

Annual report

2014/15





Our year



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40 years

of the Accounts Commission



32 councils

local scrutiny plans



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Who we are

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

We expect councils to achieve the highest standards of governance and financial stewardship, and 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
- coordinating scrutiny and inspection of councils.

You can find out more about our role, powers and meetings on the [Accounts Commission web pages](#) .

The current members of the Commission are shown on [page 14](#).




Chair's foreword



The Accounts Commission's core values of independence, impartiality and integrity have stood the test of time as this year marks our 40th anniversary.

However, equally important has been the strength of our working relationships. For example, the role of the Controller of Audit is central to our work but he, in turn, is dependent on the services provided to him by Audit Scotland.

These relationships are the bedrock of Scotland's unique model of public audit, delivered jointly by the Commission and the Auditor General and supported by Audit Scotland. We set out the principles and themes of how this model works in a recent paper, [Public audit in Scotland \[PDF\]](#) , which shows how it supports and responds to the public policy environment in Scotland in which we operate.

Our relationships with other scrutiny bodies are also important. This year, jointly with the Care Inspectorate and Healthcare Improvement Scotland, we will develop a scrutiny model for the new Health and Social Care Joint Boards which will ensure the best use of resources and avoid duplication.

I would like to express sincere thanks to my fellow Commissioners for both the quality and thoroughness of their work in fulfilling our responsibilities, to our Secretary for his sound advice and management of the Commission's business, and to the Controller of Audit and Audit Scotland for the continuing high standard of their work for the Commission.

Douglas Sinclair
Accounts Commission Chair

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Our context

Scotland's councils provide key services we all use every day and their full contribution sometimes gets overlooked – for example, in last year's referendum where every council played a critical backstage role for the returning officers to ensure all the counts ran smoothly.

All public bodies, including councils, are operating in a time of tighter budgets. Consequently they need to develop longer-term financial plans to be able to identify risks and protect key services. This was a key finding in June 2014 of our joint report with the Auditor General on [Scotland's public finances: a follow-up audit \[PDF\]](#)

Our annual overview report, [An overview of local government in Scotland 2015 \[PDF\]](#) , published in March 2015 concluded that councils had managed financial pressures well to date largely by cutting staff numbers, but this alone is not sustainable in the longer term.

More councils are now reporting funding gaps. Funding in 2013/14 from the Scottish Government was 8.5 per cent lower in real terms (allowing for inflation) than in 2010/11. At the same time, demand for council services is rising, mainly because we are all living longer.

The Commission stressed the challenge for councillors was to make best use of the money that is available and to take difficult decisions now to avoid storing up problems for the future

Over the last year many councils have gone through major changes in staff, management and political structures and delivery models, such as the use of arm's-length external organisations, the new health and social care partnerships, and through Community Planning Partnerships.

We highlighted the importance of maintaining effective governance in the wake of such changes – and the need to have regular reviews of governance arrangements.

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Our work




Our core watchdog role is based around the annual financial audits we carry out on Scotland's 32 councils.

This is how we check to ensure public money is spent effectively and wisely. There were no audit qualifications on any of these reports in 2014/15.

We seek to help councils improve not just by highlighting areas where they could do better, but also provide guidance and pointers on how to do this.

A good example of this came in April 2014 when we looked at procurement where councils spend £5.4 billion (around £1,010 for every person) on buying goods and services they need, ranging from construction materials to IT and social care.

It is a major activity that accounts for more than a quarter of all councils' spending. Our [Procurement in councils \[PDF\]](#)  report found that improvements had been made in recent years but the pace of improvement needed to be stepped up to achieve more benefits and savings.

Councils were making more use of collaborative contracts and using spending to promote local economic development such as providing apprenticeships and environmental improvements.

Better performing councils were those who looked at all the options, invested in the right skills and systems – and learned from each other.




The Commission's role as independent watchdog is not simply a narrow financial one.

The Commission has a statutory power to define the performance information that councils must publish and in recent years it has encouraged councils to develop their own set of performance data to share with the public. Last year, we welcomed further progress made by councils with the Local Government Benchmarking Framework which allows them and the public to analyse the performance of their services.

We also worked with councils to help them improve the performance information that they are making available to the public. We looked at what each council was reporting, and what methods they were using to report it.



Improving scrutiny and transparency were recurrent themes for the Commission throughout 2014/15.

Our [Borrowing and treasury management in councils \[PDF\]](#)  report in March 2015, noted that councils have developed strategies to suit their own priorities and links between capital investment and managing cash flows (treasury management) have been strengthened over recent years.

The Commission urged councils to make better use of information to clearly set out the impact of borrowing in the longer term to help councillors make informed decisions and undertake their scrutiny roles.



Total councils' debt from traditional borrowing now stands at £12.1 billion and has changed little over the last three years. Just over half of councils have increased their borrowing levels over the last decade.

Last year the Commonwealth Games brought huge international interest to Glasgow and Scotland. Our joint report with the Auditor General, [Commonwealth Games 2014: Third report \[PDF\]](#) , concluded that it was a success and the cost to the public sector was £37.2 million less than budgeted. The project had strong leadership and organisations worked well together. Clear legacy plans are in place and the Scottish Government and Glasgow City Council now need to build on these to ensure long-term benefits are achieved.


Making a difference

We continue to develop ways to promote our reports to wider audiences and support councils to improve the quality of their approaches to public performance reporting.

We also look at wider current issues which matter most to the public.

In June 2014, our [Self-directed support \[PDF\]](#) , report focused on the new legal duty on councils to offer people choice and control over the social care they receive.

Councils spend £2.8 billion a year on social care services and although progress had been made in developing self-directed support, it was patchy across the country. We offered a series of recommendations to help councils fully implement the policy over the coming years.

