

Wellbeing and Sustainable Development Bill

Submission by Audit Scotland on behalf of the Auditor General for Scotland and the Accounts Commission for Scotland

Introduction

1. Audit Scotland, the Accounts Commission and the Auditor General for Scotland welcome the opportunity to respond to this consultation.

- The Auditor General for Scotland (AGS) is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account.
- Audit Scotland is a statutory body established under the Public Finance and Accountability (Scotland) Act 2000. It is Scotland's national public sector audit agency which provides the Auditor General and the Accounts Commission with the services they need to carry out their duties.

2. This response draws upon Audit Scotland's [Planning for outcomes](#) 2019 briefing paper, findings from relevant audit work, submissions to the Scottish Parliament on the National Performance Framework, and knowledge from recent Audit Scotland activity in this area.

3. We will not comment directly on each of the questions included in the consultation document, however we set out below our views on the main areas covered by the consultation.

Wellbeing and sustainable development

4. Ultimately, public services must improve outcomes for Scottish citizens. It is critical that the Scottish Government, and public bodies are able to measure progress towards these goals. They must then report clearly and in a balanced manner to local people and communities on how they are making effective use of public money to improve outcomes. This requires a clear and shared understanding of the terms wellbeing and sustainable development that are reported to the public.

5. Consistently, our audit work shows that improving people's wellbeing relies on not one but many services working together to meet their needs. As such, it is important that any assessment of wellbeing should consider, when assessing the health of the nation, all economic, environmental, social, and cultural aspects of life in Scotland. This is not an easy task and requires close working

within and across areas of local and national government and with wider society.

6. Scotland's existing National Performance Framework (NPF) sets out to reflect this interconnectivity, and indeed the vital roles that the private sector and the third sector also play. The NPF itself aligns with United Nations sustainable development goals (SDGs).

7. The NPF's purpose is "to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth." Definitions of wellbeing and sustainable development should align with the NPF if this is to remain the framework for how progress against long-term goals is judged.

8. The National Performance Framework, including its outcomes and performance indicators will be refreshed in 2024. It will be important that the Scottish Government takes into account the implications of this refresh for the Bill. This should include consistency in defining, measuring and scrutinising wellbeing and sustainable development.

9. The consultation suggests a definition of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." We note that this is the definition given in the [Brundtland Report](#), which is now commonly used worldwide. Adopting a widely recognised definition would have the benefit of allowing international comparisons of Scotland's performance as the Brundtland definition reflects a broad existing consensus around what the term means.

10. Trade-offs are an inevitable part of decision making in government, and this will be important in applying this definition. A frequently cited example is the tension between building infrastructure for the future economy and securing environmental sustainability. If public bodies are to be judged on sustainable development, this must balance the sometimes-competing objectives of different national outcomes.

Challenges

11. While the ambitions of the NPF are widely commended, our audit work has previously reported that there is a major implementation gap between policy ambition towards outcomes and its delivery in practice. New legislation alone will not be sufficient to address this. It requires a change in culture across the public sector towards long-term goals, supported by better long-term planning, better data collection, clearer reporting and enhanced accountability arrangements.

12. In the Auditor General's report on the [2022/23 audit of the Scottish Government Consolidated Accounts](#), he set out that the Scottish Government's approach to public performance reporting needs to improve. We are concerned by the number of indicators not being reported five years after the first National Outcomes were agreed. It is difficult to assess how outcomes are used in practice in terms of the Scottish Government's decision making and accountability for delivery.

13. Ten years on from the publication of the [Christie report](#), the Auditor General expressed doubts about whether public sector leaders felt genuinely accountable for delivering change that demands different organisations to work together. It is not clear that the objectives of wellbeing and sustainable development envisaged within the Bill are currently being met through existing arrangements. Improvement against these objectives should be a principal driver for public service reform. The operation of any future arrangements for wellbeing and sustainable development must therefore be clear on what will work differently in the future, what reasonable onus can and should be placed upon public sector leaders to achieve this, and how scrutiny arrangements hold leaders collectively accountable for improving wellbeing outcomes.

14. The [Scottish Leaders Forum](#) has reported on the barriers to delivering an effective system of accountability against the NPF, and potential solutions to enabling leaders to affect change. It categorised the barriers as:

- **Behavioural** – the need to embed outcomes and wellbeing into the day-to-day thinking and actions of most public service leaders
- **Structural** – the current system of accountability does little to incentivise cross-organisational working or to hold individuals responsible for their organisation’s contribution to the delivery of national outcomes
- **Procedural** - current procedures (such as budgeting processes, audit processes etc) do not make significant use of the NPF
- **Political** - the NPF is not routinely embedded in political scrutiny such as the work of parliamentary and council committees.

15. Holding public bodies accountable for wellbeing and sustainable development more directly would help overcome some of the structural and procedural challenges to delivering more outcome-based public services which we have previously identified through our audit work. This would require better and clearer alignment of the activities of government, spending intentions and monitoring and reporting arrangements as set out in our Planning for Outcomes paper. The Bill on its own will not address behavioural barriers, however increased political and organisational scrutiny against the requirements of the Bill may well encourage leaders to work more closely towards shared goals.

Strengthening arrangements

16. Holding public sector leaders and their boards accountable for delivering their own organisations’ objectives remains important. However, this must sit alongside clear accountability for long-term and shared objectives. Without this, there remains a risk that leaders will prioritise their individual organisation’s performance within their organisational boundaries over any shared wellbeing objectives.

