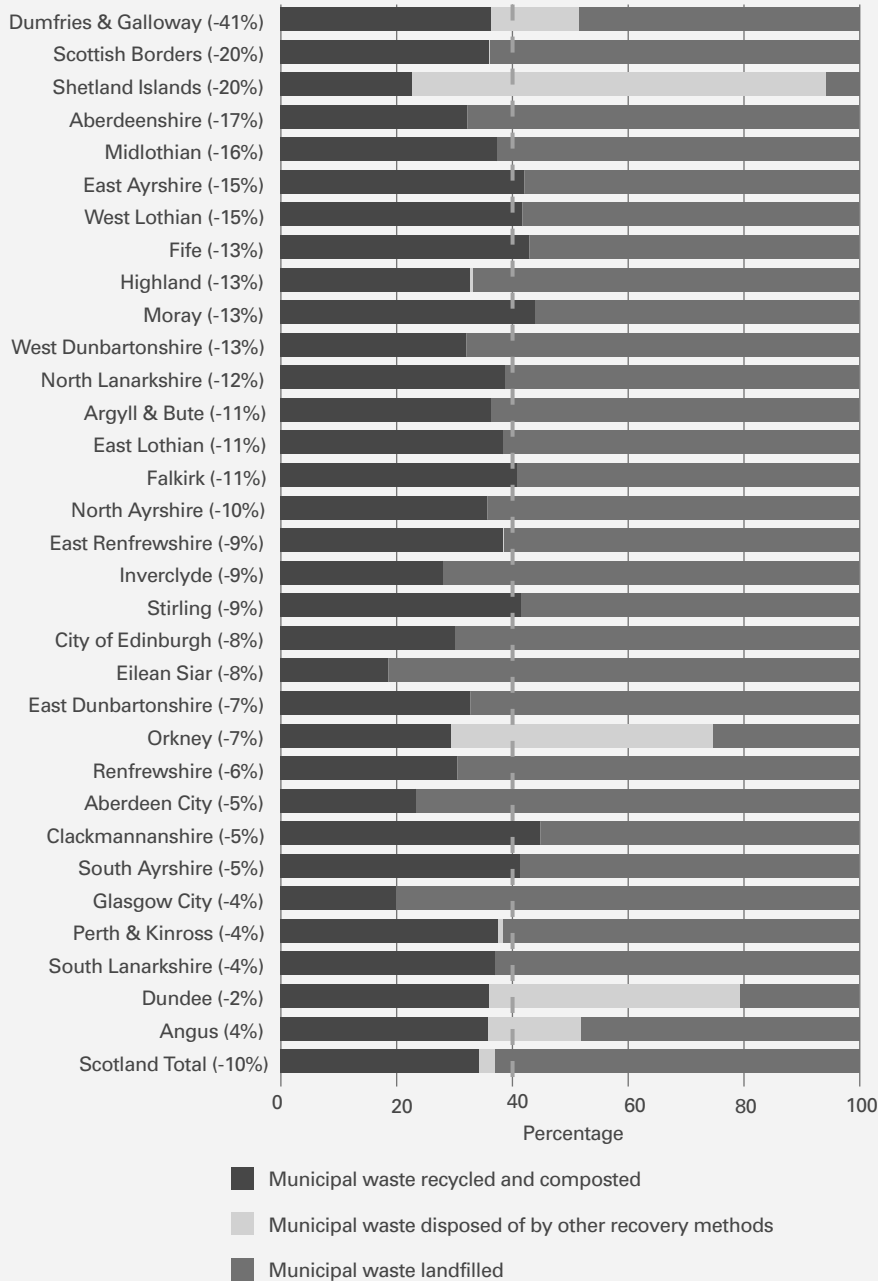
29 The councils that recycle more than 40 per cent are: Clackmannanshire, East Ayrshire, Falkirk, Fife, Moray, South Ayrshire, Stirling and West Lothian.

30 The councils that recycle less than 20 per cent are Eilean Siar and Glasgow City. Eilean Siar accounts for 0.7 per cent of Scotland's total municipal waste, compared to Glasgow City, which accounts for 10.5 per cent.

Exhibit 19

Council recycling and landfill rates, 2008/09

There is varied performance against the Scottish target to recycle 40 per cent of municipal waste by 2010.



Note: The numbers in brackets show the change in the landfill rate in each council between 2005/06 and 2008/09.

Source: Scottish Environment Protection Agency

Appendix 1.

Key questions for elected members

The report identifies a range of issues for councils to consider. The following table lists possible questions for elected members to ask in their councils to help identify how their council is dealing with these issues and where more action may be required.

Longer-term planning	<ul style="list-style-type: none"> • To what extent are we planning for services beyond 2010/11, taking full account of financial projections and other intelligence? • How robust are plans to achieve the savings required to meet our priorities? • To what extent do we have a clear plan for achieving the most appropriate size of workforce and skills needed to deliver our goals? • To what extent do we have a clear plan for ensuring that expenditure and investment in our asset base achieves value for money and most appropriately supports the delivery of our goals?
Decision-making and prioritisation	<ul style="list-style-type: none"> • How clear are we about the priorities of local people? • How good is our information on performance and the costs of providing different levels and quality of services to assist us in setting priorities and taking decisions? • What action are we taking to prioritise spending? • How aware are we of the relative risks and rewards associated with our decisions, and how well placed are we to manage identified risks?
Outcomes	<ul style="list-style-type: none"> • To what extent are we considering the impact of the recession on our service outcomes and our commitments in our Single Outcome Agreement? • How are we comparing our service outcomes with others, for example by benchmarking? • What evidence do we have that our service outcomes represent best value?
Keeping informed	<ul style="list-style-type: none"> • How well are we kept informed of the impact of the recession on our finances and service performance? • How effectively are we monitoring and planning for changes in demand for services? • Are our training and development needs fully addressed?
Working with others	<ul style="list-style-type: none"> • How well are we working with our partners and/or neighbours to deal with pressures caused by the recession? • Are we exploring all possible options for the delivery of local services? • What quantifiable efficiencies or improvements are resulting from working with others?

Appendix 2.

Supplementary financial information

Reserves

	31 March 2009 £ million	Change in 2008/09 £ million
General Fund	579	+50
Housing Revenue Account	115	-13
Capital Fund	302	-66
Capital Receipts Reserve	77	-9
Insurance Fund	80	-2
Repair and Renewal Fund	82	-3
Other	5	-2
Total	1,240	-45

Performance of statutory trading organisations (STOs)

	2005/06	2006/07	2007/08	2008/09
Number of STOs	140	117	108	89
Number of STOs breaking even over 3-year rolling period	103	91	81	75
Percentage of STOs breaking even over 3-year rolling period (%)	73.6	77.8	75.0	84.3
Total surplus over rolling 3-year period (£ million)	86.0	86.6	78.0	97.2

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