In the same month we published our [School education \[PDF\]](#) , report which assessed how efficiently and effectively councils are using their resources to maximize pupils' achievement in schools. It found that performance was improving overall but there was a need to close the attainment gap between the lowest and highest performing pupils.

Councils which have made the most improvements have focused on areas such as developing leadership skills and improving teacher quality and systems for monitoring and tracking pupil data. The report stressed the need to understand how changes to education budgets could impact on efforts to raise pupil attainment and target resources effectively.

Our report made a key contribution to a wider national debate on schools and what they need to be delivering for the future.

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Best Value





The statutory duty on councils to deliver Best Value and continuous improvement in their work dates back to 2003.

We commissioned work over the last year to see how we can improve and update our approach to auditing in this area while retaining the core principles of Best Value which remain just as relevant today. We will continue this work with stakeholders to have a revised approach in place early next year.

Well-run councils have developed and embedded a culture of Best Value into the way they conduct their daily business. It is a feature of good administration irrespective of different types of political leadership.

Our work is based on annual risk assessments carried out in partnership with other scrutiny bodies.

During 2014/15, we published findings on four Controller of Audit reports on auditing Best Value:


- The first, in May 2014, highlighted significant improvements in the running of [Comhairle nan Eilean Siar \[PDF\]](#) .
- In July 2014, the Commission said [Argyll and Bute Council \[PDF\]](#)  had responded constructively to a previous critical report but much more work was required to secure the improvements needed.
- The Commission voiced its growing concern in December over the increased level of savings required by the [City of Edinburgh Council \[PDF\]](#)  to balance its books. Although the council had made some improvements and had financial plans in place, savings in some areas had been scaled back.
- Our other December report on [South Ayrshire Council \[PDF\]](#)  said it had taken prompt action to address previous weaknesses but it was too early to assess the effectiveness of improvements.


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Community Planning Partnerships



Our previous work continued with five audits on individual [Community Planning Partnerships](#)  in Orkney, Glasgow, Moray, Falkirk and West Lothian. They found a mixed picture of the impact of partnerships since their introduction more than a decade ago.

Conclusions from these audits fed into a national report, [Community planning: Turning ambition into action \[PDF\]](#) , published jointly with the Auditor General in November 2014. The report highlighted the need to turn the ambitions of community planning into action on the ground. The National Community Planning Group now needs to work with the Scottish Government and local government to see how plans might work in practice and how delivery will be measured.

The national report attracted Parliamentary interest as part of wider issues of reforming public services, including the passage of the Community Empowerment Bill. In March 2015, the Chair of the Commission and the Auditor General gave evidence to the Finance Committee in connection with service reform around preventative spending.





Scrutiny coordination



The Commission is responsible for coordinating and facilitating scrutiny in local government.

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

This year, as we continue to develop a streamlined approach, we produced [local scrutiny plans](#)  for all 32 councils. These form the basis of a [national plan](#)  showing the scrutiny required to ensure each council keeps on track and makes necessary improvements.



Working with others

The Commission works with a wide range of partners and stakeholders to help maximise the impact of our work.

Over the course of the year, we met with various councils to discuss next steps for our reports.

The Commission provided briefings to Parliamentary committees. It has also had regular informal discussions and meetings with Scottish ministers, MSPs, and key figures from local government.

We welcomed a range of guest speakers to our monthly meetings, to share ideas on policy development. Guests included the Minister for Local Government, representatives from the Improvement Service and the Society of Local Government Chief Officers, and leaders from other scrutiny, inspection and regulatory bodies.

Our [School education \[PDF\]](#)  report attracted wide public and political interest and the most downloads (nearly 8,000) from our website. The audit team made presentations and held seminars in more than half of councils across Scotland from Dumfries to Orkney. Councillors particularly welcomed the report's checklist to help them scrutinise their own education service.

The team also gave evidence to the Scottish Parliament's Education Committee and to the third sector. The team attended an Education Scotland leadership event and subsequently shared data and intelligence gathered as part of this audit.

We are looking at ways to promote our reports to wider audiences. We are also engaging with councils to assess their approaches on reporting to the public on their performance and make improvements.

We greatly appreciate the work of the Auditor General, Audit Scotland staff and other scrutiny bodies in helping us make progress throughout the year.

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Our members



Douglas Sinclair

Chair

[Register of interest](#)



Alan Campbell

[Register of interest](#)



Sandy Cumming

[Register of interest](#)



Colin Duncan

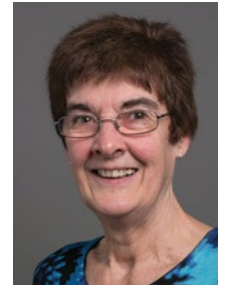
[Register of interest](#)



Ronnie Hinds

Deputy Chair

[Register of interest](#)



Christine May

[Register of interest](#)



Tim McKay

[Register of interest](#)



Stephen Moore

[Register of interest](#)



Colin Peebles

[Register of interest](#)



Linda Pollock

[Register of interest](#)



Graham Sharp

[Register of interest](#)



Pauline Weetman

[Register of interest](#)

The Accounts Commission currently has 12 members, all of whom are appointed by Scottish ministers. The Commission meets approximately monthly and its meetings are open to the public.

In September 2014, we said farewell to two members, Bill McQueen and Mike Ash, at the end of their terms of office. We welcomed new appointments – deputy chairman Ronnie Hinds and new members Stephen Moore and Tim McKay.

We established a new post of Secretary to the Commission to act as principal support and adviser to the Commission. In May 2014, we appointed Paul Reilly to the post.

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

www.audit-scotland.gov.uk 

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