17. Processes for measuring success must reflect the shared contributions that public sector services and interventions make together. In some sense, this is at odds with more traditional methods of planning, measuring, reporting and scrutinising performance in public organisations. The Scottish Government’s and public bodies’ processes and scrutiny will need to evolve and mature to

better reflect the shared leadership behaviours it wishes to encourage. This will help ensure that leaders feel the rewards of closer working, with scrutiny arrangements focusing on wellbeing as a collective endeavour, and an important part of judging an individual organisation's performance.

18. In Audit Scotland's [Planning for outcomes](#) 2019 briefing paper, we set out the characteristics that support the joined-up working that is required. These include:

- Encouraging collaborative leadership and activity between public bodies
- Agreeing shared governance and accountability arrangements
- Integrating financial planning
- A willingness to share performance information and other data.

19. Similar expectations placed on public bodies are also set out by the Welsh Government in its [guidance](#) on implementing the sustainable development principle of its Well-being of Future Generations (Wales) Act 2015.

20. Underpinning all decisions geared towards making long-term improvements in wellbeing are the finances required to deliver them. Policies and strategies to address outcomes, such as tackling poverty, require sustained focus over several years.

21. Currently, it is not clear how budgeted spending which is working towards shared wellbeing outcomes fits together. Budget documentation could be much clearer about the cumulative effects of spending across public bodies and taxation policies. It should also be clearer how medium- and long-term plans towards outcomes, flow through into the Scottish Government's medium-term financial strategy, and how these are then reflected in annual budgets. This will enable any new legislation or otherwise in this area to be clearly reflected in public finances.

22. Levels of finances available over the medium to long term are uncertain, and medium and long-term financial planning will need to consider and describe any risks over this period. Making the direct link between potential spending and tax changes and the associated outcomes that the spending intends to achieve is important to maintaining accountability for the performance of services towards these goals.

23. Publishing multi-year budgets were a recommendation in the 2017 [Budget Process Review Group Final Report](#). The Scottish Government is yet to produce multi-year budgets, despite statements that it would do so alongside the 2024/25 budget. Understanding the scale of future spending, even if this is uncertain and prone to change, is essential to enable public sector leaders to better plan how funds can be used most effectively between years, and where the challenges ahead, which require close joint working, may arise.

24. The budgets of the Scottish Government, and public bodies should more clearly set out the intended expectations of government interventions. Ideally, decisions on the allocation of resources between and with elements of the public sector should be visibly informed by the anticipated impact of planned

expenditure on outcomes, wellbeing and sustainability. The results of spending, in performance and financial reporting must also judge front-and-centre the progress or otherwise towards improved wellbeing goals.

25. Public bodies in Scotland must report clearly and consistently on their own performance against outcomes, some of which are specific to them, others of which are shared. Currently, the quality of outcomes reporting in public bodies varies. To date, there has been limited and insufficient reporting by the Scottish Government of whether outcome objectives are being collectively achieved. There remains a convening role for the Scottish Government in collating and describing the impact of the joint efforts of public bodies in Scotland, and the overall picture of improved wellbeing.

26. Any duties brought about by the Bill must therefore apply equally to all public bodies, including the Scottish Government itself and Community Planning Partnerships. This is important in ensuring that the responsibility towards long-term wellbeing improvements is felt and shared by all.

27. The Verity House agreement, and the proposed new accountability and assurance framework, provide an opportunity to better align its shared priorities, the National Performance Framework outcomes and any future plans on strengthening wellbeing and sustainable development arrangements.

Scrutiny

28. All of the above would also help to improve scrutiny of public bodies across Scotland. It would allow more consistent and thorough challenge of not just how the individual organisation is performing, but also how its activities and spending contribute towards shared goals.

29. If a Future Generations Commissioner is established to marshal wellbeing arrangements, the Scottish Government should also be clear about the costs involved, and that the expected benefits gained can justify them. This is particularly important in current times, where the financial sustainability of public finances is under strain. It may be possible to achieve the ambitions of the Bill through other means, including realigned governance and accountability arrangements, and better scrutiny. Currently it is not clear what the relative costs and benefits of the various options are.

30. Alongside the costs potentially incurred by public bodies, and the costs of a new commissioner's office, the Scottish Government should consider any additional costs of scrutiny and audit. Our existing responsibilities, such as our Best Value audit programme and our programme of performance audits, already consider and report upon performance against outcomes in public bodies. Any additional requirements to provide assurance over the operation of new systems will carry further costs, or risk diluting or reducing the extent of our current audit work. Without such consideration, there is a risk that requirements placed on the audit process would restrict the scope of the existing audit work.

31. We have an important scrutiny role, and we continue to develop our approach to auditing outcomes and sustainable development further. We are in discussions through the Strategic Public Sector Scrutiny Network to investigate how our activities can better align with scrutiny of national outcomes. An objective of our considerations will be how we can effectively hold public

leaders responsible and accountable for activities that rely upon the cumulative impact of their efforts.

32. There is a risk - whether perceived or otherwise – that implementing further structures and duties will create additional bureaucracy, without lessening any of the existing obligations already placed on public bodies. However, the Scottish Government proceeds, it will need to work closely with its public bodies to understand the capacity implications of new arrangements, and the extent to which this affects the feasibility of any new processes and reporting arrangements.

33. While Audit Scotland will continue to provide assurance and scrutiny of how the Scottish Government and public bodies operate, policy decisions, such as those set out in this Bill, rightly sit with elected councillors and MSPs. Existing audit work is likely to cover elements of the wellbeing requirements outlined, however we would need to carefully consider how to reflect any new requirements placed on local government and public bodies as a result of this Bill.